

**VALE OF WHITE HORSE  
DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS**

**2016/17**

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Vale of White Horse District Council  
 135 Eastern Avenue  
 Milton Park  
 Milton  
 Abingdon  
 Oxfordshire  
 OX14 4SB

# Narrative statement

## Introduction

This narrative statement provides a commentary on the council's performance during 2016/17. It is a guide to the council's performance against key targets, the most significant matters reported in the accounts, an explanation in overall terms of the council's financial position at the end of the financial year and a commentary on the council's future prospects. The statement does not form part of the financial statements.

To assist the reader, a glossary of financial terms is provided on pages 83 to 89.

## The council's accounts

The council's Statement of Accounts (SoA) shows the financial results of the council's activities for the year ended 31 March 2017, and summarises the overall financial position of the council as at 31 March 2017. It is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on local authority accounting in the United Kingdom ("the code"). The accounts have been compiled under International Financial Reporting Standards (IFRS).

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

## Introduction to Vale of White Horse district

Vale of White Horse is the 10th most rural district in the south east region. Around 41 per cent of the population live in rural areas, outside the main towns of Abingdon, Wantage and Grove, and the Oxford belt.<sup>1</sup> Population in mid-2015 was 126,700; of these 25,000 (20 per cent) were aged 65 or over, and 3,500 (3 per cent) were aged 85 or over.<sup>2</sup>

In 2030, the population is set to increase by 11 per cent to 140,100<sup>3</sup> (an extra 13,400 people). It is expected that there will be 34,700 people aged 65+, comprising 25 per cent of the population. There are also projected to be 6,200 people aged 85+ (4 per cent of the population); this growth in the very old (+182 per cent) is higher than the England growth (+169 per cent).

Between 2001 and 2011 the total number of households in Vale of White Horse increased by 3,600 (+8 per cent). As of 2011, there were 49,400 occupied households in Vale of White Horse, 72 per cent of which were owned in full or with a mortgage. The majority of this growth was in private rented households which increases reliance on the private rented sector.<sup>4</sup>

Employment is high: of the resident population aged 16+, only 0.6 per cent claim out of work benefits, compared with 1.9 per cent across England.<sup>5</sup>

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<sup>1</sup> For this statistic, the following wards have been counted as "Urban": Abingdon Abbey Northcourt, Abingdon Caldecott, Abingdon Dunmore, Abingdon Fitzharris, Abingdon Peachcroft, Botley & Sunningwell, Faringdon, Grove North, Kennington & Radley, Wantage & Grove Brook, Wantage Charlton. All others have been counted as "Rural".

<sup>2</sup> 2015-based mid-year population estimates

<sup>3</sup> 2014-based subnational population projections

<sup>4</sup> Census 2011

<sup>5</sup> Data for March 2017 extracted from Nomis 'Claimant Count' series on 18/04/17. \*Not\* seasonally adjusted.

Whilst the district is generally affluent, this brings its challenges. In 2016 the cheapest (lowest quartile) market housing in Vale of White Horse was 10.08 times a lowest quartile salary, and the Vale of White Horse ratio of lowest quartile house prices to lowest quartile earnings remains above the England average of 7.72.<sup>6</sup> This means that many people can't afford to buy, and many young people need to move out of district.

## **Key challenges**

Our key challenges are:

- the growing/ageing population
- increasing housing to meet identified need
- increasing prosperity and supporting business to grow
- providing the infrastructure to support growth
- protecting the natural environment

## **How performance is measured**

The council's activities are guided by our four-year corporate plan, and by fulfilling our statutory responsibilities. Some of the key performance indicators are measured via the monthly board report, which is reported to the council's senior management board and cabinet; and an annual benchmarking report, which compares our performance to the other 200 'non-metropolitan' English district councils. Many of our services are provided through contractors, and the performance of our six major contractors is monitored through an annual review and report to the council's scrutiny committee. Customer satisfaction is measured through a biennial face to face survey of residents; this includes satisfaction with services and with the council generally.

## **Our corporate priorities**

The council's corporate plan 2016 – 2020 contains our strategic objectives and corporate priorities for the period, our focus is:

- Housing and infrastructure
- Sustainable communities and wellbeing
- Building an even stronger economy
- Running an efficient council

## **HOUSING AND INFRASTRUCTURE**

Our challenge is to deliver significant numbers of new homes. We aim to deliver the right balance of type and tenure of housing to meet housing needs, including starter and low cost homes; and to promote good quality design. We are supporting communities to take control of development in their areas through Neighbourhood Plans. Contributions from new development and enterprise zones will be directed towards necessary infrastructure including work to reduce flooding. We will continue work to reduce Homelessness.

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<sup>6</sup> Housing Affordability data for 2016 from ONS:

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearninglowerquartileandmedian>

## Planning

In planning we receive around 2,700 applications per year. Planning performance is measured through the board report in relation to speed of planning application determination and action on enforcement cases. We monitor the quality of decisions through the number of planning appeals allowed.

Our performance on minor and major applications is above the national targets of 65 and 60 per cent respectively; at the end of 2016/17 we were achieving 86 per cent within eight weeks (minors), and 88 per cent within target time (majors). Other applications were 14 per cent above the national target at 94 per cent at end March 2017.

To support the growth in housing and employment, we have secured section 106 (S106) contributions towards infrastructure from new development through S106 (legal) agreements. During the financial year 2016/17 a total of £24.2 million (county and district contributions) was secured in S106 agreements from new development. A total of £1.6 million was allocated to projects during the 2016/17 financial year, including sums for other council services such as waste collections and street naming. These funds were spent from obligations secured across several financial years. Community Infrastructure Levy schedule has been considered by an independent examiner and we are waiting for the final report.

At the end of 2015/16, nationally published figures put us 72<sup>nd</sup> out of all district councils on major applications, 104<sup>th</sup> on minors and 55<sup>th</sup> on other applications.<sup>7</sup>

We adopted our Local Plan Part 1 in December 2016 and have consulted on our Part 2 Plan, which deals with Oxford City's unmet housing need. The adopted Local Plan allocates around 20,500 new homes and 23,000 new jobs up to 2032.

For 2016/17 the council received £3.9 million of New Homes Bonus. For 2017/18 we expect to receive over £4.1 million.

## Meeting housing need

Because of high demand for housing, the attractive and accessible nature of the district and high house prices, our key challenge on housing is to ensure that we facilitate the delivery of new housing and achieve an appropriate mix of housing to meet local need.

During the year 866 new homes have been built in the district, compared to 1,061 in 2015/16 and 724 in 2014/15; completion of affordable homes is up from 252 in 2014/15, 329 in 2015/16 and 336 in 2016/17<sup>8</sup> (see graphs 1 and 2 below). At March 2016 we were 15<sup>th</sup> compared to all district councils for affordable homes built.

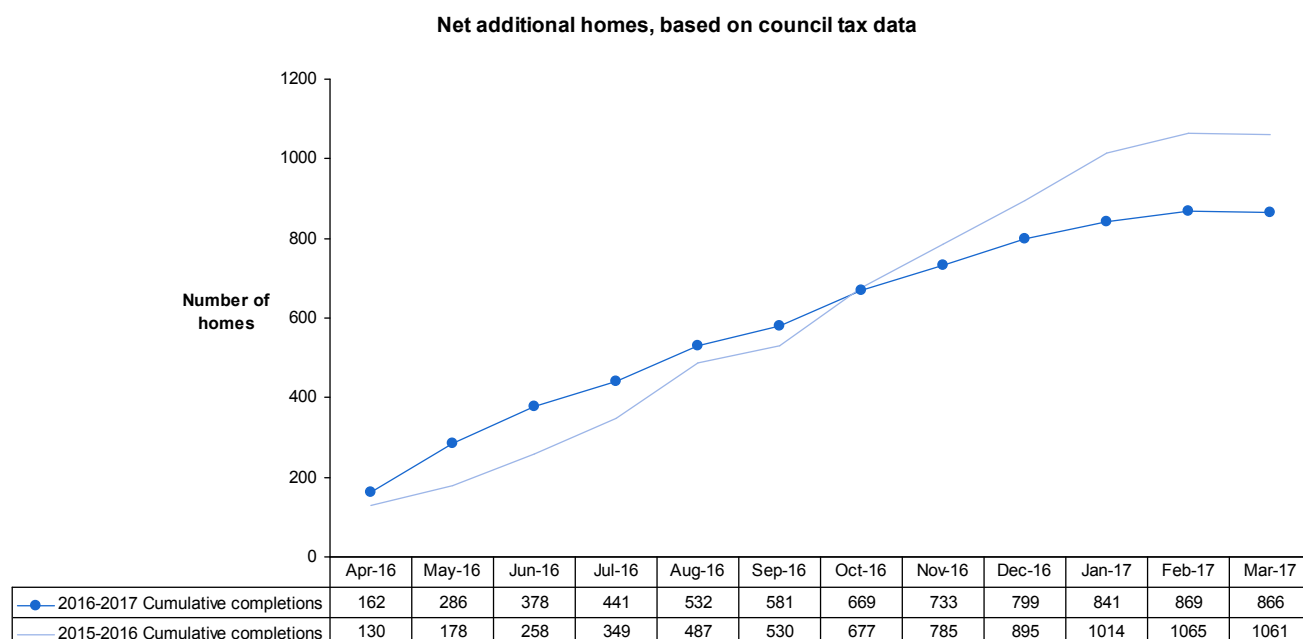
The Government require us to have at least five years housing land supply for development and we have 6.8 years supply across our district.

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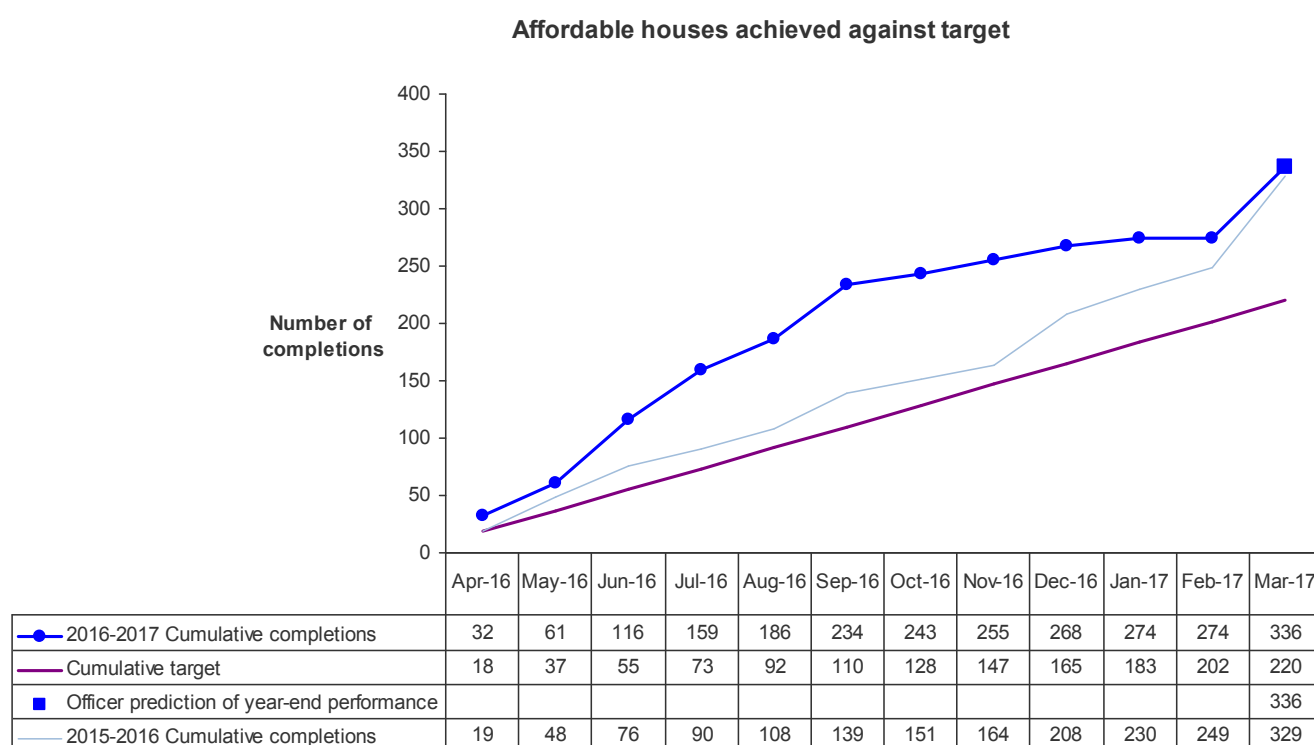
<sup>7</sup> Source: Government website

<sup>8</sup> This graph measures the number of net additional homes using data from the Council Tax database. Specifically, the figure used is 'Total number of dwellings on the Valuation List'

## Graph 1 - Net additional homes 2016/17



## Graph 2 - Affordable homes built 2015/16



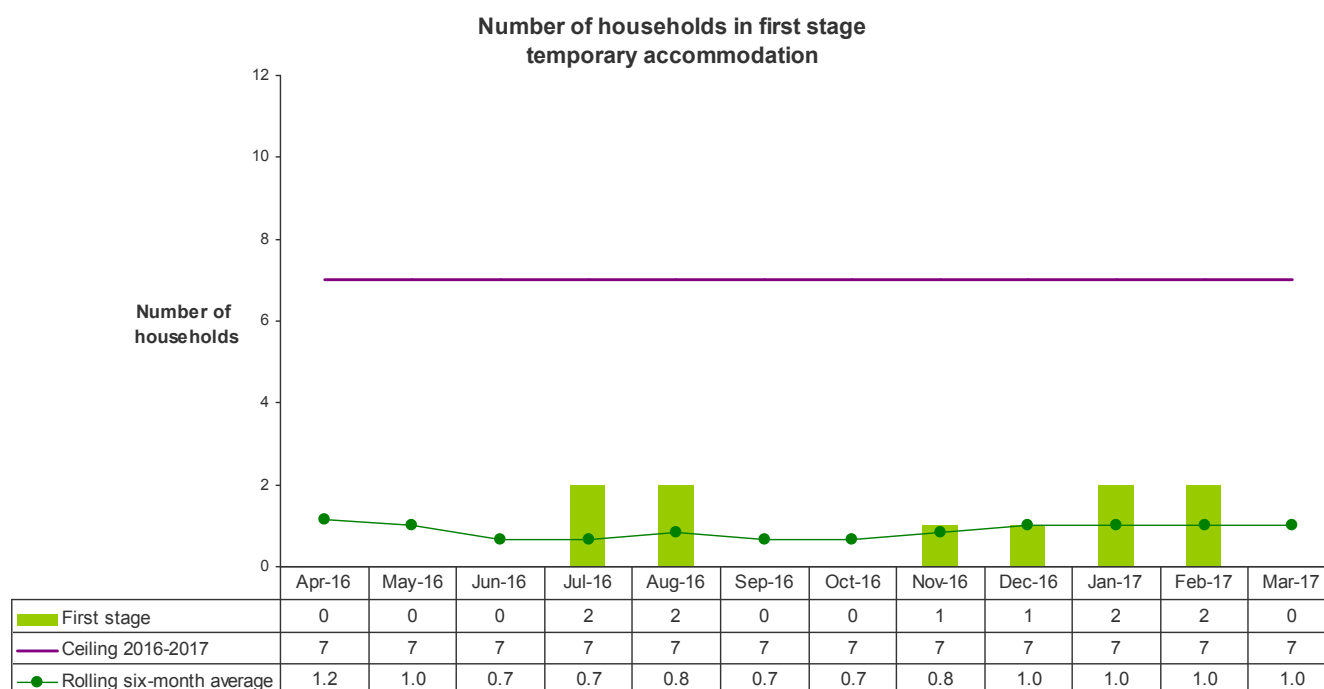
The number of households at risk of homelessness approaching the council for assistance continues to rise year on year. We have increased our work on homelessness to a record 559 successful homelessness preventions in 2016/17, compared to 460 in 2015/16. The number of new homeless cases continues to rise nationally but is falling in Vale of White Horse.

We have done this by proactively engaging with customers at the earliest point and through positive partnerships with other agencies. These include Citizen Advice Bureau, Connection Floating Support and Wantage Independent Advice Centre who provide debt and welfare advice to enable customers to remain in their own homes. We have also introduced Enhanced Housing Options – an online assessment tool to help customers address their housing issues.

Our White Horse Lettings team is dedicated to helping low income families remain in the local area through affordable rents with a private landlord. We currently support approximately 135 tenancies in the Vale.

As of 31 March 2017 we had zero households in emergency temporary accommodation. The rolling six month average of households stay in emergency temporary accommodation was just 15 days compared to a ceiling target of 42 days. (see graph below). The number of households in temporary accommodation rose by only one household in the Vale across the year, despite numbers rising 11 per cent nationally.

**Graph 3 - Number of households in temporary accommodation**



## Benefits

We monitor both time to determine and accuracy. Average time to determine claims at end 2016/17 was 5.95 days compared to 4.71 in 2015/16, and accuracy is 95.77 per cent. At end March 2016 we were 10<sup>th</sup> for benefit determinations compared to all district councils<sup>9</sup>.

<sup>9</sup> DWP figures, not comparable with board report figures

## **SUSTAINABLE COMMUNITIES AND WELLBEING**

Building sustainable communities means allowing towns and parishes to take control over their own development and to work to improve their area; it means residents have access to facilities and services to help them get active, be safe and enjoy a clean and healthy environment.

### **Grants**

A fundamental part of our strategy to support communities to do things for themselves and create sustainable communities into the future, is our grant schemes.

During the year we awarded £0.1 million in capital funding towards 19 different projects in communities; examples range from an extension to the Matrix Arts Centre in Sutton Courtenay to new speakers in a community hall. We provided revenue funding to seven local voluntary organisations, totalling £0.2 million, including Community First Oxfordshire for support to rural communities and Wantage Independent Advice Centre. In addition, we funded £0.1 million to 12 projects from our New Homes Bonus grant budget, and our festivals grants scheme provided £14,000 to 25 communities to help with the costs of local events.

### **Neighbourhood planning**

We are keen to encourage communities to manage development in their local area through Neighbourhood Plans and we provide support to communities to do so. The district had some of the first Neighbourhood Plans in the country, and the numbers are increasing steadily, with five parishes who currently have an agreed plan, and a further 15 working towards it.

### **Waste and recycling**

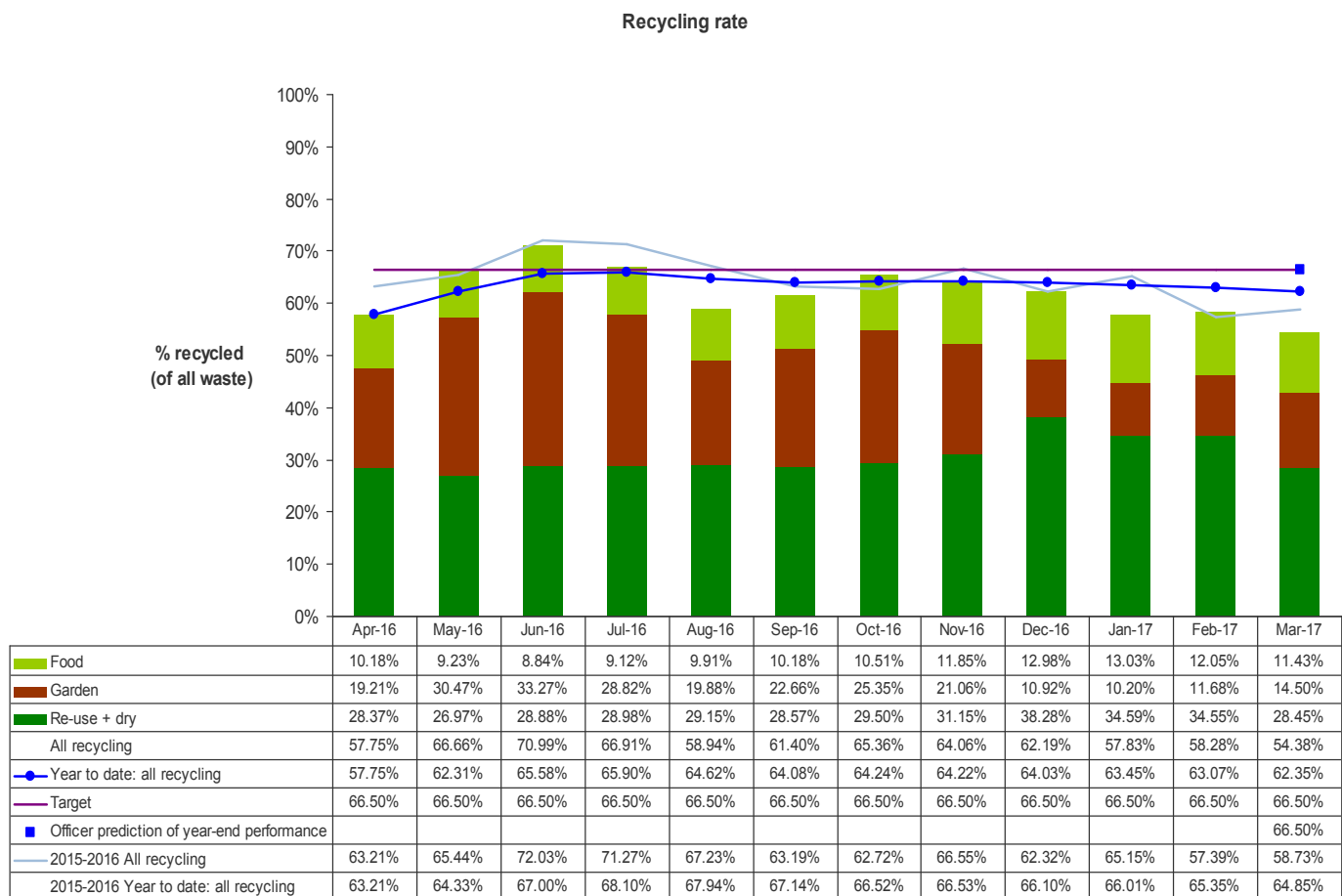
The council is proud of its record on waste and recycling; we have achieved efficiencies in our contract and maintained consistently high levels of recycling and customer satisfaction with the service provided. Recycling rates are high and we have been in the top five in the country for recycling for several years, with the top spot in 2011/12. During 2016/17 we have achieved a recycling rate of 62.35 per cent compared to 64.8 per cent (DEFRA's official figures) in 2015/16. There has been a very successful campaign to reduce the amount of contamination in the recycling bins, this resulted in a reduction in the level of contamination from 12 per cent down to six per cent.

In year we measure performance through our board report which uses our own figures, not yet verified by DEFRA. Graph 4 below shows our performance in the past year. This also shows the breakdown of recycling by type.

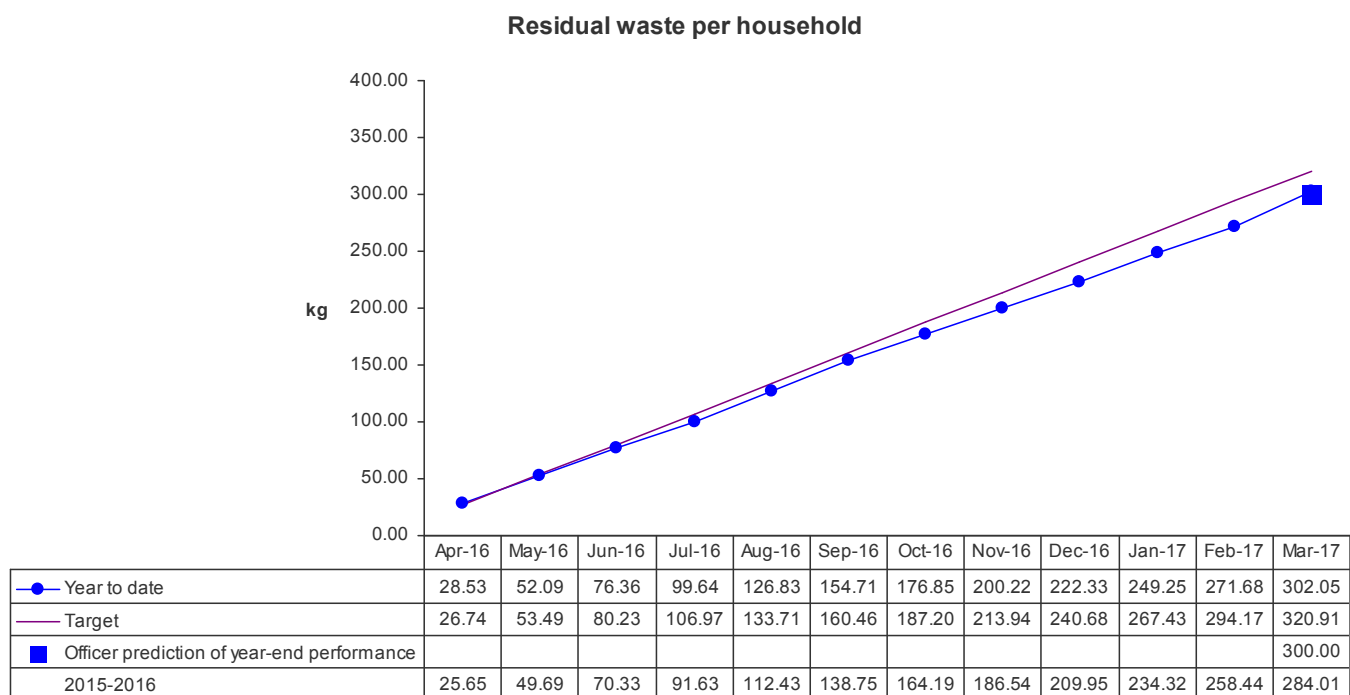
Alongside this our residual waste has gone up to 302 kgs per household from 284 kgs in 2015/16.



## Graph 4 – Recycling rate 2016/17



## Graph 5 – Residual waste 2016/17



Latest figures for recycling credits show we received £0.7 million for dry recycling and £0.1 million for green (garden waste) recycling in 2015/16. For 2016/17 the dry recycling credits are £0.6 million. The green (garden waste) recycling credits stopped at the end of 2015/16 and therefore we have received no income in 2016/17.

Customer satisfaction with our waste collection service is high, at 87 per cent.

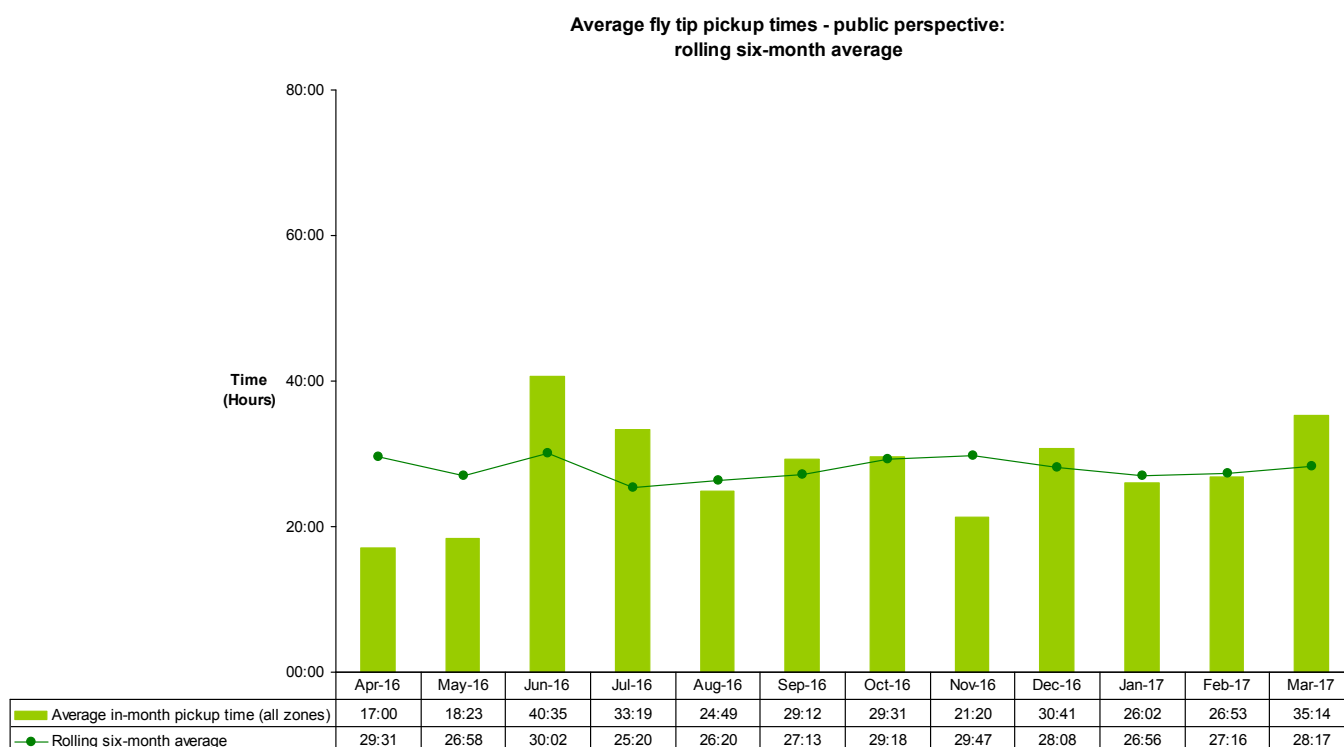
## Cleanliness

We know that cleanliness of the area is high on residents' list of things they want us to focus on, and have made this a priority. This year we have invested £60,000 towards a deep clean for every parish, which has been very popular. We have good levels of resident satisfaction with cleanliness, at 70 per cent.

## Fly tipping

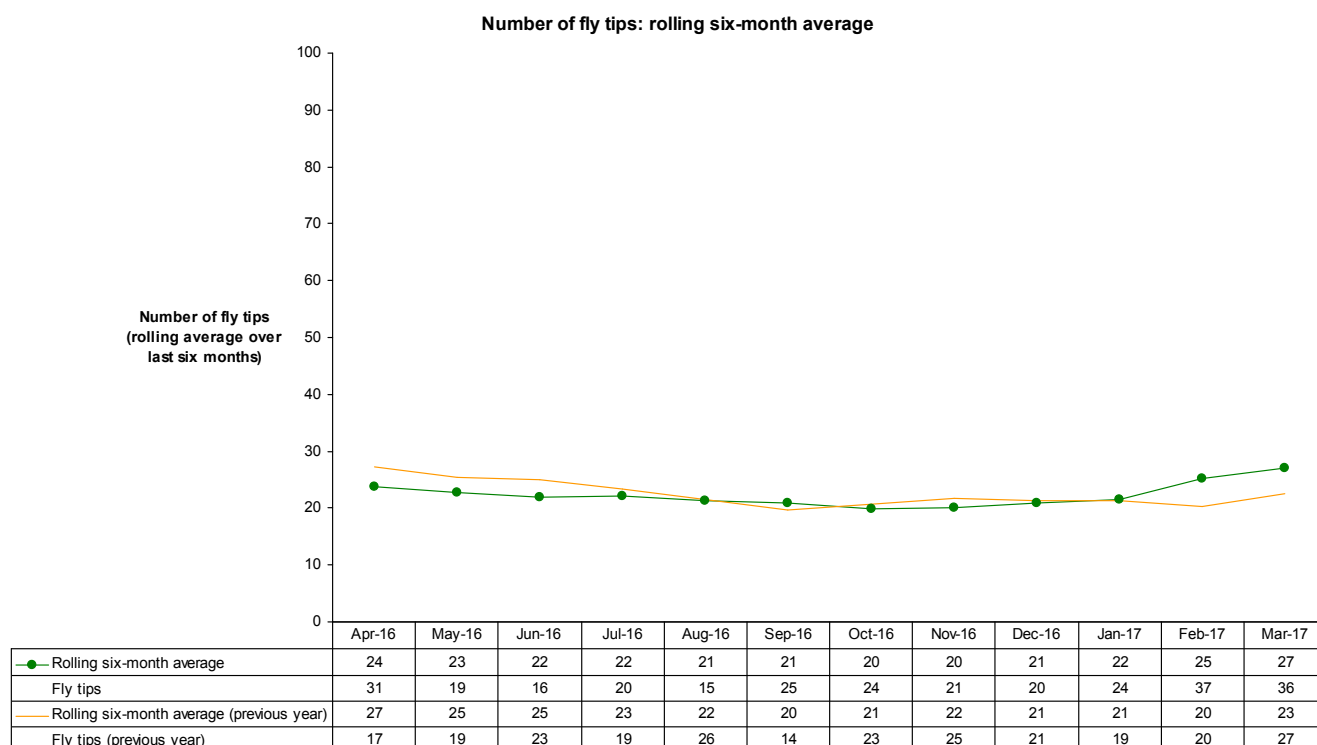
The council's action to tackle fly tipping aims to achieve two things: investigation and enforcement action against those who commit it, with the long term aim of reducing the amount of fly tipping that occurs; and to clear it as quickly as possible where it does happen. Through our board report we monitor both of these; performance in 2016/17 is shown in the graphs below. Average time to clear fly tips has increased from 23:54 hours in March 2016 to 28.17 hours in March 2017. The average number of fly tips has increased slightly from 23 to 27<sup>10</sup>.

**Graph 6 - Fly tipping clearance time**



<sup>10</sup> Rolling six month average

## Graph 7 - Number of fly tips



## Leisure

Our key aim is to increase participation in sport and physical activity to improve health and wellbeing of residents. The new Active Lives survey has shown that 70.4 per cent of people in Vale are active doing over 150 minutes moderate intensity exercise a week. 14 per cent are inactive compared to a national average of 25.6 per cent.

The funding received in previous years continues to support our external projects, GO Active and Active Women projects. For this year we brought in £52,000 in external funding for GO Active Gold and Active Women and a further £10,000 for Sportivate, a project getting 14-25 year olds active.

We are very aware that development in the district needs to be matched by new facilities to meet a growing need. The council has allocated £12 million for a new leisure centre in Grove/Wantage and is currently planning for leisure needs into the longer term.

Other investment in the year has included £1.7 million for increased gym and creche facility at the White Horse leisure Centre, and a further £0.8 million to replace Gym equipment and air handling units, changes to pool and changing facilities and new air conditioning. We have also invested an additional £0.1 million for improvements at Wantage and Faringdon centres.

70 per cent of service users are satisfied with our sport and leisure services.

## BUILDING AN EVEN STRONGER ECONOMY

We are committed to supporting local business and to creating the conditions to maximise growth and inward investment; much of this work is focussed on our two enterprise zones and work with SMEs. We realise that employers need infrastructure for growth, including excellent

communications; and employees with the skills to meet their needs. Alongside this we continue to support our market towns.

## **Strategic growth**

Supporting business growth in appropriate locations across the district, whilst protecting the character of our towns and villages is a key challenge for us. Didcot and the Science Vale area (including part of neighbouring South Oxfordshire District) are the focus for a significant amount of housing and business growth as we work to attract hi tech and design-based business into the area, and to support our small and medium sized enterprises (SME's) to grow.

We have developed a Business and Innovation Strategy to understand the needs and priorities of SME businesses in order to be able to support them to grow. We are also promoting the benefit of apprenticeships to local businesses.

We have continued to support the roll out of superfast broadband across the district, with over 96 per cent of the district now able to access superfast broadband.

## **Enterprise Zone**

Our first enterprise zone, EZ1 covering Milton Park and Harwell is performing strongly. EZ1 has generated retained business rates of nearly £2 million since 2013/14. Our second enterprise zone, EZ2 covering a number of sites across Didcot, greater Milton Park and including the Didcot power station site, has been in place since 2015 and is seeing some early wins in terms of inward investment and some large businesses moving in.

The main focus for job creation is our enterprise zones. EZ1 has seen a 54 per cent increase in jobs, with Milton Park increasing by 62 per cent.

## **Support for market towns**

Along with our outstanding countryside, our historic markets towns of Abingdon, Faringdon and Wantage are much of what draws visitors to our district and we aim to make them vibrant and interesting places to live, work and visit. The council has funded market town co-ordinator posts in Faringdon and Wantage (total of £40,000 per annum); and supported the operation of the Abingdon Business Improvement District (ongoing costs of £13,000 per annum). We are also supporting the delivery of free public WiFi schemes in Botley, Faringdon and Wantage.

Elsewhere we have progressed the proposed sale of council-owned land to enable the redevelopment of the West Way shopping centre area in Botley.

Overall vacancy levels in the towns are at seven per cent, below the national average of 11 per cent.

## **Visitor economy**

We continue to promote the district to visitors via [www.southernoxfordshire.com](http://www.southernoxfordshire.com) and we are working with hotel operators and developers to encourage new hotel development in the district.

## RUNNING AN EFFICIENT COUNCIL

Part of our philosophy, and one of our corporate priorities is to keep our share of council tax low whilst continuing to deliver high quality services. Over a number of years the council has made significant savings through joint working, especially with our close partner South Oxfordshire District Council with whom we have saved costs on staffing, contracts and office accommodation.

The last 18 months has seen progress on our latest joint working, two joint contracts with South Oxfordshire, Hart, Havant and Mendip district councils to outsource a number of council services, including HR, IT and accountancy, facilities management, property, licensing, and land charges. This work reached a key stage in August 2016 with this council and South Oxfordshire District Council being the first in the partnership to 'go live'. This outsourcing is expected to realise ongoing savings.

We have also submitted a proposal to government for a new Unitary council in Oxfordshire, which if approved would achieve further significant savings.

This type of innovative joint working, along with sound financial management has helped to keep costs down and meant that we are able to keep the cost of council tax to our residents low.

Through our board report we measure a number of key income streams, to ensure that we are both maximising income and understanding early where external factors might impact on budgets. During 2016/17:

- Planning income totalled £1.8 million against a budget of £1.6 million, this compared to income of £1.5 million in 2015/16.
- Land charges income totalled £0.2 million compared to £0.3 million in the previous year.
- Car parking income was £0.5 million compared to £0.4 million last year.
- At year end, sundry debtors more than 30 days were £151,000 compared to £429,000 last year.
- The New Homes Bonus paid to the council for 2016/17 was £4.1 million, compared to a national average of £2.1 million, putting us 12th out of all 201 non-metropolitan district councils.
- Our Council Tax collection rate of 98.71 per cent, put us 33rd when ranked against all district councils at end March 2016.

Staff sickness absence is 8.69 per FTE at end March, compared to 8.1 for English district councils in 2015/16<sup>11</sup>

Chart 1 below demonstrates that residents are recognising that we are a council that provides good value for money for them.

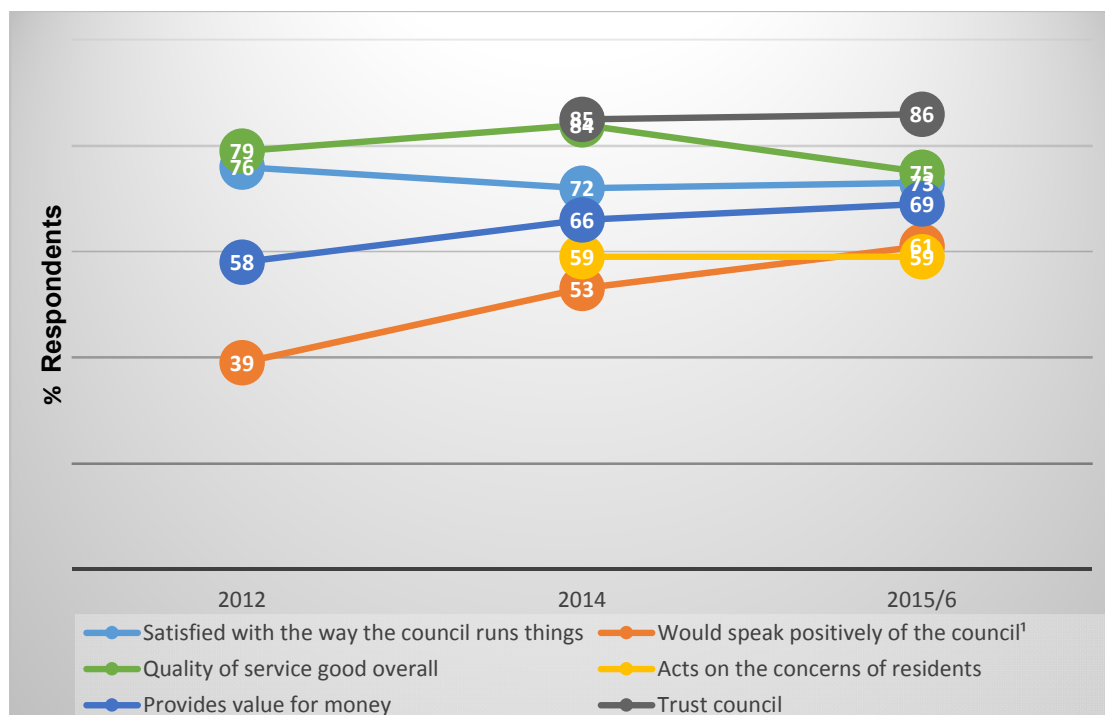
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<sup>11</sup> Source LG Inform, latest available figures

## Resident satisfaction

Chart 1 below shows how attitudes towards the council have changed over recent years. Most showed an increase in the 2015/16 survey and an upward direction of travel over the longer term; with significant increases in relation to satisfaction with value for money and numbers who would speak positively about the council. 73 per cent of our residents are happy with the way the council runs things – a slight increase since the last survey. 86 per cent say they trust the council.

**Chart 1 – Attitudes towards the Council**



<sup>1</sup> question previously worded 'would speak highly'

76 per cent of residents said that they felt informed about the council and its services.

One area where the council is seeking to do more is on responsiveness, with a drop in those who felt they were able to influence decisions. However, 59 per cent of residents agreed that the council acts on the concerns of residents, the same proportion as in 2014.

The next survey will take place in 2017/18.

## Financial performance 2016/17

The paragraphs below show the council's financial performance for 2016/17 in the following areas:

- revenue expenditure
- capital expenditure
- treasury management activities.

It also discusses the Comprehensive Income and Expenditure Statement (CIES) for the year and its balance sheet at the end of the year.

## Revenue outturn 2016/17

The council's funding requirement for 2016/17, including parish precepts, was £12.3 million, after accounting for the use of reserves and investment income. Net revenue spend for the year was £1.8 million below budget as shown in the table below, analysed across the council's service areas.

<b>Service expenditure</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
Client team – 5 Councils Partnership	1,719	1,705	(14)
Corporate strategy	5,149	4,906	(243)
Development and housing	1,872	714	(1,158)
Economy, leisure and property	49	50	1
Finance	356	468	112
HR, IT and technical services	1,072	1,035	(37)
Legal and democratic services	1,344	1,421	77
Planning	1,231	960	(271)
Strategic management board	442	377	(65)
Contingency	(22)	0	22
<b>Direct service expenditure</b>	<b>13,212</b>	<b>11,636</b>	<b>(1,576)</b>
Interest	(411)	(582)	(171)
Government grant income	(3,929)	(3,934)	(5)
Transfer to/from reserves	46	46	0
<b>Net revenue spend</b>	<b>8,918</b>	<b>7,166</b>	<b>(1,752)</b>
Transfer of surplus to reserves:			
Net revenue spend	0	1,752	1,752
Retained business rates	0	572	572
<b>Budget requirement set by council</b>	<b>8,918</b>	<b>9,490</b>	<b>572</b>
Parish precepts	3,361	3,361	0
<b>Total funding requirement</b>	<b>12,279</b>	<b>12,851</b>	<b>572</b>
Revenue Support Grant (RSG)	(1,082)	(1,133)	(51)
Council tax income	(9,191)	(9,282)	(91)
Retained business rates	(2,006)	(2,436)	(430)
<b>Total funding</b>	<b>(12,279)</b>	<b>(12,851)</b>	<b>572</b>

Of the £1.8 million net revenue underspend above, £0.9 million represents slippage in one-off budgets that have been agreed as a budget carry forward to 2017/18. This includes £0.5 million of carry forwards in Development and Housing for development activity in respect of Science Vale, and £0.1 million in Corporate Strategy in respect of Wessex Leisure Centre feasibility studies. In addition, over £0.5 million of unbudgeted government grant income was received in Development and Housing for Didcot Garden Town.

In Planning, both Development Management and Building Control saw income exceed budget which, together with staff vacancies, led to an underspend of over £0.3 million.

## Capital outturn 2016/17

Capital expenditure totalled £5.0 million in 2016/17 and spend for the year was £1.9 million below the working budget. Material capital expenditure projects include

- leisure facilities – £2.3 million
- disabled facilities grants - £1.2 million

The main source of funding for the programme was the council's own reserves of capital receipts (money we have set aside from the sale of assets), with the balance made up by government grants and other contributions.

Further details on both revenue and capital expenditure for 2016/17 are provided in an outturn report to scrutiny committee considered at its meeting in September 2017, which includes an analysis of the underspend.

### **Treasury management 2016/17**

In accordance with the Treasury Management Strategy, by actively managing its investments, the council earned interest and investment income of £0.6 million against a budget of £0.4 million. In accordance with the council's Medium Term Financial Plan (MTFP) income from interest on investments is applied in year to support the revenue account.

Further details on treasury management for 2016/17 are provided in an outturn report to be considered by the Joint Audit and Governance Committee at its meeting in September 2017 and to Cabinet and Council in October 2017.

### **Comprehensive Income and Expenditure Statement (CIES) 2016/17**

The CIES presents the council's income and expenditure for the year based on accounting standards, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations but this may be different to the accounting cost. These adjustments are detailed in notes 2 to 4. After the total financing from government grants and local taxpayers of £16.9 million, the council's deficit on provision of services was £2.3 million.

This deficit is then adjusted further to produce the total comprehensive income and expenditure figure for the year which is a deficit of £8.4 million. This figure corresponds to the total movement on the balance sheet for the year.

### **Balance sheet**

The reported net worth of the council decreased from £47.7 million to £39.3 million at 31 March 2017, a decrease of £8.4 million.

This movement, which is also detailed in the Movement in Reserves Statement (MiRS), is principally the result of an increase in the estimated long term pension's liability of £7.6 due primarily to changes to actuarial assumptions.

At the balance sheet date the council had usable reserves of £27.1 million, made up of £16.5 million general fund balance (including earmarked reserves), £2.7 million in capital receipts and £7.9 million in unapplied capital grants.

### **Material events after the balance sheet date**

There are no material events after the balance sheet date.



## Collection fund

The collection fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from local taxpayers of Council Tax and Non Domestic Rates (NDR) and its distribution to precepting bodies. For the council, the major council tax precepting bodies are Oxfordshire County Council and the Police and Crime Commissioner for Thames Valley.

On council tax, income of £82.2 million was received and £81.4 million was paid out in precepts and demands. After taking the provision for bad debts and balance brought forward into account, the surplus on the council tax collection fund balance at the end of the year was £3.2 million. This will be re-distributed to all major precepting authorities.

On NDR, £57.2 million was received and £53.5 million was paid out to the council, central government and Oxfordshire County Council (OCC). After taking the balance brought forward, provision for bad debts and the provision for appeals into account, the deficit on the NDR collection fund balance at the end of the year was £1.4 million. This will be shared between the council, central government and OCC.

The council is acting as the accountable body for the Oxfordshire Local Enterprise Partnership (OxLEP) and is retaining additional business rates collected from within the Science Vale, Didcot Growth Accelerator and Milton Park Extension Enterprise Zones on their behalf. As at 31 March 2017, the amount of business rates retained by the council on behalf of OxLEP was calculated to be £1.7 million.

## Future prospects

As part of the annual budget setting process for 2017/18, council agreed its Medium Term Financial Plan (MTFP) for 2017/18 to 2021/22. The MTFP provides a forward budget model for the next five years, highlighting known estimated budget pressures for new responsibilities and changes in legislation, predicted investment and capital receipts.

The MTFP highlights pressures the council anticipates in setting its revenue budget during the period covered. The key pressures are the anticipated reduction in government grant funding, and cost pressures in future years. In addition, the future of the New Homes Bonus scheme and the introduction of full business rate retention may have a significant impact on the council's financial position in future years.

For 2017/18 the revenue budget is forecast to use £3.6 million of reserves. Based on the assumptions included within the MTFP it is estimated that the council's usable reserves will fall to £4.5 million by March 2022. This reflects the council's revenue reserves being used to maintain a balanced budget unless further savings can be found.

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

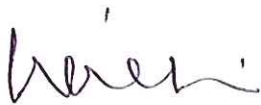
- merging its management team with South Oxfordshire District Council,
- merging many of its operational service teams with South Oxfordshire District Council,
- undertaking joint procurement with other councils, and

- introducing “lean” business processes to reduce duplication and save officer time.

Continuation of initiatives like these is expected to help meet the financial challenges facing the council. As part of budget setting for 2017/18, council also agreed a capital programme to 2021/22 costing £35.9 million. This will be funded from a combination of prudential borrowing, the council's usable capital and revenue reserves and other contributions.

### **Council resources**

Based on the council's budget proposals for revenue and capital, it is forecast that by 31 March 2022 the council will hold £4.5 million in usable reserves, made up of £1.5 million general fund balance and £3.0 million in earmarked revenue reserves. It is anticipated that the council's capital receipts will be fully expended by 2022.



William Jacobs  
Head of finance and chief finance officer  
25 September 2017



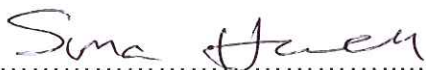
# Statement of responsibilities for the statement of accounts

## 1. The authority's responsibilities

The authority is required to:

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

The statement of accounts was considered and approved at the joint audit and governance committee meeting on 25 September 2017.



Chairman of joint audit and governance committee

25 September 2017

## 2. Responsibilities of the chief finance officer

The chief finance officer's responsibilities include the preparation of the council's statement of accounts, which, in terms of the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom (the Code) is required to present a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2017.


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.

I certify that this statement of accounts presents a true and fair view of the financial position of the authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.



William Jacobs CPFA  
Head of finance and chief finance officer

25 September 2017



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

## **Opinion on the Authority's financial statements**

We have audited the financial statements of Vale of White Horse District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Collection Fund and the related notes 1 to 3,
- and the related notes 1 to 30

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 2016/17.

This report is made solely to the members of Vale of White Horse District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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.

## **Respective responsibilities of the Head of Finance and Chief Finance Officer and auditor**

As explained more fully in the Statement of responsibilities for the statement of accounts set out on page 19, the Head of Finance and 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Vale of White Horse District Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.



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

## **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

## **Conclusion on Vale of White Horse District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### ***Authority's responsibilities***

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

### ***Auditor's responsibilities***

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

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

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 (C&AG) in November 2016, as to whether the Council 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 Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.



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

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 form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## ***Basis for Qualified Conclusion***

- Senior Management Restructure

During 2016/17, as part of the transition to the new corporate services contracts, there have been significant changes to the joint senior management team at the Council. The existing Joint Chief Executive retired and was replaced. In addition two Strategic Directors and a Head of Service left the Council through voluntary redundancy.

A review of the processes followed by the Council confirmed that there was an insufficient set of arrangements in place to allow informed decisions to be made. This included the lack of a formal business case which articulated the restructure required; a clear calculation of the payments and the documented terms of the agreements in all cases, to allow Committee members to make their decision on the redundancies.

This issue is evidence of weaknesses in proper arrangements for informed decision making.

## ***Qualified Conclusion***

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Vale of White Horse District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

## **Certificate**

We certify that we have completed the audit of the accounts of Vale of White Horse District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.



Andrew Brittain (senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Appointed Auditor, Reading  
26<sup>th</sup> September 2017

The maintenance and integrity of the Vale of White Horse District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Core financial statements

The following pages show the council's core financial statements, and the notes to the accounts. The core statements are as follows:

**Comprehensive Income and Expenditure Statement (CIES)** (page 25). This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation (council tax) to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

**Movement in Reserves Statement (MiRS)** (page 26). The MiRS shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. expenditure or reduce local taxation) and other 'unusable reserves'. It shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/decrease line shows the statutory general fund balance in the year following those adjustments.

**Balance Sheet (BS)** (page 27). This shows the value (as at the balance sheet date) of the assets and liabilities recognised by the council. The net assets of the council (being assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (e.g. the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MiRS line 'adjustments between accounting basis and funding basis under regulations'.

**Cash Flow Statement (CFS)** (page 28). This shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (e.g. borrowing) to the council.

**Notes to the core financial statements** (pages 29 to 62). The core statements are supported by comprehensive notes to the accounts.

**Accounting policies** (pages 67 to 82). These are the accounting policies adopted in compiling the council's accounting statements which explain the basis on which the figures in the accounts have been prepared.

### **Supplementary financial statements.**

In addition to core financial statements and notes the council, as an authority that issues council tax and business rates bills, maintains a separate income and expenditure account, the **collection fund**, showing transactions in relation to this income and how the demands on the fund from central government, Oxfordshire County Council, the Police and Crime Commissioner for Thames Valley and town and parish councils have been satisfied. This is shown on pages 63 to 66.



# Comprehensive income and expenditure statement

2015/16 Restated				2016/17		
Exp £000	Inc £000	Net £000		Exp £000	Inc £000	Net £000
32,344	(31,898)	446	Client Team - 5 Councils Partnership*	33,743	(31,660)	2,083
201	(91)	110	Strategic Management Board	504	(117)	387
8,361	(606)	7,755	Corporate Strategy	12,521	(3,284)	9,237
1,478	(459)	1,019	Development & Housing	2,154	(1,108)	1,046
0	0	0	Economy Leisure & Property	50	0	50
421	(282)	139	Finance	798	(155)	643
930	(117)	813	HR IT & Technical	1,747	(267)	1,480
2,591	(629)	1,962	Legal & Democratic	1,976	(495)	1,481
5,813	(2,526)	3,287	Planning	3,886	(2,713)	1,173
<b>52,139</b>	<b>(36,608)</b>	<b>15,531</b>	<b>Cost of services**</b>	<b>57,379</b>	<b>(39,799)</b>	<b>17,580</b>
3,147	0	3,147	Parish council precepts and other grants	3,441	0	3,441
0	(64)	(64)	(Gain)/loss on the disposal of non-current assets	0	(82)	(82)
<b>3,147</b>	<b>(64)</b>	<b>3,083</b>	<b>Other operating expenditure</b>	<b>3,441</b>	<b>(82)</b>	<b>3,359</b>
0	(419)	(419)	Interest receivable and similar income	0	(462)	(462)
0	(123)	(123)	Other investment income (dividends)	0	(120)	(120)
0	(989)	(989)	Gains/loss on disposal of investments	0	0	0
0	(2,322)	(2,322)	Changes in fair values of investment properties	0	0	0
147	(543)	(396)	Income and expenditure in relation to investment properties	18	(685)	(667)
1,250	0	1,250	Net interest on net defined benefit liability or asset	1,281	0	1,281
<b>1,397</b>	<b>(4,396)</b>	<b>(2,999)</b>	<b>Financing and investment income and expenditure</b>	<b>1,299</b>	<b>(1,267)</b>	<b>32</b>
0	(1,686)	(1,686)	Recognised capital grants and contributions	0	(1,782)	(1,782)
	(8,858)	(8,858)	Council tax	0	(9,361)	(9,361)
	(22,568)	(22,568)	Retained business rates	0	(23,490)	(23,490)
20,880	0	20,880	Business rates tariff	21,054	0	21,054
0	(1,741)	(1,741)	Revenue support grant	0	(1,134)	(1,134)
0	(3,465)	(3,465)	Non-ringfenced government grants	0	(3,935)	(3,935)
<b>20,880</b>	<b>(38,318)</b>	<b>(17,438)</b>	<b>Taxation and non-specific grant income</b>	<b>21,054</b>	<b>(39,702)</b>	<b>(18,648)</b>
<b>77,563</b>	<b>(79,386)</b>	<b>(1,823)</b>	<b>(Surplus) or deficit on provision of services</b>	<b>83,173</b>	<b>(80,850)</b>	<b>2,323</b>
		(1,152)	Surplus or deficit on revaluation of non current assets			(730)
		(108)	Surplus or deficit on revaluation of available for sale financial assets			40
		(2,910)	Remeasurement of net defined benefit liability			6,811
		<b>(4,170)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>6,121</b>
		<b>(5,993)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>8,444</b>

The council has restated the 2015/16 comparatives above down to the cost of services line, following the change in requirements in the CIPFA Code of Practice on Local Authority Accounting 2016/17. The net cost of services previously presented based on SeRCOP classifications, is now disclosed in the local reporting format, by service.

\*During 2016/17 the council restructured its internal reporting hierarchy to take account of the 5 Councils Partnership entered into in August 2016. Although this is a current year restructure the comparative values for 2015/16 have also been realigned to the new structure to enable users to compare the years on the same basis.

\*\*The comparative Cost of services and Other operating income values have changed by £440,000 from last years published values as the gain on other property accounts is now included within the 5 Councils Partnership segment.

# Movement in reserves statement

For the year ended 31 March 2017

	General fund balance * £000	Capital receipts reserve £000	Capital grants unapplied £000	Total usable reserves £000	Unusable reserves £000	Total reserves £000
Balance - 31 Mar 2016	(15,503)	(5,467)	(7,456)	(28,426)	(19,346)	(47,772)
Total comprehensive income and expenditure	2,323	0	0	2,323	6,121	8,444
Adjustments between accounting basis and funding basis under regulations (note 4)	(3,340)	2,811	(487)	(1,016)	1,016	0
Net increase/decrease before transfers to other reserves	(1,017)	2,811	(487)	1,307	7,137	8,444
Transfers to/from other reserves	0	0	0	0	0	0
Increase/decrease (movement) in year	(1,017)	2,811	(487)	1,307	7,137	8,444
Balance - 31 Mar 2017	(16,520)	(2,656)	(7,943)	(27,119)	(12,209)	(39,328)

For the year ended 31 March 2016

	General fund balance * £000	Capital receipts reserve £000	Capital grants unapplied £000	Total usable reserves £000	Unusable reserves £000	Total reserves £000
Balance at 31 March 2015	(14,105)	(5,099)	(7,404)	(26,608)	(15,171)	(41,779)
Total comprehensive income and expenditure	(1,823)	0	0	(1,823)	(4,170)	(5,993)
Adjustments between accounting basis and funding basis under regulations (note 4)	426	(367)	(52)	7	(7)	0
Net increase/decrease before transfers to other reserves	(1,397)	(367)	(52)	(1,816)	(4,177)	(5,993)
Transfers to/from other reserves	(1)	(1)	0	(2)	2	0
Increase/decrease (movement) in year	(1,398)	(368)	(52)	(1,818)	(4,175)	(5,993)
Balance - 31 Mar 2016	(15,503)	(5,467)	(7,456)	(28,426)	(19,346)	(47,772)

\*The general fund balance includes earmarked revenue reserves which have been disclosed separately in prior years. Transfers between these two funds are detailed in note 5.

## Balance sheet

31 March 2016 £000		31 March 2017		
		£000	£000	Notes
44,073	Property, plant & equipment		43,005	6
8,210	Investment Property		8,455	7
135	Intangible assets		98	
8,581	Long term investments		8,541	8
5,962	Long term debtors		5,947	9
<b>66,961</b>	<b>Long term assets</b>		<b>66,046</b>	
23,008	Short term investments	28,008		8
9	Inventories	10		
8,794	Short term debtors	5,344		9
2,773	Cash and cash equivalents	7,897		10
<b>34,584</b>	<b>Current assets</b>		<b>41,259</b>	
(10,002)	Short term creditors	(15,841)		12
(1,736)	Provisions	(1,662)		13
(4,140)	Capital grants and receipts in advance	(5,012)		
<b>(15,878)</b>	<b>Current liabilities</b>		<b>(22,515)</b>	
<b>(37,895)</b>	<b>Long term Liabilities</b>		<b>(45,462)</b>	18f
<b>47,772</b>	<b>Net assets</b>		<b>39,328</b>	
<b>(28,426)</b>	<b>Usable reserves</b>		<b>(27,119)</b>	MiRS
(5,179)	Revaluation reserve	(5,673)		14a
(581)	Available for sale financial instrument reserve	(541)		14b
(47,240)	Capital adjustment account	(45,884)		14c
37,895	Pensions reserve	45,462		14d
(5,909)	Deferred capital receipts reserve	(5,888)		14e
1,548	Collection fund adjustment account	195		14f
120	Short-term accumulating compensated absences	120		
<b>(19,346)</b>	<b>Unusable reserves</b>		<b>(12,209)</b>	
<b>(47,772)</b>	<b>Total reserves</b>		<b>(39,328)</b>	

The unaudited accounts were issued on 23 June 2017 and the audited accounts will be authorised for issue on 25 September 2017.

## Cash flow statement

31 March 2016 £000		31 March 2017 £000	Notes
<b>1,823</b>	<b>Net surplus or (deficit) on the provision of services</b>	<b>(2,323)</b>	15
1,294	Adjust net surplus or deficit on the provision of services for non-cash movements	11,022	
(3,866)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,864)	
<b>(749)</b>	<b>Net cash flows from operating activities</b>	<b>6,835</b>	
	<b>Investing activities</b>		
(604)	Purchase of property, plant and equipment, investment property and intangible assets	(326)	
(38,000)	Purchase of short and long term investments	(43,500)	
(43)	Other payments for investing activities	0	
2,180	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	943	
30,500	Proceeds from short-term and long-term investments	38,500	
2,737	Other receipts from investing activities	2,682	
<b>(3,230)</b>	<b>Total investing activities</b>	<b>(1,701)</b>	
	<b>Financing activities</b>		
(3)	Billing authorities - Council Tax and NDR adjustments	(10)	
<b>(3)</b>	<b>Total financing activities</b>	<b>(10)</b>	
<b>(3,982)</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>5,124</b>	10
6,755	Cash and cash equivalents at the beginning of the reporting period	2,773	
<b>2,773</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>7,897</b>	

# Notes to the accounts 2016/17

## 1. Statement of accounting policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the council in preparing and presenting these financial statements. These can be reviewed in detail on pages 67 to 82.

## 2. Expenditure and funding analysis

The Expenditure and funding analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
1,832	(1,386)	446	Client Team - 5 Councils Partnership	1,705	378	2,083
320	(210)	110	Strategic Management Board	377	10	387
4,058	3,697	7,755	Corporate Strategy	4,906	4,331	9,237
706	313	1,019	Development & Housing	714	332	1,046
77	(77)	0	Economy Leisure & Property	50	0	50
133	6	139	Finance	468	175	643
1,088	(275)	813	HR IT & Technical	1,035	445	1,480
1,239	723	1,962	Legal & Democratic	1,421	60	1,481
1,419	1,868	3,287	Planning	960	213	1,173
<b>10,872</b>	<b>4,659</b>	<b>15,531</b>	<b>Net cost of services</b>	<b>11,636</b>	<b>5,944</b>	<b>17,580</b>
<b>(12,270)</b>	<b>(5,084)</b>	<b>(17,354)</b>	<b>Other income and expenditure</b>	<b>(12,653)</b>	<b>(2,604)</b>	<b>(15,257)</b>
<b>(1,398)</b>	<b>(425)</b>	<b>(1,823)</b>	<b>(Surplus)/deficit on provision of services</b>	<b>(1,017)</b>	<b>3,340</b>	<b>2,323</b>
(14,105)			Opening general fund balance	(15,503)		
(1,398)			(Surplus)/deficit on provision of services	(1,017)		
<b>(15,503)</b>			<b>Closing general fund balance at 31 March</b>	<b>(16,520)</b>		

### 3. Note to the expenditure and funding analysis

2015/16					2016/17			
Adjustments for Capital Purposes (note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments		Adjustments for Capital Purposes (note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
269	(783)	(872)	(1,386)	Client Team - 5 Councils Partnership	505	(876)	749	378
0	22	(232)	(210)	Strategic Management Board	0	10	0	10
3,041	177	479	3,697	Corporate Strategy	4,246	85	0	4,331
67	54	192	313	Development & Housing	296	36	0	332
0	0	(77)	(77)	Economy Leisure & Property	0	0	0	0
79	22	(95)	6	Finance	157	18	0	175
115	41	(431)	(275)	HR IT & Technical	423	22	0	445
11	66	646	723	Legal & Democratic	20	40	0	60
824	182	862	1,868	Planning	15	142	56	213
<b>4,406</b>	<b>(219)</b>	<b>472</b>	<b>4,659</b>	<b>Net cost of services</b>	<b>5,662</b>	<b>(523)</b>	<b>805</b>	<b>5,944</b>
<b>(4,985)</b>	<b>1,250</b>	<b>(1,349)</b>	<b>(5,084)</b>	<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(3,136)</b>	<b>1,281</b>	<b>(749)</b>	<b>(2,604)</b>
<b>(579)</b>	<b>1,031</b>	<b>(877)</b>	<b>(425)</b>	<b>Difference between general fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on provision of Services</b>	<b>2,526</b>	<b>758</b>	<b>56</b>	<b>3,340</b>

The adjustments above are for transactions included in the CIES which cannot be charged to the general fund under statute. They include:

- 1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for other operating expenditure, capital grants received in year where there is no repayment condition.
- 2) Net change for the pension adjustment relates to the removal of pension contributions and the addition of IAS 19 *Employee Benefits pension related expenditure and income*
- 3) Other differences are for reanalysis of items between services and in other income and expenditure, the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code.

#### 4. Adjustments between accounting basis and funding basis under regulations

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

31 March 2016					31 March 2017			
Usable reserves					Usable reserves			
Gen fund bal & earmarked rev reserves	Capital receipts reserve	Capital grants unapplied	Movement in unusable Reserves		Gen fund bal & earmarked rev reserves	Capital receipts reserve	Capital grants unapplied	Movement in unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
(1,442)	0	0	1,442	<b>Adjustments primarily involving the capital adjustment account:</b> Reversal of items debited or credited to the CIES: Charges for depreciation and impairment of non-current assets	(1,138)	0	0	1,138
2,322	0	0	(2,322)	Movement in the fair value of investment properties	0	0	0	0
0	0	0	0	Revaluation gains on property, plant and equipment	140	0	0	(140)
(58)	0	0	58	Amortisation of intangible assets	(58)	0	0	58
(2,177)	0	0	2,177	Revenue expenditure funded from capital under statute	(4,697)	0	0	4,697
(1,128)	0	0	1,128	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(861)	0	0	861
1,686	(97)	(1,588)	(1)	<b>Adjustments primarily involving the capital grants unapplied account:</b> Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	1,782	(35)	(1,783)	36
(828)	0	828	0	Use of capital receipts reserve to finance new capital expenditure	(56)	0	56	0
2,181	(2,181)	0	0	<b>Adjustments primarily involving the capital receipts reserve:</b> Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES	938	(938)	0	0
0	1,911	708	(2,619)	Use of capital receipts reserve to finance new capital expenditure	0	3,784	1,240	(5,024)
24	0	0	(24)	<b>Adjustments primarily involving the deferred capital receipts reserve</b> Transfer of deferred capital receipt relating to equity loan issued in year	13	0	0	(13)
(1,031)	0	0	1,031	<b>Adjustments primarily involving the pensions reserve:</b> Pensions costs (transferred to (or from) the Pensions Reserve)	(756)	0	0	756
877	0	0	(877)	<b>Adjustments primarily involving the collection fund adjustment account:</b> Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	1,353	0	0	(1,353)
426	(367)	(52)	(7)	<b>Total adjustments</b>	(3,340)	2,811	(487)	1,016

## 5. Transfers to/from general fund balance and earmarked reserves

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

31 March 2016					31 March 2017			
1 Apr 15 balance brought forward	Trans- fers in	Trans- fers out	31 Mar 16 balance carried forward		1 Apr 16 balance brought forward	Trans- fers in	Trans- fers out	31 Mar 17 balance carried forward
£000	£000	£000	£000		£000	£000	£000	£000
(7,443)	(2,794)	4,071	(6,166)	<b>General fund balance</b>	(6,166)	(3,629)	3,933	(5,862)
<b>(7,443)</b>	<b>(2,794)</b>	<b>4,071</b>	<b>(6,166)</b>	<b>Total general fund balance</b>	<b>(6,166)</b>	<b>(3,629)</b>	<b>3,933</b>	<b>(5,862)</b>
				<b>Earmarked reserves</b>				
(27)	0	0	(27)	Community grants (a)	(27)	0	0	(27)
(100)	0	100	0	Election equalisation (b)	0	(40)	0	(40)
(153)	0	0	(153)	Local development framework (c)	(153)	0	0	(153)
(10)	0	0	(10)	Reservoir (d)	(10)	0	0	(10)
(69)	0	0	(69)	Building regulations (e)	(69)	(79)	118	(30)
(1)	0	0	(1)	Besselsleigh Wood management (f)	(1)	0	0	(1)
(12)	0	0	(12)	Rent deposit guarantee (g)	(12)	0	0	(12)
(50)	0	0	(50)	Cabinet grants (h)	(50)	0	0	(50)
(4,816)	(2,830)	100	(7,546)	Service & infrastructure reserve (i)	(7,546)	(3,929)	2,554	(8,921)
(49)	0	0	(49)	Self-insurance (j)	(49)	0	0	(49)
(1,375)	(75)	30	(1,420)	Revenue grants reserve (k)	(1,420)	(575)	630	(1,365)
<b>(6,662)</b>	<b>(2,905)</b>	<b>230</b>	<b>(9,337)</b>	<b>Total earmarked reserves</b>	<b>(9,337)</b>	<b>(4,623)</b>	<b>3,302</b>	<b>(10,658)</b>

The purpose of each reserve is as follows:

- (a) Grants awarded in previous years that have not yet been taken up
- (b) District council elections are held every four years and this reserve is used so that all the costs are not met in one year but spread over the term of the council
- (c) To meet the cost of any inquiries that have to be set up as a result of the updating of the local development framework
- (d) To meet any costs associated with Thames Water's proposal for a new reservoir
- (e) The building control trading account
- (f) To cover contributions to the management costs of Besselsleigh Wood
- (g) To guarantee rent deposits for private tenants
- (h) To provide matched funding to organisations
- (i) Fund to provide revenue support to service and infrastructure projects
- (j) To cover the excess payable on insurance claims
- (k) To fund revenue expenditure from grants received in advance



## 6. Property, plant and equipment

Table 6a Movements in property plant & equipment 2016/17							
	Other land & buildings	Vehicles, plant & equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total PP&E
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or revaluation</b>							
<b>At 1 April 2016</b>	<b>43,430</b>	<b>5,316</b>	<b>141</b>	<b>654</b>	<b>245</b>	<b>0</b>	<b>49,786</b>
Additions	0	87	0	0	0	216	303
Revaluation increases/(decreases) to RR	730	0	0	0	0	0	730
Revaluation increases/(decreases) to SDPS	139	0	0	0	0	0	139
Disposals	(930)	0	0	0	0	0	(930)
Write out balances on revalued assets	(156)		0	0	0	0	(156)
Reclassifications	0	0	0	0	(245)	0	(245)
Other movements in cost or valuation	0	1	1	0	0	0	2
<b>At 31 March 2017</b>	<b>43,213</b>	<b>5,404</b>	<b>142</b>	<b>654</b>	<b>0</b>	<b>216</b>	<b>49,629</b>
<b>Depreciation and impairments</b>							
<b>At 1 April 2016</b>	<b>(1,334)</b>	<b>(4,250)</b>	<b>(129)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,713)</b>
Depreciation charge	(872)	(259)	(5)	0	0	0	(1,136)
Disposals	69		0	0	0	0	69
Write out balances on revalued assets	156	0	0	0	0	0	156
<b>At 31 March 2017</b>	<b>(1,981)</b>	<b>(4,509)</b>	<b>(134)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,624)</b>
<b>Balance sheet amount as 31 March 2017</b>	<b>41,232</b>	<b>895</b>	<b>8</b>	<b>654</b>	<b>0</b>	<b>216</b>	<b>43,005</b>
<b>Balance sheet amount as 31 March 2016</b>	<b>42,096</b>	<b>1,066</b>	<b>12</b>	<b>654</b>	<b>245</b>	<b>0</b>	<b>44,073</b>
RR = Revaluation reserve							
SDPS = Surplus or deficit on the provision of services							

<b>Table 6b Movements in property plant &amp; equipment 2015/16</b>						
	<b>Other land &amp; buildings</b>	<b>Vehicles, plant &amp; equipment</b>	<b>Infrastructure assets</b>	<b>Community assets</b>	<b>Surplus assets</b>	<b>Total PP&amp;E</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or revaluation</b>						
<b>At 1 April 2015</b>	<b>29,278</b>	<b>4,749</b>	<b>141</b>	<b>654</b>	<b>0</b>	<b>34,822</b>
Additions	0	410	0	0	0	410
Revaluation increases/(decreases) to RR	1,152	0	0	0	0	1,152
Disposals	(375)	0	0	0	0	(375)
Other movements in cost or valuation	13,375	157	0	0	245	13,777
<b>At 31 March 2016</b>	<b>43,430</b>	<b>5,316</b>	<b>141</b>	<b>654</b>	<b>245</b>	<b>49,786</b>
<b>Depreciation and impairments</b>						
<b>At 1 April 2015</b>	<b>(665)</b>	<b>(3,483)</b>	<b>(116)</b>	<b>0</b>	<b>0</b>	<b>(4,264)</b>
Depreciation charge	(678)	(751)	(13)	0	0	(1,442)
Disposals	9	0	0	0	0	9
Other movements	0	(16)	0	0	0	(16)
<b>At 31 March 2016</b>	<b>(1,334)</b>	<b>(4,250)</b>	<b>(129)</b>	<b>0</b>	<b>0</b>	<b>(5,713)</b>
<b>Balance sheet amount as 31 March 2016</b>	<b>42,096</b>	<b>1,066</b>	<b>12</b>	<b>654</b>	<b>245</b>	<b>44,073</b>
<b>Balance sheet amount as 31 March 2015</b>	<b>28,613</b>	<b>1,266</b>	<b>25</b>	<b>654</b>	<b>0</b>	<b>30,558</b>
<b>RR = Revaluation reserve</b>						
<b>SDPS = Surplus or deficit on the provision of services</b>						

## Depreciation

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

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

## Capital commitments

As at the end of March 2017 the council had capital commitments on a number of contracts in 2016/17 and future years, budgeted to cost £1.9 million. The commitments are:

- Capital grants awarded - £0.2 million
- Leisure contracts - £1.7 million

## Revaluations

The council has a rolling programme that ensures that all property, plant and equipment required to be measured at current value or fair value as appropriate, is revalued every five years. Any assets that may be subject to special conditions will be valued more often, as required.

The council's car parks have been valued as at 31 January 2017 by Bruton Knowles in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS Red Book, UK Appendix 5). The council's contracted estates manager has confirmed that there has been no material change in the value of investment properties from 31 January 2017 to 31 March 2017.

The significant assumptions applied in estimating the 2016/17 values are that:

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

<b>Table 6c Revaluations property, plant and equipment</b>					
	<b>Land &amp; buildings</b>	<b>Vehicles, plant &amp; equipment</b>	<b>Infrastructure &amp; community assets</b>	<b>Assets under construction</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Carried at historical cost	474	5,278	141	0	<b>5,893</b>
Valued at fair value as at:					
31 January 2014	31,237	0	0	0	<b>31,237</b>
31 January 2015	0	0	654	0	<b>654</b>
31 January 2016	11,964	38	0	0	<b>12,002</b>
31 January 2017	(462)	87	0	216	<b>(159)</b>
<b>Total value</b>	<b>43,213</b>	<b>5,403</b>	<b>795</b>	<b>216</b>	<b>49,627</b>

The council has no surplus assets.

## 7. Investment properties

Income and expenditure in respect of investment properties is shown on the face of the CIES.

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

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

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>20,568</b>	<b>Balance at 1 April</b>	<b>8,210</b>
(1,057)	Disposals	0
(13,623)	Reclassifications	245
2,322	Changes in fair value	0
<b>8,210</b>	<b>Balance at 31 March</b>	<b>8,455</b>

### **Fair value hierarchy**

All the council's investment properties have been value assessed as level 2 on the fair value hierarchy for valuation purposes (see accounting policy xxii for an explanation of fair value levels).

### **Valuation techniques used to determine level 2 for values for investment property**

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the council's investment asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for investment properties.

### **Highest and best use**

In estimating the fair value of the council's investment properties, the highest and best use is their current use.

### **Valuation process for investment properties**

The council's investment property has been valued as at 31 January 2016 by Bruton Knowles in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The council's contracted estates manager has confirmed that there has been no material change in the value of investment properties from 31 January 2016 to 31 March 2017.

## 8. Financial instruments

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

<b>Table 8a Categories of Financial Instrument</b>				
	<b>Long-term</b>		<b>Current</b>	
	<b>31 March 2016</b>	<b>31 March 2017</b>	<b>31 March 2016</b>	<b>31 March 2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Investments</b>				
Loans and receivables (principal amount)	6,000	6,000	23,008	28,008
Cash equivalents	0	0	3,821	7,479
Plus accrued interest	0	0	105	116
<b>Loans and receivables at amortised cost</b>	<b>6,000</b>	<b>6,000</b>	<b>26,934</b>	<b>35,603</b>
Available-for-sale financial assets	2,581	2,541	0	0
<b>Total investments</b>	<b>8,581</b>	<b>8,541</b>	<b>26,934</b>	<b>35,603</b>
<b>Debtors</b>				
Financial assets carried at contract amounts	5,962	5,947	5,711	4,218
<b>Total debtors</b>	<b>5,962</b>	<b>5,947</b>	<b>5,711</b>	<b>4,218</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0		4,715	6,366
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>4,715</b>	<b>6,366</b>

- (1) Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs including accrued interest. Accrued interest is shown separately in current assets/liabilities where payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price
- (2) Available-for-sale financial assets – the council holds £2.5 million in the CCLA pooled property fund.

### Financial instrument gains/losses

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

<b>Table 8b Financial instrument gains and losses</b>		
<b>2015/16 £000</b>		<b>2016/17 £000</b>
542	Investment income (interest, dividends, gains/loss on disposal)	582
108	Net increase/(decrease) in fair value	(40)
<b>650</b>	<b>Net gain/(loss) for the year</b>	<b>542</b>

### Fair values of assets and liabilities

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

- For loans receivable prevailing benchmark rates have been used to provide the fair value;

- Where an instrument will mature within the next 12 months, the fair value is taken to be the carrying amount;
- No early repayment or impairment is recognised;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

<b>Table 8c Fair value of assets and liabilities carried at amortised cost</b>				
<b>31 March 2016</b>			<b>31 March 2017</b>	
<b>Carrying amount</b>	<b>Fair Value</b>		<b>Carrying amount</b>	<b>Fair Value</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
10,002	10,002	Short term creditors	15,841	15,841
<b>10,002</b>	<b>10,002</b>	<b>Total liabilities</b>	<b>15,841</b>	<b>15,841</b>
51	51	Cash and cash equivalents	270	270
3,770	3,773	Money market funds	7,220	7,222
23,008	23,054	Short term investments	28,008	28,051
6,000	6,056	Long term investments	6,000	6,071
2,581	2,581	Available for sale investments	2,541	2,541
8,794	8,794	Short term debtors	5,344	5,344
5,962	5,962	Long term debtors	5,947	5,947
<b>50,166</b>	<b>50,271</b>	<b>Total assets</b>	<b>55,330</b>	<b>55,446</b>

The fair values for loans and receivables include accrued interest.

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

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

## 9. Debtors

<b>31 March 2016</b>			<b>31 March 2017</b>	
<b>Long term</b>	<b>Short term</b>		<b>Long term</b>	<b>Short term</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
0	2,955	Central government bodies	0	549
0	2,721	Other local authorities	0	2,038
5,962	3,118	Other entities and individuals	5,947	2,757
<b>5,962</b>	<b>8,794</b>	<b>Total debtors</b>	<b>5,947</b>	<b>5,344</b>

## 10. Cash and cash equivalents

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

31 March 2016 £000		31 March 2017 £000
1	Cash held by the council	1
(998)	Bank current and instant access accounts	676
3,770	Money market funds	7,220
<b>2,773</b>	<b>Total cash and cash equivalents</b>	<b>7,897</b>

## 11. Assets held for sale

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

## 12. Short-term creditors

31 March 2016 £000		31 March 2017 £000
(257)	Central government bodies	(2,338)
(7,319)	Other local authorities	(8,728)
(2,426)	Other entities and individuals	(4,775)
<b>(10,002)</b>	<b>Total short-term creditors</b>	<b>(15,841)</b>

## 13. Provisions

The provision in 2016/17 represents amounts set aside to meet future business rate appeals liabilities.

Provisions	£000
<b>Balance at 1 April 2016</b>	<b>(1,736)</b>
Business rate appeals - movement in year	74
<b>Balance at 31 March 2017</b>	<b>(1,662)</b>

## 14. Unusable reserves

### Revaluation reserve

The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment (including intangible assets). The balance is reduced when assets with accumulated gains are:

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

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

<b>Table 14a Revaluation reserve</b>		
<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>(4,142)</b>	<b>Balance at 1 April</b>	<b>(5,179)</b>
(1,152)	Upward revaluation of assets	(730)
<b>(1,152)</b>	<b>Surplus or deficit on revaluation of non current assets not posted to the surplus or deficit on the provision of services</b>	<b>(730)</b>
75	Difference between fair value depreciation and historical cost depreciation	101
<b>75</b>	<b>Amount written off to the capital adjustment account</b>	<b>101</b>
40	Other	135
<b>(5,179)</b>	<b>Balance at 31 March</b>	<b>(5,673)</b>

### Available for sale financial instruments reserve

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

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

<b>Table 14b Available for sale financial instruments reserve</b>		
<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>(473)</b>	<b>Balance at 1 April</b>	<b>(581)</b>
(108)	Revaluation of investments	40
<b>(581)</b>	<b>Balance at 31 March</b>	<b>(541)</b>

### Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. Note 4 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.



<b>Table 14c Capital adjustment account</b>		
<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>(47,305)</b>	<b>Balance at 1 April</b>	<b>(47,240)</b>
	<b>Reversal of items relating to capital expenditure debited to or credited to the CIES:</b>	
1,442	Charges for depreciation and impairment of non current assets	1,138
0	Revaluations (gains)/losses on property, plant and equipment	(140)
58	Amortisation of intangible assets	58
2,195	Revenue expenditure funded from capital under statute	4,697
(2,319)	Movement in the fair value of investment properties	0
1,376	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	727
(75)	Adjusting amounts written out to the revaluation reserve	(101)
	<b>Capital financing applied in year:</b>	
(1,911)	Use of the capital receipts reserve to finance new capital expenditure	(3,784)
(708)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(1,240)
7	Other adjustments	1
<b>(47,240)</b>	<b>Balance at 31 March</b>	<b>(45,884)</b>

## Pensions reserve

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

<b>Table 14d Pensions reserve</b>		
<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>39,774</b>	<b>Balance at 1 April</b>	<b>37,895</b>
(2,910)	Remeasurement of the net defined benefit liability/(asset) actuarial gain/(loss)	6,811
2,439	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement	2,182
(1,408)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,426)
<b>37,895</b>	<b>Balance at 31 March</b>	<b>45,462</b>

## 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.

<b>Table 14e Deferred capital receipts reserve</b>		
<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>(5,569)</b>	<b>Balance at 1 April</b>	<b>(5,909)</b>
(340)	New deferred capital receipts received in year	(13)
0	Transfer to the capital receipts reserve upon receipt of cash	34
<b>(5,909)</b>	<b>Balance at 31 March</b>	<b>(5,888)</b>

## Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

<b>Table 14f Collection fund adjustment account</b>		
<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>2,425</b>	<b>Balance at 1 April</b>	<b>1,548</b>
(877)	Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	(1,353)
<b>1,548</b>	<b>Balance at 31 March</b>	<b>195</b>

## 15. Interest received and interest paid

The cash flow for operating activities includes the following items:

<b>2015/16 £000</b>		<b>2016/17 £000</b>
542	Interest and dividends received	582
<b>542</b>		<b>582</b>

## 16. Expenditure and income analysed by nature

The authority's expenditure and income is analysed as follows:

2015/16 £000		2016/17 £000
	<b>Expenditure</b>	
10,682	Employee benefits expenses	9,920
40,104	Other services expenses	46,280
1,500	Depreciation and amortisation	1,197
20,880	Business rates tariff	21,054
3,147	Precepts and levies	3,441
1,250	Net interest on net defined benefit liability or asset	1,281
<b>77,563</b>	<b>Total expenditure</b>	<b>83,173</b>
	<b>Income</b>	
(36,608)	Fees, charges and other service income	(39,658)
(1,085)	Interest, investment income and income from investment property	(1,267)
(31,426)	Income from council tax and non-domestic rates	(32,851)
(5,206)	Government grants and contributions	(5,069)
(1,686)	Recognised capital grants and contributions	(1,782)
(2,322)	Gain on revaluation of assets	(141)
(1,053)	Gain on the disposal of assets	(82)
<b>(79,386)</b>	<b>Total income</b>	<b>(80,850)</b>
<b>(1,823)</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>2,323</b>

## 17. Members' allowances

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

2015/16 £000		2016/17 £000
177	Basic allowance	176
95	Special responsibility allowance	94
9	Expenses	8
<b>281</b>		<b>278</b>

## 18. Employees benefits

### Officers' remuneration

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

Table 18a Senior officers emoluments						
Post title	Financial year	Salary (including fees & allowances)	Expenses	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£	£
Head of paid service (1)	2016/17	138,727	583	139,310	17,063	156,373
	2015/16	134,919	1,435	136,354	16,595	152,949
Chief finance officer (section 151 officer)	2016/17	78,579	1,233	79,812	9,665	89,477
	2015/16	77,824	2,545	80,369	9,572	89,941
Monitoring officer	2016/17	79,623	167	79,790	9,794	89,584
	2015/16	79,623	231	79,854	9,794	89,648

- 1) During the year the Head of Paid Service, David Buckle, retired and was replaced on 1 September 2016 by David Hill. The costs shown for this post are for the equivalent of one FTE but include the costs of two officers. There was no overlap in service. David Hill resigned and was replaced on an interim basis by Mark Stone as Head of Paid Service on 30 June 2017.

The chief finance officer and monitoring officer are also heads of service.

The spot point pay level for strategic directors and heads of service is as follows:

Table 18b Spot pay point - strategic director and heads of service		
2015/16 £		2016/17 £
103,137	Strategic directors	104,684
77,418	Heads of service	78,579

In total the council employed two strategic directors and seven heads of service. In 2016/17, these nine posts were shared on a 50:50 basis with South Oxfordshire District Council; therefore the council only incurred 50 per cent of the costs shown above. Mark Stone, shared chief operating officer, was contracted in October 2016 to support the head of paid service. Payment to HAYS for this officer amounted to £70,674 of which this council's share was 50 per cent in 2016/17.

The council is also obliged to disclose the numbers of other employees that were paid a salary in excess of £50,000 (these numbers do not include the senior officers detailed above). The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

<b>Table 18c Employee remuneration over £50,000</b>		
<b>Number of VWHDC employees</b>		
<b>2015/16</b>	<b>Remuneration band £</b>	<b>2016/17</b>
2	50,000 - 54,999	4
2	55,000 - 59,999	1
1	60,000 - 64,999	1

Under the shared working arrangements, the council recharged a total of £1.9 million of its salary costs to South Oxfordshire District Council, which in turn recharged £3.6 million of its salary costs to this council.

### Termination benefits

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

<b>Table 18d Exit packages</b>								
<b>Exit package cost band (including special payments)</b>	<b>Number of compulsory redundancies</b>		<b>Number of other departures agreed</b>		<b>Total number of exit packages by cost band</b>		<b>Total cost of exit packages in each band</b>	
	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>	<b>£</b>	<b>£</b>
£0 - £20,000	0	0	0	1	0	1	0	3,282
£70,000 - £75,000	0	0	0	1	0	1	0	72,196
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>75,478</b>

### Post-employment benefits – Defined benefit pension schemes

#### Participation in pension schemes

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

The council participates in The Local Government Pension Scheme (LGPS). The LGPS is a defined statutory scheme administered in accordance with the Local Government Scheme regulations 2013, is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement.

The administering authority for the Fund is Oxfordshire County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and sets contributions for the period 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100 per cent using the actuarial valuation assumptions.

On the employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

This is a funded defined benefit career, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The fund has an independent global custodian, BNP Paribas, whose main duties include the safekeeping of the fund's investments, the collection of income and the execution of corporate actions, such as company mergers or takeovers.

In addition arrangements for the award of discretionary post-retirement benefits are awarded 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's payments as they fall due

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Oxfordshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

These risks are also mitigated to a certain extent by the statutory requirements to charge to the general fund the amounts required by statute.

### **Transactions relating to retirement benefits**

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the general fund via the movement in reserves

statement. The following transactions have been made in the CIES and the general fund balance via the movement in reserves statement during the year:

<b>Table 18e Transactions relating to retirement benefits</b>		
<b>2015/16 £000</b>		<b>2016/17 £000</b>
	<b>Cost of services:</b>	
1,158	Service cost	868
31	Administrative expenses	33
	<b>Financing and investment income and expenditure</b>	
1,250	Net interest expense	1,281
<b>2,439</b>	<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>2,182</b>
	<b>Other post employment benefit charged to the CIES</b>	
1,626	Remeasurement of the net defined benefit liability comprising:	(8,581)
	Return on plan assets (excluding the amount included in the net interest expense)	
0	Actual gain and losses arising on changes in demographic assumptions	(1,030)
(4,495)	Actual gain and losses arising on changes in financial assumptions	18,492
(41)	Other	(2,070)
<b>(471)</b>	<b>Total post employment benefit charges to the comprehensive income and expenditure statement</b>	<b>8,993</b>
	<b>Movement in Reserves Statement</b>	
(2,439)	Reversal of net charges made to the surplus or deficit for the Provision of Services for post employment benefits in accordance with the code	(2,182)
	Actual amount charged against the general fund balance for pensions in the year:	
1,408	Employers' contributions payable to scheme	1,426

### **Pensions assets and liabilities recognised in the balance sheet**

The amount included in the balance sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

<b>Table 18f Pension assets and liabilities recognised in the balance sheet</b>		
<b>2015/16 £000</b>		<b>2016/17 £000</b>
49,668	Fair value of employer assets	58,075
(85,556)	Present value of funded liabilities	(101,465)
(2,007)	Present value of unfunded liabilities	(2,072)
<b>(37,895)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(45,462)</b>

**Table 18g Reconciliation of the movements in fair value of the scheme asset**

<b>LGPS 2015/16 £000</b>		<b>LGPS 2016/17 £000</b>
<b>51,127</b>	<b>Opening balance at 1 April</b>	<b>49,668</b>
1,614	Interest on assets	1,668
(1,626)	Return on assets less interest	8,581
0	Other actuarial gains / (losses)	142
(31)	Administration expenses	(33)
0	Settlement prices received / (paid)	(382)
1,256	Employer contributions	1,426
290	Contributions by scheme participants	294
(2,962)	Benefits paid	(3,289)
<b>49,668</b>	<b>Closing present value of scheme assets</b>	<b>58,075</b>

**Table 18h Reconciliation of present value of the scheme liabilities**

<b>Funded liabilities 2015/16 £000</b>	<b>Unfunded liabilities 2015/16 £000</b>		<b>Funded liabilities 2016/17 £000</b>	<b>Unfunded liabilities 2016/17 £000</b>
<b>(88,712)</b>	<b>(2,189)</b>	<b>Opening balance at 1 April</b>	<b>(85,458)</b>	<b>(2,105)</b>
(1,158)	0	Current service cost	(1,071)	0
(2,796)	(68)	Interest cost	(2,881)	(68)
(290)	0	Contributions by scheme participants	(294)	0
0	0	Actual gain and losses arising on changes in demographic assumptions	993	37
4,495	0	Actual gain and losses on changes in financial assumptions	(18,378)	(114)
41	0	Other	2,485	28
2,962	152	Benefits paid	3,139	150
<b>(85,458)</b>	<b>(2,105)</b>	<b>Closing present value of liabilities</b>	<b>(101,465)</b>	<b>(2,072)</b>



The discretionary benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories.

<b>Table 18i Breakdown of fund assets at fair value</b>		
<b>2015/16 £000</b>		<b>2016/17 £000</b>
31,771	Equity instruments	38,940
3,946	Property	3,769
	Bonds:	
6,583	Government bonds	6,294
1,747	Corporate bonds	1,918
<b>8,330</b>	<b>Total bonds</b>	<b>8,212</b>
	Other investment funds:	
1,957	LLPs	1,957
2,179	Diversified Growth Fund	2,604
<b>4,136</b>	<b>Total other investment funds</b>	<b>4,561</b>
1,485	Cash and cash equivalents	2,593
<b>49,668</b>	<b>Total</b>	<b>58,075</b>

The council's share of the assets of the fund is approximately 3 per cent.

Of the equities allocation above, 33.2 per cent are UK investments, 33.9 per cent are overseas investments, and the rest are private equities of unspecified origin. Of the equities 47.1 per cent are listed and 52.9 per cent are not.

The gilts allocation consists of 3.9 per cent in UK fixed interest government securities, 2.3 per cent overseas fixed interest government securities and 4.7 per cent in UK index-linked government securities.

The other bonds allocation consists of 3.2 per cent in UK corporate bonds and 0.1 per cent in overseas corporate bonds.

The majority of scheme assets have quoted prices in active markets. The proportion of assets held that do are; equities 47 per cent, government bonds 100 per cent, corporate bonds 100 per cent, cash and cash equivalents 100 per cent.

As a result of some members transferring to or from another employer over the year, liabilities have been settled at a cost different to the accounting reserve. The capitalised gain of this settlement is £203,000.

### **Basis for estimating assets and liabilities**

To assess the value of the Council's liabilities at 31 March 2017, we have rolled forward the value of the Employer's Liabilities calculated for the funding valuation as at 31 March 2016.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in the future to members of the fund or the dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2017 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2017 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share we have rolled forward the assets allocated to the Council at 31 March 2016 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

The Employer currently participates in the South Oxfordshire District Council pool with other employers in order to share experience of risks they are exposed to in the Fund. At the 2016 valuation, the deficit for the whole pool was calculated and allocated to each employer in proportion to their value of liabilities. The next reallocation will be carried out at the 2019 valuation, should the Employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool.

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 90 per cent. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5 per cent per annum.

<b>Table 18j Principal actuarial assumptions</b>		
<b>2015/16</b>		<b>2016/17</b>
3.5%	<b>Long-term expected rate of return on assets in the scheme:</b> All assets	2.7%
	<b>Mortality assumptions</b>	
	Longevity at 65 for current pensioners - retiring today:	
23.3yrs	Men	23.4yrs
25.8yrs	Women	25.5yrs
	Longevity at 65 for future pensioners - retiring in 20 years:	
25.6yrs	Men	25.6yrs
28.1yrs	Women	27.8yrs
	<b>Other assumptions</b>	
3.2%	Inflation - RPI	3.6%
2.3%	Inflation - CPI	2.7%
4.1%	Rate of general increase in salaries	4.2%
2.3%	Rate of increase to pensions	2.7%
3.5%	Discount rate	2.7%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases for men and women. In practice this is unlikely to be correct, and changes in some of the assumptions

may be interrelated. The estimates in the sensitivity analysis have followed the accounting policies for then scheme, i.e. on an actuarial basis using the projected unit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Other assumptions are that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of members that had taken up the 50:50 option at the previous valuation date will remain the same.

<b>Table 18k Sensitivity analysis</b>		
	<b>Increase in Assumption 2016/17 £000</b>	<b>Decrease in Assumption 2016/17 £000</b>
Mortality (increase or decrease in 1 year)	4,016	(3,862)
Rate of increase in salaries (increase or decrease by 0.1 per cent)	197	(195)
Rate of increase in pensions and deferred revaluation (increase or decrease by 0.1 per cent)*	1,637	(1,609)
Rate for discounting scheme liabilities (increase or decrease by 0.1 per cent)	(1,802)	1,836

\* Pensions increases and deferred revaluation are linked to inflation (CPI)

## Impact on the council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible, at a reasonable cost to the scheme employers and taxpayers, whilst ensuring the overall solvency of the fund. There are no minimum funding requirements but contributions are generally set to target a funding level of 100 per cent. Funding levels are monitored regularly and the next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average re-valued earnings schemes to pay pensions and other benefits.

The actuarial estimate of the duration of the council's liabilities is 18 years. The council anticipates paying £1.2 million in contributions to the scheme in 2017/18.

## 19. 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.

In 2016/17 external audit services were provided by Ernst & Young LLP (EY).

2015/16 £000		2016/17 £000
50	Fees payable with regard to external audit services carried out by the appointed auditor for the year	49
12	Fees payable to the external auditor for the certification of grant claims and returns for the year	12
<b>62</b>		<b>61</b>

## 20. Grant income

The council credited the following grants, contributions and donations to the CIES in 2016/17.

2015/16 £000		2016/17 £000
	<b>Credited to taxation and non-specific grant income</b>	
2,255	Retained business rates	2,436
8,926	Council tax income	9,361
1,104	Developers and other capital contributions	669
582	Disabled facilities grant	1,113
2,830	New homes bonus	3,935
1,741	Revenue support grant	1,134
<b>17,438</b>	<b>Total</b>	<b>18,648</b>
	<b>Credited to Services</b>	
18	Abingdon Partnerships	0
185	Business rates collection allowance	187
0	Didcot Garden Town	510
43	Electoral reform	23
376	Housing benefit - admin	314
27,795	Housing benefit - subsidy	27,771
82	Localising council tax admin subsidy	92
131	New burdens revenue and other grants	92
75	Neighbourhood planning	30
10	Partnership & community safety	0
26	Universal credit	8
<b>28,741</b>		<b>29,027</b>

## 21. Related parties

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

**Central government.** Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework, within which the council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Grants received from government are shown in note 20 above.

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

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

The council leader Matthew Barber was appointed Deputy Police & Crime Commissioner for Thames Valley on the 16 December 2016. This body is in receipt of community safety partnership funding which is administered through the council. No other related party transactions have been declared.

As at publication, the following elected members had yet to return their declarations:

Councillor Alice Badcock  
Councillor Margaret Crick  
Councillor Katie Finch  
Councillor Ben Mabbett  
Councillor Chris McCarthy  
Councillor Henry Spencer

A check of the councillors' register of interests has shown that none of the above named members had declared any related party transactions.

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

**Officers of the council.** The senior officers of the council have control over the day to day management of the council and all heads of service and management team members have been asked to declare any related party transactions. One officer has declared being a tenant of the councils Woodlands Mobile Home Park during the year. This tenancy ended in the 31 March 2017 and commission was paid to the council in accordance with the terms of the tenancy.

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

## **22. Capital expenditure and capital financing**

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

2015/16 £000		2016/17 £000
0	<b>Opening capital financing requirement</b>	0
	<b>Capital investment</b>	
410	Property, plant and equipment	303
14	Intangible assets	23
2,195	Revenue Expenditure Funded from Capital Under Statute	4,697
	<b>Sources of finance</b>	
(1,911)	Capital receipts	(3,783)
(708)	Government grants and other contributions	(1,240)
0	<b>Closing capital financing requirement</b>	0
0	<b>Increase/(decrease) in capital financing requirement</b>	0

## 23. Leases

### Council as lessee

**Finance leases** – the council has no finance leases.

**Operating leases** – the council has no material operating leases.

### Council as lessor

**Finance leases** - The council recognised three long term leases in the 2015/16 accounts. The leases are:

- Abbey Shopping Centre, Abingdon – 250 year lease signed in 2012
- Tilsley Park, Abingdon - 125 year lease signed in 2014
- The Upper Reaches Hotel, Abingdon - 125 year lease signed in 1969

Prior year comparatives have been restated, as the basis for calculating future lease payments has been changed from a cash basis to net present value basis which is consistent with CIPFA guidance. The council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

<b>Table 23a Interest in finance lease</b>			
	2015/16 £000	2015/16 restated £000	2016/17 £000
Finance lease debtor (net present value of minimum lease payments):			
Non-current	5,251	0	0
Unearned finance income	48,410	3,699	3,512
Unguaranteed residual value of property	0	5,718	5,718
<b>Gross investment in the lease</b>	<b>53,661</b>	<b>9,417</b>	<b>9,230</b>

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

<b>Table 23b Minimum finance lease payments</b>						
	<b>Gross investment in the lease</b>			<b>Minimum lease payments</b>		
	<b>2015/16 £000</b>	<b>2015/16 restated £000</b>	<b>2016/17 £000</b>	<b>2015/16 £000</b>	<b>2015/16 restated £000</b>	<b>2016/17 £000</b>
Not later than 1 year	16	199	188	212	199	188
Later than 1 year and not later than 5 years	64	688	649	848	688	649
Later than 5 years	5,171	8,530	8,393	47,350	2,812	2,675
<b>Total</b>	<b>5,251</b>	<b>9,417</b>	<b>9,230</b>	<b>48,410</b>	<b>3,699</b>	<b>3,512</b>

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

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

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

<b>Table 23c Future minimum lease payments receivable</b>		
<b>31 March 2016 £000</b>		<b>31 March 2017 £000</b>
1,873	Not later than one year	1,748
4,474	Later than one year and not later than five years	3,086
2,517	Later than five years	1,677

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17, no contingent rents were receivable by the council (2015/16 nil also).

## **24. Contingent liabilities**

At 31 March 2017, the council had identified the following contingent liabilities:

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



## 25. Contingent assets

At 31 March 2017, the council had no contingent assets.

## 26. Nature and extent of risks arising from financial instruments

The council's activities expose it to a variety of risks. The main risks are:

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

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

The treasury team carry out the procedures for risk management which are set out in the approved policies which cover specific areas such as interest rate risk, credit risk and the investment of surplus cash. The procedures are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the council to comply with the CIPFA prudential code, the CIPFA code of practice on treasury management in the public services and investment guidance issued through the Act.

### Credit risk

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

The risk is managed through the council's Annual Investment Strategy, which requires that deposits are only placed with financial institutions that meet the identified minimum credit criteria, as laid down by Fitch, Moody's and Standard & Poors credit ratings services. The strategy also sets out the maximum amounts and time limits that an investment can be made with a financial institution within each category.

The credit criteria in respect of financial assets held by the authority at 31 March 2017 are as detailed as follows:



<b>Table 26a Credit criteria</b>							
<b>Deposits with banks and other financial institutions</b>	<b>Min. Rating</b>			<b>Other Criteria</b>	<b>Counterparty Limit</b>	<b>Amount at 31 March 2017</b>	<b>Maturity Limit</b>
	<b>Fitch</b>	<b>Moody's</b>	<b>S &amp; P</b>				
					<b>£000</b>	<b>£000</b>	
<b>Banks</b>							
Close Brothers	F1	P-1			7,500	4,000	2 years
Goldman Sachs International	F1	P-1	A-1		7,500	5,500	2 years
Lloyds	F1	P-1	A-1		15,000	6,000	3 years
<b>Building Societies</b>							
Cambridge				assets > £1,000m	3,000	2,000	12 months
Cumberland				assets > £1,000m	3,000	1,000	12 months
National Counties				assets > £1,000m	3,000	3,000	12 months
Newcastle				assets > £3,000m	3,500	1,000	12 months
Nottingham				assets > £3,000m	3,500	1,500	12 months
<b>Money Market Funds</b>							
Goldman Sachs				AAA	20,000	1,220	Liquid
LGIM				AAA	20,000	6,000	Liquid
<b>Local authorities</b>							
Blackburn with Darwen					20,000	2,000	25 years
Kingston upon Hull					20,000	4,000	25 years
Northumbria PCC					20,000	2,000	25 years
<b>Housing Associations</b>							
Places for People Homes		P-1			7,500	2,000	2 years
<b>Property funds</b>							
CCLA Property Fund					3,000	2,000	Variable
<b>Total</b>						<b>43,220</b>	

The full annual investment strategy for 2016/17 was approved by full council on 17 February 2016 and is available on the council's website.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all the councils' deposits but there was no evidence at 31 March 2017 that this was likely to crystallise.

In December 2016, due to the high level of balances being held, a fixed term investment for £2 million was placed with Principality Building Society. Although this was the best course of action in the circumstances the investment inadvertently breached the prudential indicator limit for fixed term deposits set at £40 million. In January 2017 the Head of Finance retrospectively approved an increase in the Vale prudential fixed interest rate limit as per the Treasury Management Strategy to £43 million from December until the end of March 2017 under delegated powers.

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

A provision is made for bad debt based on the debtors' information at the year end. The 'past due' amount is analysed below. During the reporting period the council held no collateral as security.

Table 26b below analyses the short-term debt figure by age.

<b>Table 26b Short term debtors aged debt analysis</b>	
	<b>Total £000</b>
Less than three months	4,457
Three months to six months	20
Six months to one year	243
Over one year	624
<b>Total</b>	<b>5,344</b>

Statutory debts are included in the figures above to enable comparison with the short term debtors total as shown in the balance sheet and in note 9.

### **Liquidity risk**

The council manages its liquidity position through the risk management procedures set out in the treasury management strategy, as well as comprehensive cash management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council is able to access borrowing from the money markets and the Public Works Loans Board.

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

The council has no debt and therefore is not exposed to refinancing risk of loans at this time. All trade and other payables are due to be paid in less than one year.

### **Refinancing and maturity risk**

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

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

The maturity analysis of financial assets, excluding sums due from customers is as follows:

<b>Table 26c Refinancing and maturity risk</b>		
<b>31 March 2016 £000</b>		<b>31 March 2017 £000</b>
26,820	Less than 1 year	35,220
2,000	Between one and two years	2,000
6,581	More than three years	6,541
<b>35,401</b>	<b>Total</b>	<b>43,761</b>

## Market risk

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

- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest receivable on variable rate investments will be posted to the surplus or deficit on the provision of services and affect the general fund balance.

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

According to this assessment strategy, at 31 March 2017, if interest rates had been one per cent higher with all other variables held constant, the financial effect would be:

Table 26d Interest rate risk		
2015/16 £000		2016/17 £000
(38)	Increase in interest receivable on variable rate investments	(72)
(38)	<b>Impact on surplus or deficit on the provisions of services</b>	<b>(72)</b>

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

**b) Price risk.** The council holds an investment in a pooled property fund with shares to the value of £2.5 million. Whilst this investment holding is generally for interest earning potential, the council is exposed to losses and gains arising from the movement in prices of the shares held.

The shares are classified as available-for-sale financial assets. This means that all movements in price will impact on gains and losses recognised in the available for sale financial instruments reserve.

A movement of five per cent in the price of shares (positive or negative) would result in a £0.1 million gain or loss being recognised in the available for sale financial instruments reserve.

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

## 27. Critical judgements in applying accounting policies

In applying the accounting policies set out on pages 67-82, 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:

## **Leases**

The council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the council has estimated the implied interest rate within the lease to calculate interest and principal payments.

## **Funding**

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

## **Investment Properties**

Investment properties have been estimated using the identifiable criteria under IAS 40 of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

### **28. Assumptions made about the future and other major sources of estimation uncertainty**

#### **Business rates**

Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2016/17 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2017. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2017. The council's share of the balance of business rates appeals provision at this date amounted to £1.7 million, unchanged from the previous year.

#### **Property, plant and equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the council is unable to sustain its current spending on repairs and maintenance this could bring into doubt the useful lives currently assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual charge for buildings would increase in these circumstances.

#### **Debt impairment**

At 31 March 2017 the council had a balance on short-term debtors of £6.8 million. A review of significant balances suggested that an impairment of doubtful debts of £1.5 million was appropriate. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

## Pensions

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Barnett Waddington) is engaged (through Oxfordshire County Pension Fund) to provide the council with expert advice about the assumptions to be applied. Details of the pension liabilities are in note 18.

### 29. Material items of income and expenditure

The council's accounts include the following items of material income and expenditure:

	£000
<b>Material items (of over £1 million):</b>	
<b>Expenditure items</b>	0
No material amounts over £1 million	
<b>Income items</b>	
No material amounts over £1 million	0

### 30. Events after the balance sheet date

There are no material events after the balance sheet date.

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## Collection fund account

2015/16 £000		2016/17 £000	2016/17 £000	2016/17 £000	Notes
<b>Total</b>		<b>Council tax</b>	<b>NDR</b>	<b>Total</b>	
<b>£000</b>	<b>INCOME</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
(77,621)	Council tax payers	(82,200)	0	(82,200)	
(52,229)	Transfers from general fund: - Income from business ratepayers	0	(57,245)	(57,245)	
<b>(129,850)</b>		<b>(82,200)</b>	<b>(57,245)</b>	<b>(139,445)</b>	
	<b>EXPENDITURE</b>				
60,312	Precepts and demands: - Oxfordshire County Council	63,773	0	63,773	
8,011	- Police and Crime Commissioner	8,313	0	8,313	
8,828	- Vale of White Horse District Council	9,279	0	9,279	
24,907	Business Rates: - Payments to Government	0	26,749	26,749	
4,981	- Payments to Oxfordshire County Council	0	5,350	5,350	
19,925	- Payments to VWHDC	0	21,399	21,399	
185	- Cost of Collection	0	185	185	
423	Bad and doubtful debts: - Provision for bad debts	203	265	468	3
688	- Provision for appeals	0	(183)	(183)	3
<b>128,260</b>		<b>81,568</b>	<b>53,765</b>	<b>135,333</b>	
<b>(1,590)</b>	<b>(Surplus)/deficit for the year</b>	<b>(632)</b>	<b>(3,480)</b>	<b>(4,112)</b>	
	<b>COLLECTION FUND BALANCE</b>				
3,943	Balance brought forward at 1 April	(2,545)	4,898	2,353	
(1,590)	(Surplus)/deficit for the year, as above	(632)	(3,480)	(4,112)	
<b>2,353</b>	<b>Balance carried forward 31 March</b>	<b>(3,177)</b>	<b>1,418</b>	<b>(1,759)</b>	
	<b>Allocated to:</b>				
2,449	- Government	0	709	709	
(1,500)	- Oxfordshire County Council	(2,490)	142	(2,348)	
(264)	- Police and Crime Commissioner	(325)	0	(325)	
1,668	- Vale of White Horse District Council	(362)	567	205	
<b>2,353</b>		<b>(3,177)</b>	<b>1,418</b>	<b>(1,759)</b>	

# Notes to the collection fund account

## 1. Business rates (Non Domestic Rates)

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

		£
NDR rateable value as at 1 April 2016		142,705,075
NDR rateable value as at 31 March 2017		143,880,979
<b>National multipliers:</b>	<b>2015/16</b>	<b>2016/17</b>
Small business non-domestic rating multiplier	48.0p	48.4p
Non-domestic rating multiplier	49.3p	49.7p

## 2. Council tax base calculation

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

Band	Number of properties	Band multiplier	Band D equivalent
A	1,655	6/9	1,103
B	5,560	7/9	4,324
C	15,842	8/9	14,082
D	11,985	9/9	11,985
E	8,883	11/9	10,857
F	4,996	13/9	7,216
G	4,000	15/9	6,667
H	433	18/9	866
	<b>53,354</b>		<b>57,100</b>
Discounts and exemptions			(9,085)
Class O exempt properties			1,122
<b>Sub total</b>			<b>49,137</b>
Assumed losses on collection			(960)
<b>Council tax base</b>			<b>48,177</b>

## 3. Council tax/NDR bad debt provision and NDR provision for valuation appeals

The collection fund account provides for bad debts on council tax arrears on the basis of prior years' experience.

2015/16 £000	Council tax	2016/17 £000
(1,581)	Balance at 1 April	(1,714)
48	(Write back)/write off of debt during year	105
(181)	Net increase in provision	(203)
<b>(1,714)</b>	<b>Balance 31 March</b>	<b>(1,812)</b>



The council's proportion of these write offs and movement in provision are shown below.

<b>2015/16 £000</b>	<b>Council tax</b>	<b>2016/17 £000</b>
(181)	Balance at 1 April	(195)
6	(Write back)/write off of debt during year	12
(20)	Net increase in provisions during year	(24)
<b>(195)</b>	<b>Balance at 31 March</b>	<b>(207)</b>

The collection fund account also provides for bad debt on NDR arrears.

<b>2015/16 £000</b>	<b>NDR</b>	<b>2016/17 £000</b>
(788)	Balance at 1 April	(997)
33	(Write back)/write off of debt during year	243
(242)	Net increase in provisions during year	(265)
<b>(997)</b>	<b>Balance 31 March</b>	<b>(1,019)</b>

The council's proportion of these write offs and movement in provision are shown below.

<b>2015/16 £000</b>	<b>NDR</b>	<b>2016/17 £000</b>
(315)	Balance at 1 April	(399)
13	(Write back)/write off of debt during year	97
(97)	Net increase in provisions during year	(106)
<b>(399)</b>	<b>Balance 31 March</b>	<b>(408)</b>

The collection fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency not settled as at 31 March 2017.

<b>2015/16 £000</b>	<b>NDR</b>	<b>2016/17 £000</b>
(3,651)	Balance at 1 April	(4,339)
6,001	(Write back)/write off of debt during year	1,448
(6,689)	Net decrease/(increase) in provisions during year	(1,265)
<b>(4,339)</b>	<b>Balance 31 March</b>	<b>(4,156)</b>

The council's proportion of this provision is shown below.

<b>2015/16 £000</b>	<b>NDR</b>	<b>2016/17 £000</b>
(1,460)	Balance at 1 April	(1,736)
2,400	(Write back)/write off of debt during year	580
(2,676)	Net decrease/(increase) in provisions during year	(506)
<b>(1,736)</b>	<b>Balance 31 March</b>	<b>(1,662)</b>

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# Statement of accounting policies

## (i) General principles

The statement of accounts summarises the council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The council is required to prepare an annual statement of accounts by 30 June 2017 and for the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the Accounts and Audit Regulations 2015.

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

## (ii) Accruals of income and expenditure

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

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

## (iii) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are defined as follows:

- cash and cash equivalents shall include bank overdrafts that are an integral part of the council's cash management;
- cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes; and

- investments that can be liquidated or accessed within 30 days i.e. money market funds, call accounts and deposit accounts with a notice period of 30 days or less.

Equity investments are excluded from the definition.

#### **(iv) Prior period adjustments, changes in accounting policies and estimates and errors**

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

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

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

#### **(v) Charges to revenue for non-current assets**

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

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

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing required. As at 31 March 2017 this council has no borrowing requirement, so this contribution is not required. Depreciation, revaluation and impairment losses and amortisations are replaced by the contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the MiRS.

#### **(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 for current employees. They are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements and additional hours earned by employees but not taken as time off before the year-end which employees can carry forward into the next financial year. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the MiRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

## Termination benefits

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

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

## The Local Government Pension Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Oxfordshire County Council pension fund attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate based on the yield at the 17 year point on the Merrill Lynch AA rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Council's liabilities. This is consistent with the approach used at the last accounting date.
- The assets of Oxfordshire County Council pension fund attributable to the council are included in the balance sheet at their fair value:
  - Quoted securities - current bid price
  - Unquoted securities - professional estimate
  - Unitised securities - current bid price
  - Property - market value.
- The change in the net pensions liability is analysed into the following components:
- Service cost comprising:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CIES to the services for which the employees worked.
  - Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the surplus or deficit on the provision of services in the CIES.
  - net interest on the Net Defined Benefit Liability (NDBL), i.e. net interest for the council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability

at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - the return on scheme assets – excluding amounts included in the NDBL – charged to the pensions reserve as other CIES.
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the pensions reserves as other CIES.
- Contributions paid to the Oxfordshire County council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary benefits**

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

### **(vii) Events after the balance sheet date**

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

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

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



## **(viii) Financial instruments**

### **Financial liabilities**

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

The council currently has no borrowings and has issued no bonds to bond holders.

### **Financial assets**

Financial assets are classified into two types:

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

### **Loans and receivables**

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

However, if the council has made loans at less than market rates (soft loans), then a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the financing and investment income and expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the balance sheet.

Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable for the financial year. However, the loss attributable to a loan of less than £20,000 is not material and at the current date the council has no material loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the financing and investment income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. This figure is shown in the accounts for trade debtors as a provision for bad and doubtful debts. This provision is recalculated annually by applying an estimate of the proportion of debt in each category that is unlikely to be collectable based on past experience. Debts which are known to be un-collectable are written off.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the financing and investment income and expenditure line in the CIES.

### **Available-for-sale assets**

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

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

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

**Level 1 inputs** – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date,

**Level 2 inputs** – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly,

**Level 3 inputs** – unobservable inputs for the asset.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

## **(ix) Foreign currency translation**

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

## **(x) Government grants and contributions**

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income (non-ring fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the general fund balance in the MiRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. When it has been applied, it is posted to the capital adjustment account.

## **(xi) Intangible assets**

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

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the council can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an

indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the MiRS and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

#### **(xii) Interests in companies and other entities – jointly controlled operations and jointly controlled assets**

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

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

#### **(xiii) Inventories and long term contracts**

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

Long term contracts are accounted for on the basis of charging the CIES with the value of works and services received under the contract during the financial year.

#### **(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 is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participants' perspective. . Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the MiRS and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

## **(xv) Leases**

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

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

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

### **The council as lessee**

#### **Finance leases**

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability; and
- A finance charge (debited to the financing and investment income and expenditure line in the CIES).

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

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

#### **Operating leases**

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

## **The council as lessor**

### **Finance leases**

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

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received); and
- Finance income (credited to the financing and investment income and expenditure line in the CIES).

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

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

### **Operating leases**

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is a creditor to the other operating expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease.

#### **(xvi) Overheads and support services**

The costs of overheads and support services are charged to services in accordance with the authority's arrangements for accountability and financial performance.

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

## Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the CIES, they are reversed out of the general fund balance to the capital adjustment account in the MiRS.

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

- Infrastructure, community assets and assets under construction - depreciated historical cost;
- Surplus assets – fair value, estimated at highest and best use from a market participant's perspective;
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use.

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

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

Assets included in the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

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

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where the balance on the revaluation reserve is less than the decrease in value the carrying amount of the asset is written down firstly against the balance on the revaluation reserve and the remaining balance against the relevant service line(s) in the CIES;
- where there is no balance in the revaluation reserve the carrying amount of the asset is written down straight to the relevant service line(s) in the CIES.

When assets are formally revalued, the accumulated depreciation and impairment balances are written down. The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

## **Impairment**

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

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

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where the balance on the revaluation reserve is less than the impairment the carrying amount of the asset is written down firstly against the balance on the revaluation reserve and the remaining balance against the relevant service line(s) in the CIES;
- Where there is no balance in the revaluation reserve the carrying amount of the asset is written down straight to the relevant service line(s) in the CIES.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **Depreciation**

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

Depreciation is calculated on the following bases:

- Buildings and infrastructure assets – straight line allocation over the useful life of the property as estimated by the valuer;
- Vehicles, plant, furniture and equipment – on a straight line basis, generally over the useful life of the asset.

More detail on depreciation rates for asset categories is included in note 6 to the accounts. Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

### **Disposals and non-current assets held for sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous loss recognised in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the reserve from the general fund balance in the MiRS.

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

### **(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 CIES in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

### **Contingent liabilities**

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

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

### **Contingent assets**

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

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

## **(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 in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the CIES. The reserve is then appropriated back into the general fund balance in the MiRS 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, local taxation, retirement and employee benefits and do not represent usable resources for the council - these reserves are explained in the relevant note.

## **(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 has been charged as expenditure to the relevant service in the CIES in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources, a transfer in the MiRS from the general fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **(xxi) Value Added Tax (VAT)**

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

## **(xxii) Fair Value Measurement**

The council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the council's fair value measurement of its assets and liabilities 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.

## **(xxiii) 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.

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## Glossary of terms

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

- a) recognising
- b) selecting measurement bases for, and
- c) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

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

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

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

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

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

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

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

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

**Capital adjustment account** - accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (Revenue Expenditure Funded from Capital Under Statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

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

**Capital financing** – assembling the money to pay for capital expenditure. This will include capital receipts, government grants and contributions from developers. Also available are revenue monies and borrowing. The council does not currently borrow to finance capital expenditure.

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

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

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

**Code of Practice** – the CIPFA Code of Practice for Local Authority accounting developed as part of the accounting standards to be followed in compiling this statement of accounts.

**Collection fund** – a fund maintained by collecting authorities into which is paid council taxes, NDR, and community charges. The fund then meets the requirements of the county, district and parish councils and the Police and Crime Commissioner for the Thames Valley for council tax, and the county and central government for NDR.

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

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

**Contingency** - money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

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

**Contingent liability** – a contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
- a present obligation arising from past events where it is not possible to measure the amount of obligation with sufficient reliability.

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

**Council tax benefit** - is the assistance provided by billing authorities to adults on low incomes to help them pay their council tax bill.

**Council tax requirement** - the estimated revenue expenditure on General Fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

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

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

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

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

**Debtor** – an amount due to the council within the accounting period but not received at the date of the balance sheet.

**Deferred capital receipts** - capital income still to be received after disposals have taken place.

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

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

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

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

**Earmarked reserves** - The council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

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

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

**External audit** - The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the council has made proper arrangements to secure value for money in its use of resources.

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

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

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

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

**Financial regulations** - These are the written code of procedures approved by the council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

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

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

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

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

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

**Heritage asset** - A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**Housing benefit** - This is an allowance to persons on low income (or none) 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 benefits and of the running costs of the services to Local Authorities. Benefits

paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

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

**IAS 40** - International Accounting Standard 40 relates to the accounting for investment properties.

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

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

**Infrastructure assets** - Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

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

**International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)** – defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

**Liabilities** – these are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

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

**Non Domestic Rates (NDR)** (also known as business rates) – NDR is a tax charged on commercial properties. It is calculated by multiplying a property's 'rateable value' by a nationally set amount (known as the 'NDR multiplier'). The council acts as a collecting agency for NDR and the proceeds are then redistributed to central government, the county council and the balance retained by the council.

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

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

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

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

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

**Operating lease** – this is a lease where ownership of the fixed asset remains with the lessor and the lease costs are revenue expenditure to the Council – generally any lease other than a finance lease.

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

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

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

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

**Prior period adjustment** – those material adjustments applicable to prior years arising from changes in accounting policies or 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. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Provisions** - amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs is uncertain.

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

**Reporting standards** - the Code prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

**Revenue expenditure** - expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

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

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



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

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

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

**Service Reporting Code of Practice (SeRCOP)** - prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). It is reviewed annually to ensure that it develops in line with the needs of modern local government, transparency, best value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

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

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

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

## **Annual governance statement**

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

<http://www.whitehorsedc.gov.uk/about-us/how-we-work/our-finances/annual-governance-statement>