



**WEST OXFORDSHIRE
DISTRICT COUNCIL**

STATEMENT OF ACCOUNTS 2019/20

(draft and pre-audit)

CONTENTS

| | Page |
|--|---------|
| A | |
| Narrative Report | 1 – 5 |
| Statement of Responsibilities | 6 |
| B | |
| Comprehensive Income and Expenditure Statement | 7 |
| C | |
| The Movement in Reserves Statement | 8 |
| D | |
| Balance Sheet | 9 |
| E | |
| Cash Flow Statement | 10 |
| <i>Notes to the Comprehensive Income and Expenditure Statement</i> | 11 – 21 |
| <i>Notes to the Movement in Reserves Statement</i> | 22 – 29 |
| <i>Notes to the Balance Sheet</i> | 30 – 37 |
| <i>Notes to the Cash Flow Statement</i> | 38 – 39 |
| F | |
| Additional Disclosures | |
| Technical Notes | 40 – 53 |
| Understanding the Accounts | 54 – 71 |
| G | |
| Collection Fund | 72 |
| Notes to the Collection Fund | 73 – 75 |
| H | |
| Governance Statements | |
| Independent Auditor's Report | 76 – 77 |
| Annual Governance Statement | 78 – 79 |
| I | |
| Glossary of Terms and Abbreviations | 80 – 86 |
| J | |
| Index of Notes to the Accounts | 87 |

NARRATIVE REPORT

West Oxfordshire District Council

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

The population is approximately 109,800; the three largest towns are Witney, Carterton and Chipping Norton, though the majority of the population (57%) live in rural areas. The District also has an ageing population and estimates from 2017-2027 show the 65 years and over age group increasing by a further 6,147 people with two-thirds of this being outside the main towns.

The Council Plan 2020-2024 was updated in January 2020 and sets out the Council's key priorities and shows how the Council intends to achieve its ambitions for supporting local communities and the delivery of local services as follows:

Our Vision and Priorities

Our vision is to support West Oxfordshire to be fit for the future through:

- Climate action
- Healthy towns and villages
- A vibrant district economy
- Strong local communities
- Meeting the housing needs of our changing population
- Modern council services and sustainable finance

Under each priority are the 'key actions' which show what the Council plan to do to achieve each priority and objective. Service Delivery Plans are in place for Council services; and include a summary of what the service does, and how it supports the Council's aim, priorities and objectives. They link the priorities and objectives in the Council Plan to the activities that demonstrate what the Council will do to achieve them.

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

The Covid-19 pandemic impacted at the very end of the year and therefore the full impact of this has not been felt in the 2019/20 statement of accounts. The

Council is expecting challenges in the year ahead as it deals with the on-going fallout of the Covid-19 crisis.

Publica Group (Support) Limited

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

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

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

Medium Term Financial Strategy (MTFS)

The financial impact of the new Council priorities has been reflected in the update to the Medium Term Financial Strategy during 2019/20. The Council operates a rolling 10 year MTFS, the latest being approved by Cabinet on 13 February 2020. This latest update reflected:

- A contribution of £4m to be made to the Pension Fund in 2020/21, with revenue contributions of £120,000 for the next three years to address the pension fund deficit
- The reduction of Revenue Support Grant (RSG) for 2020/21 and beyond
- The likelihood of further falls in other government funding
- New Homes Bonus to continue for 2020/21 for one year only
- A provision of £2.8m for appeals against both the 2010 and 2017 Business Rate rating list.
- Changes in assumptions on tax base growth and inflation
- That a further £1.2m of efficiency savings are required over the next three years, with £0.6m included in the 2020/21 budget. Plans are in place to achieve these targets through the continuation of the Council's transformation programme, the leisure contract and operational changes in the environmental services operated by Ubico.

The Medium Term Financial Strategy will be revisited in light of the Covid-19 pandemic to ensure the

NARRATIVE REPORT

Council remain financially viable for the duration of the current MTFS.

The latest incarnation of the Medium Term Financial Strategy can be found on the Council's website and viewing the documents of the Cabinet meeting of 13 February 2020.

Financial Performance

The Council's 2019/20 budget strategy assumed a balanced budget with a contribution to reserves of £3,789. The outturn position (after transfers to reserves) was a surplus for the year of £102,110.

The full Q4 outturn report can be viewed visiting the Council website and reading the Cabinet papers of 22nd July 2020.

Capital Programme

The Council maintains a capital programme to support investment and manage its assets. The approved budget for the year was £17.8m.

In 2019/20 the Council spent £11.281m on:

| Capital Investment in the year | £000 |
|--|--------|
| Loan to Cottsway Housing Association | 2,005 |
| Redevelopment & expansion of Leisure facilities | 6,087 |
| Deployment of high speed broadband | 1,140 |
| Disabled facilities grants (DFGs) and other community grants | 731 |
| Replacement Street Sweepers | 465 |
| Community Grants Fund | 156 |
| Developer Capital Contributions | 149 |
| Madley Park Playing Field Project | 137 |
| IT Equipment and infrastructure | 124 |
| Other minor schemes | 287 |
| | 11,281 |

The most significant of these was the planned redevelopment and expansion of the Council's Carterton Leisure Centre, which was completed in 2019/20. In addition the Council loaned £2m to Cottsway Housing Association to provide affordable and social housing developments.

For the year, £11.2m had been spent against the total capital budget of £17.8m.

Financial Position

The Council continues to maintain a strong Balance Sheet despite financial challenges. Net Assets increased in the year by approximately £21m.



| | |
|------------------|-----------|
| Net Assets 18/19 | £97.549m |
| Net Assets 19/20 | £118.707m |
| Movement | £21.158m |

The major contributing factors were a decrease in the pension fund obligation, with a lesser offsetting decrease in plan assets, leading to a positive movement in the pension fund valuation of £10.6m. Council non-current asset values (including the effect of in-year revaluation) also increased by approximately £10m.

Pension Liability

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

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

| Pension assets and liabilities | £000 |
|---|----------|
| Fair value of employer assets | 52,324 |
| Present value of obligations | (81,745) |
| Surplus / (deficit) on the pension fund | (29,421) |

Despite the Council's share of Pension Fund assets falling by £4.4m, the net liability has fallen by £10.6m. This is due to a significant reduction in the pension fund liabilities of £15m. The future value of pension liabilities is based on the discount rate, which is based on the yield on investment grade corporate bonds. As the spread on corporate bonds has increased, it has led to an increased discount rate, which reduces the future value.

The 31st March 2020 position [£29,421,000 deficit] is compared to a deficit at 31st March 2019 of £40,045,000. Whilst the scheme is in deficit it represents the net value of what the Council owes across all future years. Publica and the Council are making contributions to cover liabilities accruing for employees that are current members and lump-sum payments to fund the deficit.

Operational Performance and Efficiency

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

There are twelve indicators in the Council 'core basket' of which eight (67%) achieved their annual targets.

For more details on the year's performance please refer to the Council website and the 'Financial and Service Performance Report 2019/2020 Year End' report from 22nd July 2020.

Risk Management

The Corporate Risk Register was updated during 2019/20 and reviewed by the Shared Risk Management Group. The Shared Risk Management Group comprises both Council and Publica Senior Managers. Any risk scoring 15 or above is considered a 'primary' risk.

At the end of 2019/20, there were 2 primary risks on the register:

- If the Council does not deliver a balanced medium term financial strategy then it may need to cut services or make additional savings.
- If the Council does not have the necessary resources to manage its trees and vegetation within public open spaces and country parks, then it may result in complaints/damage to adjoining property or injury

A separate Covid-19 pandemic risk register was developed in April 2020 to specifically consider the impact of Covid-19 on the Council.

Explanation of the Accounting Statements

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

The **Core Statements** are:

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

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

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

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves as at the year-end, 31 March 2020.

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

The **Supplementary Statements** are:

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

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

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

Facing the Challenges Ahead

The UK's departure from the EU has been the focus of central government activity throughout 2019/20. The 29th March 2019 Brexit deadline was extended to 12th April, then to 31st October and finally to 31 January 2020. The UK's tenuous progress negotiating its exit from the EU together with its future trading arrangements has driven volatility. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

The headline rate of UK Consumer Price Inflation fell to 1.7% year/year in February, below the Bank of England's target of 2%. Labour market data remained positive. The ILO unemployment rate was 3.99% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay was 3.1% in January 2020, providing some evidence that a shortage of labour had been supporting wages.

GDP growth in the last quarter of 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the times were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below trend at 1.1%.

Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis. The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% and then to a record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

The key challenge currently facing the Council is the impact of Covid-19. The Council is working to support local businesses and residents across the district including:

- Supporting business – rate relief and grants for businesses and have helped over 2,000 to date.
- Supporting residents – the Council is supporting vulnerable residents and is working with partners to maintain essential services whilst redeploying staff to new areas of work to help deal with the crisis.
- Volunteering opportunities – the Council has developed a Community Hub team to work effectively with voluntary sector partners and

volunteers.

Virtual Council meetings have been held to maintain open and transparent decision making whilst observing social distancing. Covid-19 pages on the Council website are regularly updated and provide further information.

The pandemic has had a considerable impact on Council service delivery. The Government's lockdown announced on March 23rd has meant that many local businesses across the district have had to close – impacting on the local economy. The way in which the Council operates has also changed dramatically, with a large majority of staff working from home.

Additional costs resulting from the pandemic will be felt during 2020/21. The Council is expecting a reduction in revenue streams such as licensing and planning fees, reduced investment income and investment property rental income. Expenditure pressures will also be felt across services.

Although difficult to quantify the impact of Covid-19 it is expected that the financial pressures will be felt – even after the Government's emergency Covid-19 funding for local authorities is taken into account. The Council is however in the fortunate position of having general fund reserve balances to draw upon.

As lockdown restrictions are eased the Council faces new challenges and opportunities. The Key priorities identified in the Council Plan may need to be amended or supplemented in light of the pandemic; this will be considered during the preparation of a Local Recovery Plan

Recovery from Covid-19 will take time and will be complex. This reflects the multifaceted nature of the impacts created by the crisis. The Council's Covid-19 recovery work will be guided by a Local Recovery Plan to help steer the Council's efforts. The Local Recovery Plan will be considered at Cabinet and Council in October 2020. This will allow the conclusions of this work to feed into the preparation of the budget for 2021/22, and set a timely framework to guide the Council's recovery activity.

The Council will be looking to revisit the assumptions included in the last iteration of the Medium Term Financial Strategy in recognition of the impact of the pandemic.

In order to maintain the current level of General fund reserve over the longer term, it is likely that the Council will need to find further budgetary savings over the life of the MTFS. These savings can be generated through increasing efficiency gains (although a great deal of work have already taken place in this respect), increasing income from fees and charges, increasing Council Tax income or

NARRATIVE REPORT

reviewing service provision, particularly the provision of discretionary services.

The Council holds various earmarked reserves which are held to fund costs associated with transformational change or smooth the impact of cyclical cost to the Council Tax payer. These funds will enable the Council to deliver its medium and longer term savings plans.

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

The Council is part of the Oxfordshire Growth Deal with central government. The Deal will see investment of £215 million within Oxfordshire. In return, across Oxfordshire, there is a requirement to deliver 100,000 housing units between 2011 and 2031 to address the county's severe housing shortage and expected economic growth. This level of housing growth is that identified by the Oxfordshire Strategic Housing Market Assessment 2014, and is consistent with that planned for in existing and emerging Oxfordshire Local Plans. Oxfordshire is also required to deliver an additional 1,320 affordable homes of a range of tenures to start on site by 2021.

The Council is working with all the Registered Providers of housing within its area, and specifically Cottsway Housing Association, to facilitate the delivery of the affordable housing units. The Council's Capital Programme includes a total investment of £10 million in affordable housing through borrowing to be provided to Cottsway Housing Association in return for additional affordable housing units. The implications of this significant investment have been included in the Council's Capital Strategy, Investment Strategy, Treasury Management Strategy and Medium Term Financial Strategy.

Further information

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

Elizabeth Griffiths CIMA
Chief Finance Officer

STATEMENT OF RESPONSIBILITIES

The Authority's responsibilities

The Authority is required to:

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

The Chief Finance Officer's responsibility

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

The Chief Finance Officer has also:

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

CERTIFICATE

I certify that the Statement of Accounts presented here gives a true and fair view of the financial position of the authority at the accounting date and of its income and expenditure for the year ended 31st March 2020.

Elizabeth Griffiths
Chief Finance Officer

Date: _____

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2018/2019 | | | | Note | 2019/2020 | | |
|------------------------|---------------------|----------------------|---|----------------|------------------------|---------------------|----------------------|
| Gross Expenditure £ | Gross Income £ | Net Expenditure £ | | | Gross Expenditure £ | Gross Income £ | Net Expenditure £ |
| 1,263,389 | (763,080) | 500,309 | <u>Joint Committee</u> | | 1,341,705 | (639,242) | 702,463 |
| 1,050,208 | (18,318) | 1,031,890 | Environmental and Regulatory Services | | 1,021,570 | (24,055) | 997,515 |
| 3,343,041 | (1,405,851) | 1,937,190 | Finance, Human Resources & Procurement | | 3,642,835 | (1,679,575) | 1,963,260 |
| 1,530,252 | (737,864) | 792,388 | ICT, Change and Customer Services | | 1,753,537 | (853,694) | 899,843 |
| 158,545 | (11,192) | 147,353 | Land, Legal and Property Services | | 280,781 | (10,957) | 269,824 |
| 23,175,976 | (22,266,342) | 909,634 | Partnership MD and 2020 Programme Costs | | 19,368,574 | (19,126,346) | 242,228 |
| | | | Revenues and Housing Support Services | | | | |
| | | | <u>Strategic Directors</u> | | | | |
| 1,051,560 | (83,761) | 967,799 | Democratic Services | | 1,367,993 | (323,874) | 1,044,119 |
| 10,106,565 | (3,782,631) | 6,323,934 | Environmental Services | | 10,339,969 | (3,563,141) | 6,776,828 |
| 2,067,036 | (400,119) | 1,666,917 | Leisure and Communities Services | | 3,659,230 | (2,133,900) | 1,525,330 |
| 2,421,229 | (1,619,734) | 801,495 | Planning and Strategic Housing Services | | 2,578,555 | (1,425,310) | 1,153,245 |
| 2,380,184 | (740,091) | 1,640,093 | Other Retained Services | | 1,431,140 | (490,730) | 940,410 |
| 48,547,985 | (31,828,983) | 16,719,002 | Cost of Services | | 46,785,889 | (30,270,824) | 16,515,065 |
| 3,655,261 | (787,297) | 2,867,964 | Other Operating Expenditure | B3 | 3,673,828 | (522,829) | 3,150,999 |
| 1,188,865 | (11,320,344) | (10,131,479) | Financing and Investment Income and Expenditure | B4 | 2,425,166 | (4,664,756) | (2,239,590) |
| 0 | (16,657,039) | (16,657,039) | Taxation and Non-Specific Grant Income | B5 | 0 | (19,556,315) | (19,556,315) |
| 53,392,111 | (60,593,663) | (7,201,552) | (Surplus) / Deficit on Provision of Services | B1 / B2 | 52,884,883 | (55,014,724) | (2,129,841) |
| | | (5,227,261) | (Surplus) / deficit on revaluation of non current assets | | | | (6,150,033) |
| | | 0 | (Gains) / Losses on Financial Instruments at FV through OCI | | | | 20,000 |
| | | 2,775,000 | Remeasurement of the net defined benefit liability | | | | (12,898,000) |
| | | (2,452,261) | Other Comprehensive Income and Expenditure | | | | (19,028,033) |
| | | (9,653,813) | Total Comprehensive Income and Expenditure | | | | (21,157,874) |

THE MOVEMENT IN RESERVES STATEMENT

| | Note | Usable Reserves | | | | | Unusable Reserves £ | TOTAL RESERVES £ |
|--|------|---------------------------------|-------------------------------|-------------------------------|-------------------------------|----------------------------|------------------------|----------------------|
| | | General Fund - Unallocated £ | General Fund - Earmarked £ | Capital Receipts Reserve £ | Capital Grants Unapplied £ | Total Usable Reserves £ | | |
| Balance at 1st April 2018 | | (12,458,273) | (9,857,459) | (5,024,197) | (3,436,511) | (30,776,440) | (57,119,149) | (87,895,589) |
| Movements in reserves 2018/19 | | 621,785 | (621,785) | 0 | 0 | 0 | | 0 |
| Total Comprehensive Income and Expenditure | | (7,201,552) | 0 | 0 | 0 | (7,201,552) | (2,452,261) | (9,653,813) |
| Adjustments between accounting basis & funding basis under regulations | C1 | 6,380,144 | 913,626 | (324,121) | (1,565,378) | 5,404,271 | (5,404,271) | 0 |
| (Increase) / Decrease in Reserves 2018/19 | | (199,623) | 291,841 | (324,121) | (1,565,378) | (1,797,281) | (7,856,532) | (9,653,813) |
| Balance at 31 March 2019 | | (12,657,896) | (9,565,618) | (5,348,318) | (5,001,889) | (32,573,721) | (64,975,681) | (97,549,402) |
| Movements in reserves 2019/20 | | 1,494,428 | (1,494,428) | | | 0 | | 0 |
| Total Comprehensive Income and Expenditure | | (2,129,841) | | | | (2,129,841) | (19,028,033) | (21,157,874) |
| Adjustments between accounting basis & funding basis under regulations | C1 | 533,312 | 0 | (632,609) | (3,944,571) | (4,043,868) | 4,043,868 | 0 |
| (Increase) / Decrease in Reserves 2019/20 | | (102,101) | (1,494,428) | (632,609) | (3,944,571) | (6,173,709) | (14,984,165) | (21,157,874) |
| Balance at 31 March 2020 | | (12,759,996) | (11,060,046) | (5,980,927) | (8,946,460) | (38,747,429) | (79,959,846) | (118,707,276) |

BALANCE SHEET

| 31st March 2019 £ | | Note | 31st March 2020 £ |
|----------------------|------------------------------------|------|----------------------|
| 58,305,170 | Property, Plant & Equipment | D1 | 69,301,246 |
| 91,084 | Heritage Assets | | 91,084 |
| 52,019,502 | Investment Property | D2 | 52,082,002 |
| 98,232 | Intangible Assets | D3 | 58,426 |
| 15,535,556 | Non-Current Investments | F2 | 14,272,211 |
| 3,152,643 | Non-Current Debtors | D7 | 5,101,536 |
| 129,202,188 | Non-Current Assets | | 140,906,505 |
| 13,128,389 | Investments | F2 | 3,107,779 |
| 30,417 | Inventories | | 31,945 |
| 6,266,525 | Debtors | D4 | 9,239,912 |
| 4,190,100 | Cash and Cash Equivalents | | 10,205,589 |
| 23,615,431 | Current Assets | | 22,585,225 |
| (10,206,796) | Creditors | D5 | (12,066,982) |
| (2,868,939) | Creditors - s.106 balances | D5 | (1,769,356) |
| (1,741,177) | Provisions | D6 | (1,139,625) |
| (14,816,912) | Current Liabilities | | (14,975,963) |
| (40,045,000) | Defined Benefit Pension Liability | F1 | (29,421,000) |
| (406,305) | Capital Grants Receipts in Advance | B9 | (387,491) |
| (40,451,305) | Non-Current Liabilities | | (29,808,491) |
| 97,549,402 | Net Assets | | 118,707,276 |
| (32,573,721) | Usable reserves | C3 | (38,747,429) |
| (64,975,681) | Unusable Reserves | | (79,959,846) |
| (97,549,402) | Total Reserves | | (118,707,276) |
| | | | |

These financial statements were certified by the Chief Finance Officer on 13th August 2020.

Elizabeth Griffiths, CIMA
Chief Finance Officer, West Oxfordshire District Council.

CASH FLOW STATEMENT

| | <i>Note</i> | 2018/19 £ | 2019/20 £ |
|--|-------------|---------------------|---------------------|
| Net surplus or (deficit) on provision of services | | 7,201,552 | 2,129,841 |
| Adjustments to net surplus or (deficit) on the provision of services to exclude non-cash movements | <i>E1a</i> | (5,085,151) | (109,149) |
| Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing or financing activities | <i>E1b</i> | (2,404,828) | (5,223,004) |
| Net cash flows from Operating Activities | | (288,427) | (3,202,312) |
| Investing Activities | <i>E1c</i> | 1,064,666 | 9,217,800 |
| Net increase or (decrease) in cash and cash equivalents | | 776,239 | 6,015,488 |
| Cash and cash equivalents at 1 April | | 3,413,860 | 4,190,100 |
| Cash and cash equivalents at 31 March | | 4,190,099 | 10,205,589 |
| Comprising: | | | |
| Cash and bank current accounts | | 137,779 | 322,403 |
| Short term investments | | 4,052,321 | 9,883,186 |
| | | 4,190,100 | 10,205,589 |
| | | | |

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B1. Expenditure and Funding Analysis

| | 2019/2020 | | | | | |
|---|-------------------------------------|--|---|---|---------------------------------------|---|
| | Net Expenditure in CI&ES £ | Adjs. between accounting and funding basis £ | Transfers to /(from) GF Earmarked Reserves £ | Net Exp. Chargeable to the General Fund £ | Management Reporting Adjs. £ | Outturn Reported to Management £ |
| <u>Joint Committee</u> | | | | | | |
| Environmental and Regulatory Services | 702,463 | (613,390) | 0 | 89,073 | 425,349 | 514,422 |
| GO Shared Services | 997,515 | (128,326) | 0 | 869,189 | 1,795 | 870,984 |
| ICT, Change and Customer Services | 1,963,260 | (386,458) | 0 | 1,576,802 | 152,066 | 1,728,868 |
| Land, Legal and Property Services | 899,843 | (248,934) | 0 | 650,909 | 125,054 | 775,963 |
| Partnership MD and 2020 Programme Costs | 269,824 | (14,389) | 0 | 255,435 | 0 | 255,435 |
| Revenues and Housing Support Services | 242,228 | (246,308) | 0 | (4,080) | 22,445 | 18,365 |
| <u>Strategic Directors</u> | | | | | | |
| Democratic Services | 1,044,119 | (33,279) | 0 | 1,010,840 | 0 | 1,010,840 |
| Environmental Services | 6,776,828 | (26,336) | 0 | 6,750,492 | 8,679 | 6,759,171 |
| Leisure and Communities Services | 1,525,330 | (1,138,014) | 0 | 387,316 | 763,053 | 1,150,369 |
| Planning and Strategic Housing Services | 1,153,245 | (309,739) | 0 | 843,506 | 10,398 | 853,904 |
| Other Retained Services | 940,410 | (34,930) | 0 | 905,480 | 1,760 | 907,240 |
| Cost of Services | 16,515,065 | (3,180,103) | 0 | 13,334,962 | 1,510,599 | 14,845,561 |
| Other Income and Expenditure | (18,644,906) | 3,713,414 | 1,494,428 | (13,437,064) | (1,510,599) | (14,947,663) |
| (Surplus) / Deficit on Provision of Services | (2,129,841) | 533,311 | 1,494,428 | (102,102) | 0 | (102,102) |
| Opening General Fund Balance (Unallocated) at 1 April (Surplus) / Deficit for the year | | | | (12,657,895) (102,102) | | |
| Closing General Fund Balance (Unallocated) at 31 March | | | | (12,759,997) | | |

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| | 2018/2019 | | | | | |
|---|-------------------------------------|--|---|---|---------------------------------------|---|
| | Net Expenditure in CI&ES £ | Adjs. between accounting and funding basis £ | Transfers to /(from) GF Earmarked Reserves £ | Net Exp. Chargeable to the General Fund £ | Management Reporting Adjs. £ | Outturn Reported to Management £ |
| <u>Joint Committee</u> | | | | | | |
| Environmental and Regulatory Services | 500,309 | (160,974) | 0 | 339,335 | 0 | 339,335 |
| GO Shared Services | 1,031,890 | (113,862) | 0 | 918,028 | 7,503 | 925,531 |
| ICT, Change and Customer Services | 1,937,190 | (214,594) | 0 | 1,722,596 | 177,068 | 1,899,664 |
| Land, Legal and Property Services | 792,388 | (286,114) | 0 | 506,274 | 245,605 | 751,879 |
| Partnership MD and 2020 Programme Costs | 147,353 | (21,434) | 0 | 125,919 | 0 | 125,919 |
| Revenues and Housing Support Services | 909,634 | (216,975) | 0 | 692,659 | 6,532 | 699,191 |
| <u>Strategic Directors</u> | | | | | | |
| Democratic Services | 967,799 | (34,685) | 0 | 933,114 | 0 | 933,114 |
| Environmental Services | 6,323,934 | (334,319) | 0 | 5,989,615 | 181,248 | 6,170,863 |
| Leisure and Communities Services | 1,666,917 | (886,813) | 0 | 780,104 | 607,847 | 1,387,951 |
| Planning and Strategic Housing Services | 801,495 | (255,991) | 0 | 545,504 | 27,184 | 572,688 |
| Other Retained Services | 1,640,093 | (731,660) | 0 | 908,433 | 2,120 | 910,553 |
| Cost of Services | 16,719,002 | (3,257,421) | 0 | 13,461,581 | 1,255,107 | 14,716,688 |
| Other Income and Expenditure | (23,920,554) | 9,637,566 | 621,785 | (13,661,203) | (1,255,107) | (14,916,310) |
| (Surplus) / Deficit on Provision of Services | (7,201,552) | 6,380,145 | 621,785 | (199,622) | (0) | (199,622) |
| Opening General Fund Balance (Unallocated) at 1 April | | | | (12,458,273) | | |
| (Surplus) / Deficit for the year | | | | (199,622) | | |
| Closing General Fund Balance (Unallocated) at 31 March | | | | (12,657,895) | | |

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Adjustments between accounting basis and funding basis

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

| | 2019/2020 | | | | | | |
|---|---|------------------|----------------|---|------------------|---------------------|---|
| | Adjustments between funding and accounting basis (see MiRS Note C1) | | | Adjustments between amounts chargeable to the General Fund and Management Reporting | | | Total Management Reporting Adjustments £ |
| | Capital Adjs | Pension Adjs | Other Adjs | Total adjs between funding and accounting | Depreciation | Other Segment Adjs. | |
| | £ | £ | £ | £ | £ | £ | |
| <u>Joint Committee</u> | | | | | | | |
| Environmental and Regulatory Services | 425,349 | 188,041 | | 613,390 | 425,349 | | 425,349 |
| Finance, Human Resources & Procurement | 1,795 | 126,531 | | 128,326 | 1,795 | | 1,795 |
| ICT, Change and Customer Services | 152,066 | 234,392 | | 386,458 | 152,066 | | 152,066 |
| Land, Legal and Property Services | 203,854 | 45,080 | | 248,934 | 125,054 | | 125,054 |
| Partnership MD and 2020 Programme Costs | 0 | 14,389 | | 14,389 | 0 | | 0 |
| Revenues and Housing Support Services | 22,445 | 223,863 | | 246,308 | 22,445 | | 22,445 |
| <u>Strategic Directors</u> | | | | | | | |
| Democratic Services | 0 | 33,279 | | 33,279 | 0 | | 0 |
| Environmental Services | 5,680 | 20,656 | | 26,336 | 5,680 | 2,999 | 8,679 |
| Leisure and Communities Services | 1,011,016 | 126,998 | | 1,138,014 | 763,053 | | 763,053 |
| Planning and Strategic Housing Services | 10,398 | 299,341 | | 309,739 | 10,398 | | 10,398 |
| Other Retained Services | 52,500 | (17,570) | | 34,930 | 2,120 | (360) | 1,760 |
| Cost of Services | 1,885,103 | 1,295,000 | 0 | 3,180,103 | 1,507,960 | 2,639 | 1,510,599 |
| Other Income and Expenditure | (5,558,061) | 979,000 | 865,647 | (3,713,414) | (1,507,960) | (2,639) | (1,510,599) |
| (Surplus) / Deficit on Provision of Services | (3,672,958) | 2,274,000 | 865,647 | (533,311) | 0 | 0 | 0 |

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| | 2018/2019 | | | | | |
|---|---|-------------------|-----------------|---|-------------------|---|
| | Adjustments between funding and accounting basis (see MiRS Note C1) | | | Adjustments between amounts chargeable to the General Fund and Management Reporting | | |
| | Capital Adjs £ | Pension Adjs £ | Other Adjs £ | Total adjs between funding and accounting £ | Depreciation £ | Total Management Reporting Adjustments £ |
| <u>Joint Committee</u> | | | | | | |
| Environmental and Regulatory Services | 0 | 160,974 | 0 | 160,974 | 0 | 0 |
| GO Shared Services | 0 | 113,862 | 0 | 113,862 | 7,503 | 7,503 |
| ICT, Change and Customer Services | 5,825 | 208,769 | 0 | 214,594 | 177,068 | 177,068 |
| Land, Legal and Property Services | 245,605 | 40,509 | 0 | 286,114 | 245,605 | 245,605 |
| Partnership MD and 2020 Programme Costs | 0 | 21,434 | 0 | 21,434 | 0 | 0 |
| Revenues and Housing Support Services | 6,532 | 210,443 | 0 | 216,975 | 6,532 | 6,532 |
| <u>Strategic Directors</u> | | | | | | |
| Democratic Services | 0 | 34,685 | 0 | 34,685 | 0 | 0 |
| Environmental Services | 383,239 | (48,920) | 0 | 334,319 | 181,248 | 181,248 |
| Leisure and Communities Services | 783,035 | 103,778 | 0 | 886,813 | 607,847 | 607,847 |
| Planning and Strategic Housing Services | 27,185 | 228,806 | 0 | 255,991 | 27,184 | 27,184 |
| Other Retained Services | 0 | 731,660 | 0 | 731,660 | 2,120 | 2,120 |
| Cost of Services | 1,451,421 | 1,806,000 | 0 | 3,257,421 | 1,255,107 | 1,255,107 |
| Other Income and Expenditure | (10,918,490) | 921,000 | 359,924 | (9,637,566) | (1,255,107) | (1,255,107) |
| (Surplus) / Deficit on Provision of Services | (9,467,069) | 2,727,000 | 359,924 | (6,380,145) | (0) | (0) |

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Capital Adjustments

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

Pension Adjustments

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

Other Adjustments

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

B2. Expenditure and Income Analysed by Nature

| | 2018/19 £ | 2019/20 £ |
|---|---------------------|---------------------|
| Expenditure | | |
| Employee benefits expenses | 3,152,705 | 2,489,333 |
| Publica Contract Charges | 9,261,933 | 9,665,800 |
| Housing Benefit & Other Transfer Payments | 20,210,194 | 16,653,536 |
| Other service expenses | 13,941,553 | 14,358,958 |
| Depreciation, amortisation and impairment | 1,455,269 | 2,811,483 |
| Interest payments and similar expense | 926,841 | 979,000 |
| Precepts and Levies | 3,577,651 | 3,607,826 |
| Other expenditure | 865,965 | 2,318,947 |
| Total Expenditure | 53,392,111 | 52,884,883 |
| Income | | |
| Fees, charges & other service income | (13,644,696) | (13,741,410) |
| Housing Benefit Subsidy | (19,731,940) | (17,203,768) |
| Other Government Grants | (5,661,165) | (7,070,659) |
| Income from Council Tax | (7,710,705) | (8,040,587) |
| Income from Non Domestic Rates | (2,974,069) | (3,260,234) |
| Non Government Grants & Contributions | (2,372,086) | (3,131,067) |
| Investment Interest and similar income | (7,674,579) | (903,821) |
| Other income | (824,423) | (1,663,178) |
| Total Income | (60,593,663) | (55,014,724) |
| (Surplus) / Deficit on Provision of Services | (7,201,552) | (2,129,841) |

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B3. Other Operating Income and Expenditure

| | 2018/19 £ | 2019/20 £ |
|--|------------------|------------------|
| (Gains) / losses on disposal of non current assets | 0 | (32,152) |
| Unattached capital receipts | (787,297) | (490,677) |
| Town and Parish Council support grant | 77,610 | 66,002 |
| Town and Parish Council precepts | 3,577,651 | 3,607,826 |
| | 2,867,964 | 3,150,999 |

B4. Financing and Investment Income and Expenditure

| | 2018/19 £ | 2019/20 £ |
|---|---------------------|--------------------|
| Interest payable and similar charges | 5,841 | 2,192 |
| Interest receivable and similar income | (801,217) | (844,663) |
| Movement in the fair value of financial assets* | 8,404 | 1,224,723 |
| Movement in the fair value of investment property | (6,873,362) | (62,500) |
| Net investment property (income) / expenditure | (3,392,145) | (3,538,342) |
| Net interest on the net defined benefit pension liability | 921,000 | 979,000 |
| | (10,131,479) | (2,239,590) |

*Movement in the fair value of financial assets largely reflects the fall in value at balance sheet date of pooled investment funds.

B5. Taxation and Non Specific Grant Income

| | 2018/19 £ | 2019/20 £ |
|---|---------------------|---------------------|
| National Non Domestic Rates: | | |
| - Redistribution | (3,588,547) | (3,223,756) |
| - Renewable Energy | (228,415) | (203,125) |
| - Business rates levy | 1,210,554 | 1,669,682 |
| - Surplus from the pool | (580,508) | (607,199) |
| - (Surplus) / Deficit | 375,320 | (733,290) |
| | (2,811,596) | (3,097,688) |
| Council Tax income (Council and Town/Parish Council shares) | (7,628,508) | (8,040,586) |
| Revenue Support Grant | (372,528) | (77,568) |
| New Homes Bonus | (1,599,061) | (1,763,143) |
| S31 NDR Compensation Grant | (1,522,032) | (2,043,923) |
| Capital grants and contributions | (2,504,828) | (2,931,134) |
| Other non-ringfenced government grants | (218,486) | (1,602,273) |
| | (16,657,039) | (19,556,315) |

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B6. Members' Allowances

| | 2018/19 £ | 2019/20 £ |
|---|----------------|----------------|
| Basic and Special Responsibility Allowances | 341,287 | 354,177 |
| Expenses | 9,494 | 8,488 |
| | 350,781 | 362,665 |

B7. External Audit Costs

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

| | 2018/19 £ | 2019/20 £ |
|--|---------------|---------------|
| External audit services carried out by the appointed auditor | 35,527 | 35,527 |
| Certification of grant claims and returns | 12,900 | 15,650 |
| | 48,427 | 51,177 |

In addition to the statutory audit fees shown above, the Council has subscribed to Grant Thornton's 'CFO Insights' platform – an online tool which contains financial, socio-economic and population data from local authorities across the country. The cost of this subscription in 2019/20 (up until the ending of the contract in November 2019) was £1,875.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B8. Officer Remuneration

Senior Officer Remuneration

The Council's senior officers are those with statutory responsibility within the Council.

| 2019/2020 | | | |
|--|---|-------------------------------|----------------------------|
| Post | Salary, allowances & other benefits £ | Pension Contributions £ | Total Remuneration £ |
| Chief Executive and Head of Paid Service | 86,257 | 13,350 | 99,608 |
| Chief Finance Officer ¹ | 78,810 | 12,846 | 91,656 |
| Monitoring Officer | 70,467 | 9,597 | 80,063 |
| | 235,534 | 35,793 | 271,327 |
| 2018/2019 | | | |
| Post | Salary, allowances & other benefits £ | Pension Contributions £ | Total Remuneration £ |
| Chief Executive and Head of Paid Service | 69,075 | 10,553 | 79,628 |
| Chief Finance Officer ¹ | 77,265 | 12,749 | 90,014 |
| Monitoring Officer | 64,883 | 10,130 | 75,013 |
| | 211,223 | 33,432 | 244,655 |

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

1. The Chief Finance Officer is an employee of Cotswold District Council, who acted as Chief Finance Officer for both Cotswold District Council and West Oxfordshire District Councils during 2019/20. The costs shown above represent the employment cost incurred and paid by the employing Council (Cotswold). 50% of these costs will be charged to West Oxfordshire, although the full salary and employment costs for the individual are shown above for comparability and transparency.

Other Officer Remuneration

The majority of the Council's staff TUPE-transferred to Publica Group (Support) Limited on 1 November 2017, only a small number of staff are now employed directly by the Council and none of the Authority's employees (excluding those identified above) received more than £50,000 remuneration of the year. (No employees received more than £50,000 in 2018/19).

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B9. Grant Income

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

| | 2018/19 £ | 2019/20 £ |
|--|---------------------|---------------------|
| <u>Revenue grants credited to Cost of Services</u> | | |
| Housing Benefit Subsidy | (19,731,940) | (17,095,027) |
| Housing Benefit Administration Subsidy | (116,032) | (185,311) |
| Other grants | (161,032) | |
| | (20,009,004) | (17,280,338) |
| <u>Revenue grants credited to Taxation and Non Specific Grant Income</u> | | |
| New homes bonus grant | (1,599,061) | (1,763,143) |
| Revenue Support Grant | (372,528) | (77,568) |
| S31 NDR compensation grant | (1,522,032) | (2,043,923) |
| Rural services delivery grant | (126,956) | (126,956) |
| Other specific government grants | (9,332) | (1,475,317) |
| | (3,629,909) | (5,486,907) |
| <u>Capital grants credited to the Comprehensive Income and Expenditure Statement</u> | | |
| Better Care Funding | (688,947) | (730,704) |
| S.106 Receipts & other capital grants | (2,504,828) | (2,931,134) |
| | (3,193,775) | (3,661,838) |

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

| | 2018/19 £ | 2019/20 £ |
|---|--------------------|------------------|
| Environment Agency Grant [for specific Land drainage works] | (174,266) | (174,266) |
| Better Care Grant Funding | (232,039) | (213,225) |
| Long Term Capital Receipt in advance | (406,305) | (387,491) |
| S106 Capital Contributions [due to third parties] | (1,150,140) | (170,865) |
| Short Term Capital Receipt in advance | (1,150,140) | (170,865) |
| Total Capital Receipt in Advance | (1,556,445) | (558,356) |

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B10. Termination Benefits

Redundancy and Compensation

There is no redundancy and compensation cost in 2019/20.

Pension Strain

No pensions strain cost in 2019/20 (nil in 2018/19). Any additional contributions (strain contributions and augmentation contributions) that are due to be paid in the year by the Council, under any agreement with the pension fund, are recognised immediately as an expense

Exit Packages

There is no exit package cost charged to the Council's Comprehensive Income and Expenditure Statement for the current year.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

C1. Adjustments Between Accounting Basis and Funding Basis Under Regulations

| | 2019/20 | | | |
|--|---------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | General Fund - Unallocated £ | General Fund - Earmarked £ | Capital Receipts Reserve £ | Capital Grants Unapplied £ |
| Capital Adjustments | | | | |
| <u>Reversal of entries included in the CI&ES relating to Capital Expenditure</u> | | | | |
| Charges for depreciation, amortisation and impairment | (1,507,959) | | | |
| Revaluation losses on Property, Plant and Equipment | (78,800) | | | |
| Movements in the fair value of Investment Properties | 62,500 | | | |
| Capital Grants and Contributions applied | 6,259,468 | | | |
| Revenue Expenditure funded from Capital Under Statute | (2,318,949) | | | |
| Non current assets written off on disposal or sale | (563,844) | | | |
| <u>Adjustments between Capital & Revenue Resources</u> | | | | |
| Transfer of cash sale proceeds from disposal of non current assets | 563,844 | | (532,744) | |
| Capital expenditure charged against General Fund Balance | 540,100 | | | |
| Statutory provision for the repayment of debt | 193,769 | | | |
| Capital grants and contributions credited to CI&ES | | | | (4,138,833) |
| Unattached Capital Receipts | 522,829 | | (522,829) | |
| <u>Adjustments to Capital Resources</u> | | | | |
| Application of grants to capital financing tfrd to CAA | | | | 194,262 |
| Use of capital receipts reserve to finance new capital expenditure | | | 458,480 | |
| Transfer from Deferred Capital Receipts on receipt of cash | | | (35,516) | |
| Financial Instrument Adjustments | | | | |
| Reversal of changes in fair value on Pooled Investment Funds | (1,342,636) | | | |
| Pension Adjustments | | | | |
| Pension costs transferred to / (from) the Pensions Reserve | (2,274,000) | | | |
| Other Adjustments | | | | |
| Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account | 476,990 | | | |
| | 533,312 | 0 | (632,609) | (3,944,571) |

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

| | 2018/19 | | | |
|--|---------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | General Fund - Unallocated £ | General Fund - Earmarked £ | Capital Receipts Reserve £ | Capital Grants Unapplied £ |
| Capital Adjustments | | | | |
| <u>Reversal of entries included in the CI&ES relating to Capital Expenditure</u> | | | | |
| Charges for depreciation, amortisation and impairment | (1,255,108) | 0 | 0 | 0 |
| Revaluation losses on Property, Plant and Equipment | (200,161) | 0 | 0 | 0 |
| Movements in the fair value of Investment Properties | 6,873,362 | 0 | 0 | 0 |
| Capital Grants and Contributions applied | 823,819 | 913,626 | 0 | 0 |
| Revenue Expenditure funded from Capital Under Statute | (865,966) | 0 | 0 | 0 |
| Non current assets written off on disposal or sale | 0 | 0 | 0 | 0 |
| <u>Adjustments between Capital & Revenue Resources</u> | | | | |
| Transfer of cash sale proceeds from disposal of non current assets | 0 | 0 | 0 | 0 |
| Capital expenditure charged against General Fund Balance | 422,075 | 0 | 0 | 0 |
| Statutory provision for the repayment of debt | 493,770 | 0 | 0 | 0 |
| Capital grants and contributions credited to CI&ES | 2,387,981 | 0 | | (2,387,981) |
| Unattached Capital Receipts | 787,297 | 0 | (787,297) | 0 |
| <u>Adjustments to Capital Resources</u> | | | | |
| Application of grants to capital financing tfrd to CAA | | 0 | 0 | 822,603 |
| Use of capital receipts reserve to finance new capital expenditure | 0 | 0 | 978,137 | 0 |
| Transfer from Deferred Capital Receipts on receipt of cash | 0 | 0 | (514,961) | 0 |
| Financial Instrument Adjustments | | | | |
| Reversal of changes in fair value on Pooled Investment Funds | (8,405) | | 0 | |
| Pension Adjustments | | | | |
| Pension costs transferred to / (from) the Pensions Reserve | (2,727,000) | 0 | 0 | 0 |
| Other Adjustments | | | | |
| Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account | (351,520) | 0 | 0 | 0 |
| | 6,380,144 | 913,626 | (324,121) | (1,565,378) |

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

C2. Usable Reserves

Earmarked Reserves

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

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

| Earmarked Reserves | Balance 1 April 2019 £ | Transfers between reserves £ | Transfers Out £ | Transfers in £ | Balance 31 March 2020 £ |
|---|------------------------------|---------------------------------------|-----------------------|----------------------|-------------------------------|
| High Speed Broadband | (1,578,851) | 0 | 0 | 0 | (1,578,851) |
| Investment Property Improvement | (610,785) | 312,123 | 0 | 0 | (298,662) |
| Business Rate Movement | (1,899,589) | 1,317,098 | 15,399 | 0 | (567,092) |
| Service Modernisation Reserve | (246,212) | (62,822) | 309,034 | 0 | 0 |
| DCLG Community Housing Fund | (277,208) | 0 | 50,786 | 0 | (226,422) |
| Garden Village Grant | (326,636) | 0 | 131,778 | (300,000) | (494,858) |
| Benefits Subsidy Smoothing Reserve | (200,000) | 100,000 | 0 | (675,000) | (775,000) |
| Service Resilience Reserve | (200,000) | 177,000 | 0 | 0 | (23,000) |
| Capital Development Reserve | (272,606) | 272,606 | 0 | 0 | 0 |
| Flexible Homelessness Support Grant | (147,042) | 0 | 33,864 | (81,781) | (194,959) |
| Rev & Bens One-off Grant Funding | (188,365) | 0 | 0 | (16,965) | (205,330) |
| Invest to Save Reserve | (1,000,000) | 1,000,000 | 0 | 0 | 0 |
| Delivery of Council Priorities | (1,112,000) | 895,348 | 81,295 | (700,000) | (835,357) |
| Syrian Refugees Reserve | (288,793) | 0 | 0 | (10,000) | (298,793) |
| Additional Pension contribution in 2020 | 0 | (3,627,098) | 0 | 0 | (3,627,098) |
| Economic Development Reserve | 0 | (270,000) | 0 | 0 | (270,000) |
| Other earmarked reserves | (1,217,532) | (114,255) | 247,523 | (580,360) | (1,664,624) |
| | (9,565,619) | 0 | 869,679 | (2,364,106) | (11,060,046) |

C3. Unusable Reserves

Summary of Unusable Reserves

| | 2018/19 £ | 2019/20 £ |
|---|---------------------|---------------------|
| Revaluation Reserve | (27,831,083) | (33,578,060) |
| Capital Adjustment Account | (74,060,582) | (73,563,832) |
| Pension Reserve | 40,045,000 | 29,421,000 |
| Deferred Capital Receipts Reserve | (3,612,079) | (3,607,662) |
| Collection Fund Adjustment Account | 468,009 | (8,981) |
| Accumulated Absences Account | 6,648 | 6,648 |
| Pooled Investment Fund Reserve | 8,405 | 1,351,041 |
| Financial Instruments Revaluation Reserve | 0 | 20,000 |
| | (64,975,682) | (79,959,847) |

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Revaluation Reserve

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

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

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

| | 2018/19 £ | 2019/20 £ |
|--|---------------------|---------------------|
| Opening Balance - 1 April | (23,103,719) | (27,831,083) |
| Prior Period Adjustment (see note D1) | | |
| Upward revaluation of assets | (8,556,995) | (9,883,785) |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 3,329,734 | 3,733,752 |
| <i>Surplus / deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services</i> | <i>(5,227,261)</i> | <i>(6,150,033)</i> |
| Difference between fair value and historic cost depreciation | 351,897 | 403,056 |
| Other balances written out to the Capital Adjustment Account | 148,000 | 0 |
| <i>Amount written off to the Capital Adjustment Account</i> | <i>499,897</i> | <i>403,056</i> |
| Closing Balance - 31 March | (27,831,083) | (33,578,060) |

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Capital Adjustment Account

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

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

| | 2018/19 £ | 2019/20 £ |
|--|---------------------|---------------------|
| Opening Balance - 1st April | (64,554,528) | (74,060,582) |
| <u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u> | | |
| Charges for depreciation of non current assets | 1,255,108 | 1,507,959 |
| Revaluation losses on Property, Plant and Equipment | 200,161 | 78,800 |
| Revenue expenditure funded from capital under statute | 865,966 | 2,318,949 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure | 0 | 563,844 |
| | 2,321,235 | 4,469,552 |
| <u>Adjusting amounts written out of the Revaluation Reserve</u> | | |
| Amounts written out on disposal or sale of non current assets | (148,000) | 0 |
| Historical cost depreciation adjustment | (351,897) | (403,056) |
| | (499,897) | (403,056) |
| Net written out amount of the cost of non current assets consumed in year | 1,821,338 | 4,066,496 |
| <u>Capital financing applied in year</u> | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (978,137) | (458,480) |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (823,819) | (2,120,635) |
| Earmarked Reserves credited to Ci&ES to capital financing | (913,626) | 0 |
| Application of grants to capital financing from the Capital Grants Unapplied Account | (822,603) | (194,262) |
| Statutory provision for the repayment of debt | (493,770) | (193,769) |
| Capital expenditure charged against the General Fund Balance | (422,075) | (540,100) |
| | (4,454,030) | (3,507,246) |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | (6,873,362) | (62,500) |
| Closing Balance - 31 March | (74,060,582) | (73,563,832) |

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Pension Reserve

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

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

| | 2018/19 £ | 2019/20 £ |
|--|-------------------|-------------------|
| Opening Balance - 1 April | 34,543,000 | 40,045,000 |
| Return on plan assets | (2,232,000) | 4,389,000 |
| Remeasurement of the net defined benefit liability | 5,007,000 | (17,287,000) |
| Reversal of items debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement | 3,765,000 | 3,099,000 |
| Employers' pension contributions | (1,038,000) | (825,000) |
| Closing Balance - 31 March | 40,045,000 | 29,421,000 |

Deferred Capital Receipts Reserve

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

| | 2018/19 £ | 2019/20 £ |
|---|--------------------|--------------------|
| Opening Balance - 1 April | (4,127,040) | (3,612,079) |
| New loans / new deferred receipt | 0 | (563,844) |
| Transfer to the Capital Receipts Reserve on receipt of cash | 514,961 | 568,261 |
| Closing Balance - 31 March | (3,612,079) | (3,607,662) |

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Collection Fund Adjustment Account

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

| | Balance 1 April 2019 £ | Transfers in £ | Balance 31 March 2020 £ |
|--|------------------------------|----------------------|-------------------------------|
| Amounts by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements: | | | |
| Council Tax | (56,259) | (45,547) | (101,806) |
| NDR | 524,268 | (431,443) | 92,825 |
| | 468,009 | (476,990) | (8,981) |

Accumulated Absences Adjustment Account

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

| | 2018/19 £ | 2019/20 £ |
|-----------------------------------|--------------|--------------|
| Opening Balance - 1 April | 6,648 | 6,648 |
| Movement in year | 0 | 0 |
| Closing Balance - 31 March | 6,648 | 6,648 |

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Pooled Investment Fund Adjustment Account

The pooled investment fund adjustment account is used solely for the purpose of recognising fair value gains and losses on the Council's pooled investment funds under statutory provisions.

| | 2018/19 £ | 2019/20 £ |
|--|--------------|------------------|
| Opening Balance - 1 April | 0 | 8,405 |
| Changes in fair value of Pooled Investment Funds | 8,405 | 1,342,636 |
| Closing Balance - 31 March | 8,405 | 1,351,041 |

Financial Instrument Adjustment Account

The financial instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

| | 2018/19 £ | 2019/20 £ |
|---|--------------|--------------|
| Opening Balance - 1 April | (839,276) | 0 |
| Movement in year | | |
| Transfer to General Fund on transition to IFRS9 | 704,229 | 0 |
| Restate A2D Corporate Bond to Amortised Cost on transition to IFRS9 | 135,047 | 0 |
| Closing Balance - 31 March | 0 | 0 |

Financial Instruments Revaluation Reserve

The financial instruments revaluation reserve contains the gains and losses arising from changes in the fair value of its investments that are measured at fair value through other comprehensive income.

| | 2018/19 £ | 2019/20 £ |
|--|--------------|---------------|
| Opening Balance - 1 April | 0 | 0 |
| Changes in fair value of financial assets elected to FV through Other Comprehensive Income | 0 | 20,000 |
| Closing Balance - 31 March | 0 | 20,000 |

NOTES TO THE BALANCE SHEET

D1. Property, Plant and Equipment

Property, Plant and Equipment

| Movements in 2019/20 | Land & Buildings £ | Vehicles, Plant & Equipment £ | Community Assets £ | Surplus Assets £ | Assets under Construction £ | TOTAL P&P&E £ |
|--|-----------------------|-------------------------------------|-----------------------|---------------------|--------------------------------|--------------------|
| Asset Cost or Valuation | | | | | | |
| Asset values at 1 April 2019 | 48,801,757 | 2,751,723 | 917,659 | 4,968,315 | 2,235,362 | 59,674,816 |
| Additions | 6,205,294 | 751,546 | 0 | 0 | 0 | 6,956,840 |
| Revaluation increases / (decreases) | 5,962,101 | 0 | 0 | (1,070,727) | 0 | 4,891,374 |
| Reclasification | 2,235,362 | 0 | 0 | 0 | (2,235,362) | 0 |
| Derecognition - disposals | | (1,124,269) | 0 | 0 | 0 | (1,124,269) |
| Asset values at 31 March 2020 | 63,204,514 | 2,379,000 | 917,659 | 3,897,588 | 0 | 70,398,761 |
| Depreciation | | | | | | |
| Accumulated depreciation at 1 April 2019 | (238,802) | (1,130,844) | 0 | 0 | 0 | (1,369,646) |
| Depreciation charge for the year | (1,033,593) | (434,560) | 0 | 0 | 0 | (1,468,153) |
| Depreciation written out on revaluation | 1,179,859 | | 0 | 0 | 0 | 1,179,859 |
| Derecognition - disposals | | 560,425 | 0 | 0 | 0 | 560,425 |
| Accumulated depreciation at 31 March 2020 | (92,536) | (1,004,979) | 0 | 0 | 0 | (1,097,515) |
| Net Book Value of Assets | | | | | | |
| 1st April 2019 | 48,562,955 | 1,620,879 | 917,659 | 4,968,315 | 2,235,362 | 58,305,170 |
| 31st March 2020 | 63,111,978 | 1,374,021 | 917,659 | 3,897,588 | 0 | 69,301,246 |

NOTES TO THE BALANCE SHEET

| Movements in 2018/19 | Land & Buildings £ | Vehicles, Plant & Equipment £ | Community Assets £ | Surplus Assets £ | Assets under Construction £ | TOTAL P&P&E £ |
|--|-----------------------|-------------------------------------|-----------------------|---------------------|--------------------------------|--------------------|
| Asset Cost or Valuation | | | | | | |
| Asset values at 31 March 2018 | 44,822,782 | 4,399,320 | 917,659 | 5,806,710 | 0 | 55,946,471 |
| Prior year adjustment | (1,316,000) | 0 | 0 | 0 | 0 | (1,316,000) |
| Asset values at 1 April 2018 | 43,506,782 | 4,399,320 | 917,659 | 5,806,710 | 0 | 54,630,471 |
| Additions | 548,382 | 697,895 | | | 2,235,362 | 3,481,639 |
| Revaluation increases / (decreases) | 4,746,593 | 0 | 0 | (838,395) | 0 | 3,908,198 |
| Derecognition - disposals | 0 | (2,345,492) | 0 | 0 | 0 | (2,345,492) |
| Asset values at 31 March 2019 | 48,801,757 | 2,751,723 | 917,659 | 4,968,315 | 2,235,362 | 59,674,816 |
| Depreciation | | | | | | |
| Accumulated depreciation at 1 April 2018 | (538,908) | (3,114,020) | 0 | 0 | 0 | (3,652,928) |
| Depreciation charge for the year | (818,796) | (362,316) | 0 | 0 | 0 | (1,181,112) |
| Depreciation written out on revaluation | 1,118,902 | 0 | 0 | 0 | 0 | 1,118,902 |
| Derecognition - disposals | 0 | 2,345,492 | 0 | 0 | 0 | 2,345,492 |
| Other movements | 0 | 0 | 0 | 0 | 0 | 0 |
| Accumulated depreciation at 31 March 2019 | (238,802) | (1,130,844) | 0 | 0 | 0 | (1,369,646) |
| Net Book Value of Assets | | | | | | |
| 1st April 2018 | 42,967,874 | 1,285,300 | 917,659 | 5,806,710 | 0 | 50,977,543 |
| 31st March 2019 | 48,562,955 | 1,620,879 | 917,659 | 4,968,315 | 2,235,362 | 58,305,170 |

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

| | Land & Buildings £000 | Vehicles, Plant & Equipment £000 | Community Assets £000 | Surplus Assets £000 | Total PPE £000 |
|---|--------------------------|--|--------------------------|------------------------|-------------------|
| Carried at (depreciated) historic cost | 0 | 1,374 | 918 | 0 | 2,292 |
| Valued at current value as at 31 March: | | | | | |
| 2015/16 | 214 | 0 | 0 | 54 | 268 |
| 2016/17 | 131 | 0 | 0 | 0 | 131 |
| 2017/18 | 0 | 0 | 0 | 0 | 0 |
| 2018/19 | 1,802 | 0 | 0 | 1,574 | 3,376 |
| 2019/20 | 60,965 | 0 | 0 | 2,270 | 63,235 |
| Total | 63,112 | 1,374 | 918 | 3,898 | 69,302 |

NOTES TO THE BALANCE SHEET

Asset valuation, amortisation and depreciation

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

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

Capital Commitments

The Carterton Leisure Centre "Phase 2" project was officially completed in February 2020, with the centre briefly open, prior to the forced closure for COVID-19. Remaining retention payments of £110k are due to be paid in 2020/21 to settle the contractor's accounts when they become due.

Effects of changes in estimates

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

Revaluations

The 2019/20 PPE valuations and impairment review were undertaken by Mr. D. Thurlow BSc (Hons) MRICS, of West Oxfordshire District Council and the Council's Operational Buildings were valued by valuers at Carter Jonas Property Consultants. Valuations were undertaken in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors and the Code of Practice on Local Authority Accounting in the United Kingdom.

Assets are valued as part of a rolling programme of revaluations. All assets are valued on a 5-yearly rolling programme.

In estimating asset values it has been assumed that:

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

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

NOTES TO THE BALANCE SHEET

D2. Investment Properties

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

| | 2018/19 £ | 2019/20 £ |
|--|---------------------|--------------------|
| Rental income | (3,645,765) | (3,759,784) |
| Direct operating expenses | 253,620 | 221,443 |
| Net (gains) / losses from fair value adjustments | (6,873,362) | (62,500) |
| | (10,265,507) | (3,600,841) |

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 2019/20 Investment Property valuations were undertaken by valuers at Carter Jonas Property Consultants. The valuations were undertaken in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (as outlined in Note D1 above).

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

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

| | 2018/19 £ | 2019/20 £ |
|--|-------------------|-------------------|
| Opening Balance - 1 April | 45,146,140 | 52,019,502 |
| Additions | 0 | |
| Net gains / (losses) from fair value adjustments | 6,873,362 | 62,500 |
| Reclassification - transfer to Property, Plant & Equipment | 0 | |
| Closing Balance - 31 March | 52,019,502 | 52,082,002 |

Fair value hierarchy

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

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

NOTES TO THE BALANCE SHEET

D3. Intangible Assets

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

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

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

Movements in Intangible Assets

| | 2018/19 £ | 2019/20 £ |
|---|------------------|------------------|
| <u>Asset Cost or Valuation</u> | | |
| Asset values at 1 April | 605,433 | 541,276 |
| Additions | 0 | |
| Derecognition | (64,157) | (308,506) |
| Asset values at 31 March | 541,276 | 232,770 |
| <u>Amortisation</u> | | |
| Accumulated Amortisation at 1 April | (433,205) | (443,044) |
| Amortisation charge for the year | (73,996) | (39,806) |
| Derecognition | 64,157 | 308,506 |
| Accumulated Amortisation at 31 March | (443,044) | (174,344) |
| Net carrying amount at 31 March | 98,232 | 58,426 |

NOTES TO THE BALANCE SHEET

D4. Current Debtors

| | 2018/19 £ | 2019/20 £ |
|---|-------------------------|-------------------------|
| Government Departments | 892,264 | 2,824,754 |
| Other Local Authorities [Statutory] | 0 | 524,800 |
| Other Local Authorities [Trading] | 833,614 | 2,138,880 |
| Collection Fund debtors (WODC Share) | 458,878 | 713,205 |
| Housing Benefit recovery | 1,056,531 | 1,382,162 |
| Sundry Debtors | 2,874,176 | 2,209,597 |
| Finance Leases - principal outstanding | 509,936 | 582,455 |
| Other Debtors | 1,066,470 | 826,467 |
| Prepayments | 461,286 | 197,566 |
| | <u>8,153,155</u> | <u>11,399,886</u> |
| Less provision for impairment of receivables: | | |
| Collection Fund provisions (WODC share) | (230,182) | (317,514) |
| Housing Benefit recovery | (1,056,531) | (1,382,162) |
| Sundry Debtors | (599,917) | (460,298) |
| | <u>6,266,525</u> | <u>9,239,912</u> |

D5. Current Creditors

| | 2018/19 £ | 2019/20 £ |
|--------------------------------------|----------------------------|----------------------------|
| Government Departments | (3,777,830) | (4,843,317) |
| Other Local Authorities [Statutory] | (338,862) | (2,298,395) |
| Other Local Authorities [Trading] | (1,087,222) | (367,465) |
| Collection Fund (WODC Share) | (335,785) | (369,120) |
| Sundry Creditors | (2,542,983) | (1,877,551) |
| Receipts in advance: | | |
| Taxpayer Creditors | 0 | (70,243) |
| Sundry Creditors receipts in advance | (2,124,114) | (2,240,891) |
| | <u>(10,206,796)</u> | <u>(12,066,982)</u> |
| Capital Receipt in Advance | (2,868,939) | (1,769,356) |
| | <u>(13,075,735)</u> | <u>(13,836,338)</u> |

NOTES TO THE BALANCE SHEET

D6. Provisions

| | Opening Provision 1 April £ | New provisions in-year £ | Use of provisions £ | Provisions returned to revenue £ | Closing Provision 31 March £ |
|------------------------------|--------------------------------------|-----------------------------------|---------------------------|---|---------------------------------------|
| Property Searches Litigation | (15,468) | | | 15,468 | 0 |
| Business Rates (NDR) Appeals | (1,717,404) | | | 577,779 | (1,139,625) |
| Exit Packages | (8,305) | | 8,305 | | 0 |
| | (1,741,177) | 0 | 8,305 | 593,247 | (1,139,625) |

Business Rates (NNDR) appeals

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

Exit Packages

Provision for the cost of termination benefits payable to employees as a result of restructuring. The payment above represents the final payment resulting from restructuring in prior years.

D7. Non - Current Debtors

| | 31 March 2019 £ | 31 March 2020 £ |
|---|-----------------------|-----------------------|
| Cottsway Housing Association loan | 0 | 1,998,099 |
| Equity Loans Scheme | 232,114 | 232,114 |
| Parish/Town Council Loans | 131,716 | 123,930 |
| Charge on former Unicorn Public House - Great Rollright | 20,498 | 20,498 |
| Vehicles Leases | 2,268,315 | 2,226,895 |
| | 2,652,643 | 4,601,536 |
| Southill Solar Loan | 500,000 | 500,000 |
| | 3,152,643 | 5,101,536 |

NOTES TO THE BALANCE SHEET

D8. Capital Expenditure and Financing

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

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

| | 2018/19 £ | 2019/20 £ |
|---|------------------|-------------------|
| Opening Capital Financing Requirement | 8,727,909 | 8,621,483 |
| Capital Investment in Year | | |
| Property, Plant & Equipment | 3,481,639 | 6,956,841 |
| Intangible Assets | 0 | 0 |
| Capital Expenditure transfer Long term loans | 0 | 2,005,831 |
| Revenue Expenditure Funded from Capital under Statute | 865,966 | 2,318,949 |
| | <u>4,347,605</u> | <u>11,281,621</u> |
| Sources of Finance | | |
| Capital Receipts | 977,537 | 458,481 |
| Government grants & other contributions | 1,528,398 | 2,314,897 |
| Minimum Revenue Provision | 494,370 | 193,769 |
| Earmarked reserves | 913,626 | 0 |
| Direct Revenue Contributions | 540,100 | 540,100 |
| | <u>4,454,031</u> | <u>3,507,247</u> |
| Net Increase / (Decrease) in Capital Financing Requirement | (106,426) | 7,774,374 |
| Closing Capital Financing Requirement | 8,621,483 | 16,395,857 |

NOTES TO THE CASH FLOW STATEMENT

E1. Notes to the Cash Flow Statement

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

| | 2018/19 £ | 2019/20 £ |
|--|--------------------|------------------|
| Depreciation, amortisation and impairment | 1,455,269 | 1,586,759 |
| Increase / (decrease) in creditors | 281,776 | 1,636,924 |
| (Increase) / decrease in debtors | (2,253,592) | (4,796,873) |
| Increase / (decrease) in provision for bad debts | 23,929 | 186,012 |
| (Increase) / decrease in inventories | 5,467 | (1,528) |
| Pensions' liability | 2,727,000 | 2,274,000 |
| Carrying amount of non current assets sold | 0 | 563,844 |
| Increase / (decrease) in provisions | 158,432 | (601,553) |
| Movements in the fair value of investment properties | (6,888,758) | (62,500) |
| Other non cash items charged to Surplus/Deficit on the Provision of Services | (594,674) | (894,234) |
| | (5,085,151) | (109,149) |

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

| | 2018/19 £ | 2019/20 £ |
|--|--------------------|--------------------|
| Capital grants and contributions | (2,404,828) | (4,188,483) |
| Proceeds from the sale of non current assets | 0 | (1,034,521) |
| | (2,404,828) | (5,223,004) |

c. Investing Activities

| | 2018/19 £ | 2019/20 £ |
|--|------------------|------------------|
| Purchase of property, plant & equipment and other capital investment | (3,371,809) | (7,066,670) |
| Purchase of short term and long term investments | (40,354,731) | (34,482,799) |
| Proceeds from the sale of non current assets | 514,961 | 1,124,777 |
| Proceeds from disposal of short term and long term investments | 40,737,530 | 44,501,421 |
| Other (receipts) / payments from investing activities | 3,538,716 | 5,141,071 |
| | 1,064,666 | 9,217,800 |

F. Events after the Balance Sheet Date

The Chief Finance Officer authorised the Statement of Accounts on 13th August 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

It has been agreed that despite the continuing impact of the coronavirus pandemic, there are no non-adjusting events after the Balance Sheet date.

F1. Defined Benefit Pension Scheme

Participation in pension schemes

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS) is administered locally by Oxfordshire County Council. It is a defined benefit scheme, based upon final salary scheme and length of service upon retirement. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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

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

Publica Group (Support) Limited

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

The effect of the McCloud Court of Appeal ruling

In December 2018 the Court of Appeal upheld a ruling that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.

In June 2019 the Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case was remitted back to the Employment Tribunal to determine a remedy to members who suffered discrimination. In an announcement made on 15 July 2019, the Government confirmed that, as transitional protection was offered to members of all the main public service pension schemes, the government intends to address the difference in treatment across all schemes. Consideration is now being given to the best way to implement this decision as part of the Court process.

The legal ruling around age discrimination (McCloud – Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits. Estimates within these accounts take account of the actuary's best estimate of pension liabilities at the balance sheet date.

The figures for 31 March 2020 include the effect of the McCloud judgement.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Transactions relating to retirement benefits

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

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

| | 2018/19 £ | 2019/20 £ |
|--|------------------|---------------------|
| Comprehensive Income & Expenditure Statement | | |
| <i>Cost of Services:</i> | | |
| Current Service Cost | 2,095,000 | 2,120,000 |
| Past Service Cost | 749,000 | |
| (Gains)/loss from settlements | 0 | |
| <i>Financing and Investment Income & Expenditure:</i> | | |
| Net Interest Expense | 921,000 | 979,000 |
| Net Charge to Surplus or Deficit on Provision of Services | 3,765,000 | 3,099,000 |
| <i>Other post employment benefit charged to Comprehensive Income & Expenditure Statement</i> | | |
| Remeasurment of the net defined benefit liability comprising: | | |
| Return on Plan Assets | (2,232,000) | 4,389,000 |
| Actuarial (gains) / losses arising on changes in financial assumptions | 4,977,000 | (9,674,000) |
| Actuarial gains and losses - demographic assumptions | | (3,803,000) |
| Experience (gains) / losses on defined benefit obligation | 30,000 | |
| Other actuarial (gains) / losses | | (3,810,000) |
| | 2,775,000 | (12,898,000) |
| Total post employment benefits charged to the Comprehensive Income & Expenditure Statement | 6,540,000 | (9,799,000) |
| Movement in Reserves Statement | | |
| Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code | 3,765,000 | 3,099,000 |
| Actual amount charged against the General Fund Balance for pensions in the year | | |
| Employers' contributions payable to the scheme | 1,038,000 | 825,000 |

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Pension Assets and Liabilities recognised in the Balance Sheet

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

| | 2018/19 £ | 2019/20 £ |
|--|---------------------|---------------------|
| Present value of the defined benefit obligation - funded | (96,063,000) | (81,131,000) |
| Present value of unfunded obligations | (726,000) | (614,000) |
| Fair Value of Plan Assets | 56,744,000 | 52,324,000 |
| Net liability arising from defined benefit obligation | (40,045,000) | (29,421,000) |

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

| | 2018/19 £ | 2019/20 £ |
|---|-------------------|-------------------|
| Opening Fair Value of Scheme Assets | 54,023,000 | 56,744,000 |
| Interest Income | 1,392,000 | 1,348,000 |
| Administration Expense | 0 | |
| Remeasurement Gains / (Losses) | 2,232,000 | (4,389,000) |
| Other Actuarial gains/losses | 0 | |
| Employers' Contributions [including Unfunded] | 1,038,000 | 825,000 |
| Employee Contributions | 374,000 | 352,000 |
| Benefits Paid [including Unfunded] | (2,315,000) | (2,556,000) |
| Settlement prices received /paid | 0 | |
| Closing Balance 31 March | 56,744,000 | 52,324,000 |

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

| | 2018/19 £ | 2019/20 £ |
|---|---------------------|---------------------|
| Opening Balance 1 April | (88,566,000) | (96,789,000) |
| Current Service Cost | (2,095,000) | (2,120,000) |
| Interest Cost | (2,313,000) | (2,327,000) |
| Contributions from Scheme Participants | (374,000) | (352,000) |
| Past Service Cost | (749,000) | |
| Remeasurement Gains / (Losses) | (5,007,000) | 13,484,000 |
| Change in demographic assumptions | 0 | 3,803,000 |
| Liabilities assumed/extinguished on settlements | 0 | |
| Benefits Paid | 2,271,000 | 2,512,000 |
| Unfunded Benefits Paid | 44,000 | 44,000 |
| Closing Balance 31 March | (96,789,000) | (81,745,000) |
| | Funded | (96,063,000) |
| | Unfunded | (726,000) |
| | | (81,131,000) |
| | | (614,000) |

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Composition of Scheme Assets

| | Period ended 31 March 2020 | | | |
|--|----------------------------|---------------|---------------|-------------------|
| | Quoted | Unquoted | Total | Percentage |
| | £000 | £000 | £000 | of total assets % |
| Equity Securities: | | | | |
| Consumer | 0.0 | 0.0 | 0.0 | 0% |
| Manufacturing | 0.0 | 0.0 | 0.0 | 0% |
| Energy and Utilities | 0.0 | 0.0 | 0.0 | 0% |
| Financial Institutions | 0.0 | 0.0 | 0.0 | 0% |
| Health and Care | 0.0 | 0.0 | 0.0 | 0% |
| Information technology | 0.0 | 0.0 | 0.0 | 0% |
| Other | 0.0 | 0.0 | 0.0 | 0% |
| Debt Securities: | | | | |
| Corporate Bonds (investment grade) | 0.0 | 0.0 | 0.0 | 0% |
| Corporate Bonds (non-investment grade) | 0.0 | 0.0 | 0.0 | 0% |
| UK Government | 5,165.8 | 0.0 | 5,165.8 | 10% |
| Other | 1,164.2 | 0.0 | 1,164.2 | 2% |
| Private Equity: | | | | |
| All | 2,026.3 | 2.1 | 2,028.4 | 4% |
| Real Estate: | | | | |
| UK Property | 0.0 | 0.0 | 0.0 | 0% |
| Overseas Property | 0.0 | 0.0 | 0.0 | 0% |
| Investment funds and unit trusts: | | | | |
| Equities | 0.0 | 29,765.3 | 29,765.3 | 57% |
| Bonds | 0.0 | 3,906.3 | 3,906.3 | 7% |
| Hedge Funds | 0.0 | 0.0 | 0.0 | 0% |
| Commodities | 0.0 | 0.0 | 0.0 | 0% |
| Infrastructure | 0.0 | 625.8 | 625.8 | 1% |
| Other | 0.0 | 8,318.0 | 8,318.0 | 16% |
| Derivatives: | | | | |
| Inflation | 0.0 | 0.0 | 0.0 | 0% |
| Interest rate | 0.0 | 0.0 | 0.0 | 0% |
| Foreign exchange | -33.3 | 0.0 | -33.3 | 0% |
| Other | 0.0 | 0.0 | 0.0 | 0% |
| Cash and cash equivalents | | | | |
| All | 1,383.5 | 0.0 | 1,383.5 | 3% |
| Total | 9,707 | 42,618 | 52,324 | 100% |

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Basis for estimating assets and liabilities

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

| Mortality Assumptions | Males | Females |
|---|----------------|----------------|
| Current Pensioners | 22.2 | 24.3 |
| Future Pensioners (those aged 45 at March 2019) | 22.9 | 25.6 |
| Financial Assumptions | 2018/19 | 2019/20 |
| Rate of increase in pensions | 2.5% | 1.9% |
| Rate of increase in salaries | 3.8% | 1.9% |
| Discount Rate | 2.4% | 2.3% |

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

Sensitivity Analysis

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

| Change in assumption at 31 March 2020: | Approximate % increase to Employer Liability | Approximate monetary amount (£000) |
|---|---|---|
| 0.5% decrease in Real Discount Rate | 9% | 7,357 |
| 0.5% increase in the Salary increased Rate | 1% | 771 |
| 0.5% increase in the Pension increase Rate | 8% | 6,525 |

The estimated employer's contributions for the year to 31st March 2021 will be approximately £1,385,000.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

F2. Financial Instruments

Categories of Financial Instruments

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

| 2018/2019 | | | 2019/2020 | |
|-------------------|--------------------|--|-------------------|--------------------|
| Non-Current £ | Current £ | | Non-Current £ | Current £ |
| | | Financial Assets at Amortised Cost | | |
| 2,601,578 | 13,084,446 | Investments | 2,601,578 | 3,062,864 |
| 500,000 | 4,174,343 | Debtors | 2,498,099 | 4,714,646 |
| 2,268,315 | 509,936 | Finance Leases | 2,088,606 | 582,455 |
| 5,369,893 | 17,768,725 | | 7,188,283 | 8,359,965 |
| | | Fair Value through Profit or Loss | | |
| 12,933,978 | 43,943 | Investments | 10,690,633 | 44,915 |
| 0 | 4,052,321 | Cash and cash equivalents | | 9,883,185 |
| 12,933,978 | 4,096,264 | | 10,690,633 | 9,928,100 |
| | | Fair Value through OCI | | |
| 0 | 0 | Equity Instruments | 980,000 | 0 |
| 0 | 0 | | 980,000 | 0 |
| 18,303,871 | 21,864,989 | Total Financial Assets | 18,858,916 | 18,288,065 |
| | | Financial Liabilities at Amortised Cost | | |
| 0 | (3,630,205) | Creditors | | (2,245,016) |
| 0 | (3,630,205) | Total Financial Liabilities | 0 | (2,245,016) |

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

| | Non Current Debtors | Current Debtors £ | Current Creditors £ |
|--|------------------------|-------------------------|---------------------------|
| Total on Balance Sheet | 5,101,536 | 9,239,912 | (12,066,982) |
| Statutory & Government Debtors / Creditors | (376,542) | (3,745,245) | 7,510,832 |
| Prepayments / Receipts in Advance | 0 | (197,566) | 2,311,134 |
| Finance Lease Principal / Liabilities | (2,226,895) | (582,455) | 0 |
| Total Financial Instruments | 2,498,099 | 4,714,646 | (2,245,016) |

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Income, Expense, Gains and Losses

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

| 2018/2019 | | | | 2019/2020 | | |
|---------------------|--------------------|-----------------------|--|------------------|-----------------------------------|-----------------------|
| Financial Assets | | Financial Liabilities | | Financial Assets | | Financial Liabilities |
| Loans & Receivables | Available for Sale | Amortised Cost | | Amortised Cost | Fair Value through Profit or Loss | Amortised Cost |
| £ | £ | £ | | £ | £ | £ |
| (378,164) | (421,520) | 0 | Financing & Investment Income and Expenditure | (228,587) | (523,479) | 0 |
| | 8,404 | | Interest / dividend income | | 1,225,438 | 0 |
| 0 | 0 | 0 | Interest expense | 0 | 0 | 0 |
| 898 | 0 | 0 | Fee expense | 0 | 0 | 0 |
| (377,266) | (413,116) | 0 | Net (Gain) / Loss for the Year | (228,587) | 701,959 | 0 |

Fair Values of Financial Assets and Financial Liabilities

Fair Value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

The Code sets out the fair value valuation hierarchy that local authorities are required to follow to increase consistency and comparability in fair value measurements and disclosures: Level 1 assets are valued based upon ‘quoted prices in active markets for identical assets’ where such assets exist. Level 2 is based upon inputs other than quoted prices within level 1 that are observable. Level 3 represents all other unobservable inputs which can be used to estimate the fair value of the assets.

The fair values have been calculated as follows:

| | Input level | As at 31/03/2020 £ |
|--|-------------|-----------------------|
| <u>Fair Value through Profit or Loss</u> | | |
| Money Market Funds | Level 1 | 9,883,185 |
| Pooled Investment Funds | Level 1 | 10,735,548 |
| | | 20,618,733 |

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Except for the financial assets carried at fair value (as shown above), all other financial liabilities and financial assets are carried in the Balance Sheet at amortised cost. The carrying value and fair values are shown below for comparison purposes. Fair values are not required for current debtors and creditors (trade payables and receivables) since the carrying amount is deemed a reasonable approximation of fair value.

| | 2018/19 | | 2019/2020 | |
|--|----------------------|-------------------|----------------------|-------------------|
| | Carrying Amount £ | Fair Value £ | Carrying Amount £ | Fair Value £ |
| Financial Assets at Amortised Cost | | | | |
| Investments | 15,686,024 | 15,686,024 | 5,664,442 | 5,664,442 |
| Non-Current Debtors | 500,000 | 500,000 | 2,498,099 | 2,498,099 |
| Non-Current Finance Leases | 2,268,315 | 2,268,315 | 2,088,606 | 2,088,606 |
| | 18,454,339 | 18,454,339 | 10,251,147 | 10,251,147 |
| Financial Liabilities at Amortised Cost | | | | |
| Non-Current Finance Leases | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |

Soft Loans

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

Prior to transferring the majority staff to Publica, the Council offered loans at less than market rates to its employees for car purchases. No further loans are being issued to those staff transferred. The outstanding balance of loans is included on the Council balance sheet, within the debtors balances. The value of loans outstanding at the balance sheet date is approximately £7,170 (2018/19 £40,730).

No adjustment has been made to account for the suggested treatment for soft loans (to represent interest lost at granting the loans at below market rate) as the amounts are not material to these accounts.

F3. Nature and extent of risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The Council does not require debt financing and currently does not have any external borrowing. As such, the key risks are in relation to its financial assets. These are as follows:

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

Overall procedures for managing risk

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

- By formally adopting the requirements of the CIPFA code of Practice for Treasury Management Services
- By approving annually in advance prudential indicators for the following three years limiting:
 - * Limits on the Council's overall debt [external borrowing]
 - * The Council's maturity structure of its external borrowing [currently £0]
 - * The Council's upper limit for exposure to fixed and variable rate investments
 - * The maximum exposure to investments maturing beyond a year
- By annually approving a Treasury Management Investment Strategy for the forthcoming year, setting out criteria for investments and specifying the minimum requirements for all counterparties

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

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

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

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

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Credit Risk

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds and Banks and Building Societies of sufficiently high credit quality as set out in the Treasury Management Strategy. A limit of £7m of the total portfolio is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £20m in total can be invested for a period longer than one year.

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2019/20, approved by Full Council in February 2019. The 2019/20 Treasury Strategy can be found via the following web link: www.westoxon.gov.uk.

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

| | Investment Balance (£) |
|---|-----------------------------------|
| <u>Fixed duration deals</u> | |
| Banks - Fitch rating F1 | 2,058,197 |
| Local Authorities | 1,004,667 |
| Bonds | 2,601,578 |
| <u>Call accounts and other 'cash equivalent' investments</u> | |
| Money Market Funds | 9,883,185 |
| <u>Pooled funds</u> | |
| Non-rating agency rated pooled fund <i>separately approved by the Council's Treasury Management advisors</i> | 10,735,548 |

The table below summaries the nominal value of the Council's investment portfolio at 31st March 2020 and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

| | Investment values - maturing within: | | | |
|---------------------------------|---|-----------------|------------------|-----------------|
| | 0-3 mths | 3-6 mths | 6-12 mths | 1 year + |
| | £ | £ | £ | £ |
| <u>Internally managed funds</u> | | | | |
| Call Accounts | 9,883,185 | | | |
| UK Banks | 2,058,197 | | | |
| Foreign Banks | | | | |
| UK Building Societies | | | | |
| UK Local Authorities | 1,004,667 | | | |
| Bonds | | | | 2,601,578 |
| <u>Externally managed funds</u> | | | | |
| Pooled Funds | 10,735,548 | | | |

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

The credit quality of debtors is reflected in the level of impairment allowance for trade debtors shown in note D4.

Liquidity Risk

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

The Council also has to manage the risk so that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Authority would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

Market Risk – interest rate risk

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 50% on external debt that can be subject to variable interest rates. It should be noted that 50% is a maximum proportion, but this is a reflection of the Council's debt-free status and minimal requirements to borrow.

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

Price Risk

The Council hold some financial instruments of which the capital value may fluctuate as a result of market conditions. However, these instruments are all purchased on a hold to maturity or long term basis and therefore any temporary fluctuations in the market value of such products would have no impact on the Council's finances.

F4. Leases

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

Operating Leases

The Council has entered into a number of operating leases in the local area. The minimum lease payments due under non-cancellable leases in future years are as below:

| | 31 March 2019 £ | 31 March 2020 £ |
|---|-----------------------|-----------------------|
| Not later than one year | 236,340 | 233,316 |
| Later than one year & not later than five years | 870,512 | 833,163 |
| Later than five years | 610,007 | 490,190 |
| | 1,716,859 | 1,556,669 |

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

The Council as Lessor [leasing assets out]

Finance Leases

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

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

| | 31 March 2019 £ | 31 March 2020 £ |
|---|-----------------------|-----------------------|
| Present value of principal payments outstanding on non current assets | 2,778,252 | 2,564,823 |
| Unearned finance income | 166,595 | 162,278 |
| | 2,944,847 | 2,727,101 |

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

| | Gross Investment in the Lease | | Minimum Lease Payments (excl. int) | |
|---|----------------------------------|-----------------------|---------------------------------------|-----------------------|
| | 31 March 2019 £ | 31 March 2020 £ | 31 March 2019 £ | 31 March 2020 £ |
| Not later than one year | 560,778 | 635,977 | 509,936 | 582,455 |
| Later than one year & not later than five years | 2,384,069 | 2,193,011 | 2,268,315 | 2,088,606 |
| Later than five years | 0 | 142,642 | 0 | 138,290 |
| | 2,944,847 | 2,971,630 | 2,778,251 | 2,809,351 |

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

Operating Leases

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

| | 31 March 2019 £ | 31 March 2020 £ |
|---|-----------------------|-----------------------|
| Not later than one year | 3,907,195 | 3,875,893 |
| Later than one year & not later than five years | 13,247,252 | 12,164,086 |
| Later than five years | 46,972,629 | 51,116,462 |
| | 64,127,076 | 67,156,441 |

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

F5. Accounting Policies

i) General Principles

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

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

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

ii) Accruals of Income and Expenditure

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

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

iii) Cash and Cash Equivalents

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

iv) Charges to Revenue for Non-Current Assets

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

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

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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

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

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

Accounting for Council Tax and NDR

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

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

vi) Employee Benefits

Benefits payable during employment

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

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

Termination benefits

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

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

vii) Post-employment Benefits

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

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

The Local Government Pension Scheme

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

- The liabilities of the Oxfordshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the gross redemption yield on the Iboxx Sterling Corporate Index, AA over 15 years, at the IAS19 valuation date. This is a high quality corporate bond of equivalent term and currency to the liability.
- The assets of the Oxfordshire County Council pension fund attributable to the Council are included in the balance sheet at their fair value.
 - * quoted securities – current bid price
 - * unquoted securities – professional estimate
 - * unitised securities – current bid price
 - * property – market value

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

Discretionary Benefits

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

viii) Fair Value Measurement

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

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

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

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

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

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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

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

ix) Financial Instruments

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

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

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

Financial assets are classified based on a principles based classification and measurement approach that reflects the business model for holding the assets (i.e. why are we holding the asset) and the characteristics of the cashflows. There are three main classifications:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

Financial Assets at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Expected Credit Loss Model

The Council recognises material expected credit losses on its financial assets held at amortised cost, either on a 12-month or lifetime basis except for those where the counterparty is central government or another local authority, where relevant statutory provisions prevent default. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors).

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Where credit risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

Financial Assets at Fair Value through Profit or Loss

Financial assets measured at fair value through profit or loss 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value is measured in accordance with the Council's Fair Value Measurements policy (see viii above).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council has chosen to apply statutory provisions for mitigating the impact of fair value movements on Pooled Investment Funds as directed in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018 [SI 2018/1207]. This allows (where relevant criteria are met) for fair value gains and losses on Pooled Investment Funds to be reversed to an account established solely for the purpose of recognising fair value gains and losses – the Pooled Investment Funds Adjustment Account.

This statutory provision applies to the 2019/20 accounts and ceases on 31 March 2023.

x) Government Grants and Contributions (updated)

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

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

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

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

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

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However a proportion of the charges for this authority may be used to fund revenue expenditure. A share of the charges which are due to be payable to the Town and Parish Councils will remain in creditors (receipts in advance) until due.

xi) Heritage Assets

Heritage Assets are those assets which are held and maintained principally for their historical, cultural, artistic, or educational significance. The Council's Heritage Assets are held as tangible assets, being public art in

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

locations around the district. They are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Authority's heritage assets are accounted for as follows:

- Art Collection – this consists of public art such as sculptures and statues, and is reported in the Balance Sheet at historic cost which is deemed to be a proxy for market value. The Authority considers that obtaining valuations for its public art would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The assets are deemed to have indeterminate lives and a high residual value, hence the authority does not consider it to be appropriate to charge depreciation.
- Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuation provided by the external valuers and with reference to appropriate commercial markets for the asset using the most relevant and recent information (eg. from sales at auctions).

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

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

xii) Intangible Assets

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

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

xiii) Inventories and Long Term Contracts

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

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

xiv) Investment Property

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

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

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

xv) Leases

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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

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

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

The Council as Lessee

Finance leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating leases

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

The Council as Lessor

Finance leases

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

Lease rentals receivable are apportioned between:

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

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

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating leases

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

xvi) Property, Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

Disposals and non-current assets held for sale

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

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

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

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

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

xvii) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xviii) Reserves

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

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

xix) Revenue Expenditure Funded from Capital Under Statute

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

xx) Value Added Tax

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

F6. Critical Judgements in Applying Accounting Policies

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

- The Council has a one-seventh share in Ubico Limited. The company provides a range of integrated environmental services including, commercial refuse collection and grounds maintenance services on behalf of the Council. The separate operating practices, management structure and the application of majority-voting on the Ubico Limited board do not constitute the Council having joint-control or significant influence over the company. The Council's interest has therefore been classified as an investment in Ubico and group accounts have not been prepared.
- The Council jointly owns (with Cotswold District Council, the Forest of Dean District Council and Cheltenham Borough Council) Publica Group (Support) Limited, a wholly owned company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council and services to other members Councils under contract. Publica can be considered to be merely an employment vehicle (in accounting terms only a 'holding account'), employing and paying staff and then recharging these costs to the Councils, via a contract sum. It does not trade and does not make a 'profit' as substantially all surpluses are redistributed back to the councils. While the Council has an interest in the Company, the Council's share of any surplus for the year and net assets at the balance sheet date have not been consolidated into the Council's single entity accounts. It is the view of management that the figures involved are not material and the production of group accounts will not enhance disclosure or provide any additional benefit to the reader of the accounts, and on that basis Group Accounts have not been prepared.
- No allowance has been made in the Councils' accounts for the transfer out of any Local Government Pension Scheme (LGPS) pension liability to Publica Group (Support) Limited. The service contract and tripartite agreement between the Council, Oxfordshire Pension Fund and Publica Group (Support) Limited mean that the pension liability and risk relating to the pension fund remains with the Council, following the TUPE transfer of the majority of the Council's staff to Publica on 1st November 2017. Therefore the Council is reporting the pension liability for both staff transferred to Publica, and the Councils retained staff, in the accounts. Although Publica, as the employer of many of the current staff may be initially responsible

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

for paying any exit contributions (for example), for any of its staff that are members of the LGPS, such cost will be reimbursed by the relevant Council. The accounts have been prepared on the basis that the full pension fund liability for the LGPS sits in the Council's accounts. There are no separate disclosures for Publica as they are not responsible for any LGPS liability.

- Under International Financial Reporting Standards (IFRS) assessments have been made as to the correct accounting treatment for a number of lease agreements which the Council has entered into. Categorising leases as either operating or finance leases results in different accounting treatment depending upon the categorisation of the lease. In each case, a lease is classified based upon criteria contained within the Code and an assessment of the nature of the leasing arrangement in place.

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

- The Council leases-in a small number of operational assets on 'peppercorn' or non-commercial terms. For such assets, the assets are not accounted for purely on the financial agreement (lease) in place, but include an assessment of the substance of the transaction or underlying arrangement to take account of the view that the purpose of the lease is to provide services or benefit within the district. The terms of the lease and the desire to provide beneficial services are often represented in non-commercial lease-terms being agreed.
- There is a high degree of uncertainty about the future levels of funding and income for local government, particularly following the Covid-19 pandemic. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council has therefore prepared its accounts on the basis that it is a going concern. As authorities cannot be created or dissolved without statutory prescription, the assumption has been made that the Council's services will continue to operate for the foreseeable future. It would not be appropriate for the financial statements to be prepared on anything other than a going concern basis.
- A significant level of risk remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. Where appeals are successful, refunds of business rates are generally repayable back to the latest valuation date which reduces the business rates yield in the year in which the refund is made. This set of accounts includes a provision for appeal losses. The value has been assessed using information of outstanding appeals supplied by the valuation office, as at 31st March, and using experience of previous appeals rates, and Government guidance upon appeals rates.

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

F7. Accounting standards not yet adopted

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

Changes to the 2020/21 code are limited to:

- IFRS16 Leases
IFRS16 will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there are exemptions for low-value and short-term leases). In light of Covid-19 pressures the CIPFA/LASAAC have agreed to defer implementation of IFRS16 for a further year in line with government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 2021. Work has not yet been completed to reliably estimate the expected impact of this standard.
- Amendments to IAS 28 Investments in Associates and Joint Ventures:
This clarifies that IFRS 9 applies to long term interests in an associate or joint ventures that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Amendment to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
IAS 19 will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

The Council does not anticipate that the above amendments will have a material impact on the information provided in the financial statements

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

F8. Assumptions and Other Major Sources of Estimation

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

| Item | Uncertainties | Effect if actual result differs from assumption |
|--|---|---|
| Property, Plant & Equipment – Operational Property | <p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>The outbreak of the Novel Coronavirus (Covid-19) declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020 has impacted global financial markets and as at the valuation date less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.</p> <p>Valuations are therefore reported on the basis of ‘material valuation uncertainty as per the RCIS Red Book. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy.</p> <p>Therefore values of car parks, leisure facilities and surplus assets have been based on the situation prior to Covid-19, on the assumption that values will be restored when the property market becomes more fluid.</p> <p>Valuations of the Council Offices and Depots have been adjusted by the external valuer to reflect the existing Coronavirus considerations.</p> <p>The Council’s external valuers provided valuations as at 31 March 2020 for the Council’s investment property portfolio and approximately 13% of its operational portfolio. The Council’s internal valuer provided valuations at 31 March 2020 for 84% of its operational portfolio.</p> <p>Operational assets are depreciated over the best estimate of an assets useful economic life. These asset lives are based upon assumed repairs and maintenance being carried out to maintain an asset. Asset lives are based upon information provided by the Council’s valuer.</p> | <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve /and or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council’s operational properties were to reduce by 10%, this would be unlikely to result in a significant charge to the Comprehensive Income and Expenditure Statement due to the level of revaluation reserve balance held of approximately £30m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and/or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>If the useful economic life of an asset is reduced, depreciation increases and the carrying value of an asset will fall. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. The net book value of non-current assets subject to potential revaluation is over £63m.</p> |
| Fair Value measurement of Investment Property | <p>The Council’s external valuers use valuation techniques to determine the fair value of investment property. This includes developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumption on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.</p> <p>As mentioned above the outbreak of the Novel Coronavirus (Covid-19) has impacted global financial markets and as at</p> | <p>Estimates for fair values may differ from the actual prices that could be achieved in an arm’s length transaction at the reporting date.</p> |

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

| | | |
|--|---|--|
| | <p>the valuation date less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty as per the RCIS Red Book. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy.</p> <p>Values have been based on assumptions of rental income expected in 2020/21 adjusted to assume rent free periods for a period of between six to twelve months associated with Coronavirus considerations and potential void period.</p> | |
| Pension Liability | <p>The estimation of the pension liability is based upon a number of factors and judgements applied by the scheme's actuary including discount rate used, rate of salary increases, changes in retirement ages, mortality rates and expected return on Pension Fund investments. Estimates are made upon judgements and conditions as seen by the actuary at a point in time.</p> <p>The Council has engaged Hymans Robertson as its consulting actuary to provide expert advice about the assumptions to be applied.</p> | <p>The effect of changing assumptions will result in changes in the valuation of the pension funds' assets and liabilities.</p> <p>For further details of the impact of variations in key assumptions, see note F1.</p> |
| Impairment Allowance for Doubtful Debt | <p>Debtors on the balance sheet assume an element of bad debt (when debtors cannot/will not settle their debt to the Council).</p> <p>As at 31 March 2020, the Council had an outstanding balance of short term debtors. Against this debtors balance there is an impairment allowance to offset any debts that turn sour. It is not certain that this impairment allowance would be sufficient to offset potential future losses as the Council cannot assess with 100% certainty which debts will be collected (or not).</p> | <p>Income receivable included in the accounts will differ from that actually received. The CI&E could be overstated. The effect is offset by establishing a suitable provision based upon the best information available on the likelihood of invoices not being settled. If collection rates deteriorate then the Council would need to review its policies on the calculation of its impairment allowance for doubtful debt.</p> |
| Provision for impairment – HB overpayments | <p>Where it has been found that Housing Benefit has been overpaid the Council is able to recover the overpayment from on-going benefit. The Council has established a 100% provision against such overpayments due to the difficulty surrounding recovering such debts from individuals who are already short of money. Changes in the delivery of Housing Benefit with a possible transfer of the service to Central Government (with changes to Universal Credit), there is a risk that the Council will be left with all outstanding debt at the point of transfer.</p> | <p>If the Council has overprovided then the income to the revenue account will have been understated. A share of the provision will then need to be written-back to the Income & Expenditure account.</p> |
| Business rates appeals | <p>A significant level of risk remains due to the volume of outstanding business rates appeals, which are processed by the Valuation Office. These accounts contain a provision for appeals losses. The value of the provision has been assessed using information on outstanding appeals rates and estimates applied at national government level.</p> | <p>Where appeals are successful, refunds of business rates are generally repayable back to the latest valuation date which reduces the business rates yield in the year in which the refund is made.</p> |

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

| | | |
|---------------|--|---|
| | | An increase in the appeals provision would reduce the Council's share of income. A decrease in the size of the provision would increase the income distributed to the Council. |
| Brexit | There is still uncertainty about the implications of Britain leaving the European Union. At the current time while the UK has agreed the terms of its EU departure, both sides still need to decide what their future relationship will look like. The transition period began on the 1 February and is due to end on 31 December 2020. There are three possible scenarios: an agreement is reached by the 31 December, no agreement is reached and the UK leaves with 'no deal' or an extension to the transition period of unknown length. It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly. | Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the value of the pension liability will also vary. |
| Going Concern | <p>The Council set its budgets and Medium Term Financial Strategy (MTFS) based upon its best estimate of plans and funding. Sources of income, grant funding and savings plans are all liable to change the further into the future one moves.</p> <p>Additional costs resulting from the pandemic will be felt during 2020/21. The Council is expecting losses across revenue streams such as car park income, licensing and planning fees and reduced investment income and investment property rental income. Expenditure pressures will also be felt across services.</p> <p>Although difficult to quantify the impact of Covid-19 it is expected that the financial pressures will be significant – even after the Government's emergency Covid-19 funding for local authorities is taken into account. The Council is however in the fortunate position of having general fund reserve balances to draw upon.</p> <p>The Council will be looking to revisit the assumptions included in the last iteration of the Medium Term Financial Strategy in recognition of the impact of the pandemic.</p> | <p>If estimates on income, funding or savings plans differ (and all move adversely), the Council will be able to draw upon revenue reserves to smooth fluctuations in funding until alternative savings plans are developed.</p> <p>It is therefore assumed that the Council will remain a going concern for the foreseeable future with no material uncertainty.</p> |

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

F9. Contingent Liabilities and Contingent Assets

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

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

F10. Related Parties

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

Central Government

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

Members of the Council

Members of the council have direct control over the council's financial and operating policies. The total of Members' allowances paid in 2019/20 is disclosed in Note B6, *Members' Allowances*.

All elected Members are required to complete a questionnaire detailing any areas where potential conflicts of interest may occur between their private interests and their position as the elected representatives of the Council. Details are recorded in the register of members' interest, open to public inspection at the Council Offices during office hours.

- Three Members declared an interest as a Town or Parish Councillor where precepts were awarded during 2019/20.
- Three Members paid rent and service charges of £18,501 to the Council for the rental of a Council property and Council office space.
- Three Members have declared an interest in a body or organisation which has received a grant from the Council totalling £24,259.

In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the award of grant.

Officers

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

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

Cotswold District Council

Up until November 2017 the Council shared a number of senior staff with Cotswold District Council. On the 1st November the majority of the Council's staff TUPE-transferred to Publica Group (Support) Limited. Following the transfer the Council now only share the legal function, counter fraud unit and up until June 2020 a shared Chief Finance Officer.

During 2019/20 West Oxfordshire District Council shared its Chief Finance Officer (CFO) with Cotswold District Council under a joint working relationship. The CFO is an employee of, and paid by, Cotswold District Council. While the Officer is shared and has influence in both Cotswold District Council and West Oxfordshire District Council, she is required to act separately for each Council. Decisions on overall policy and the strategic direction are set by Cabinet and Council in each Council, with the CFO enacting their will.

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

From June 2020 this arrangement ended and a dedicated Chief Finance Officer for West Oxfordshire District Council was appointed.

Publica Group (Support) Limited

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

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

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

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

Ubico Limited

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

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

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

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

Other Public Bodies

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

The Local Government Pension Scheme (of which West Oxfordshire is a member) is administered by Oxfordshire County Council (see note F2).

THE COLLECTION FUND

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

| 2018/2019 | | | | Note | 2019/2020 | | |
|---------------------|---------------------|----------------------|--|------|---------------------|---------------------|----------------------|
| Business Rates £ | Council Tax £ | Total £ | | | Business Rates £ | Council Tax £ | Total £ |
| 0 | (77,673,846) | (77,673,846) | Council Tax receivable | G1 | | (82,255,597) | (82,255,597) |
| (38,129,421) | 0 | (38,129,421) | Business Rates Receivable | G2 | (38,870,889) | | (38,870,889) |
| (1,229,164) | 0 | (1,229,164) | Transitional Protection Receipts | | (777,409) | | (777,409) |
| (165,461) | 0 | (165,461) | Contribution to previous year's deficit / (Surplus) | | 713,500 | | 713,500 |
| (39,524,046) | (77,673,846) | (117,197,892) | Total Income | | (38,934,798) | (82,255,597) | (121,190,395) |
| | | | <u>Apportionment of previous year's surplus</u> | | | | |
| 0 | 0 | 0 | Central Government | | | | 0 |
| 0 | 62,640 | 62,640 | West Oxfordshire District Council | | | 54,886 | 54,886 |
| 0 | 485,963 | 485,963 | Oxfordshire County Council | | | 440,424 | 440,424 |
| 0 | 61,497 | 61,497 | Thames Valley Police & Crime Commissioner | | | 56,290 | 56,290 |
| 0 | 610,100 | 610,100 | | | 0 | 551,600 | 551,600 |
| | | | <u>Precepts, Demands and Shares</u> | | | | |
| 18,955,808 | | 18,955,808 | Central Government | | 18,832,340 | | 18,832,340 |
| 15,164,646 | 7,628,508 | 22,793,154 | West Oxfordshire District Council | | 15,065,871 | 7,940,154 | 23,006,025 |
| 3,791,162 | 61,213,087 | 65,004,249 | Oxfordshire County Council | | 3,766,468 | 64,031,529 | 67,797,997 |
| 0 | 7,823,587 | 7,823,587 | Thames Valley Police & Crime Commissioner | | 0 | 8,992,480 | 8,992,480 |
| 37,911,616 | 76,665,182 | 114,576,798 | | | 37,664,679 | 80,964,163 | 118,628,842 |
| | | | <u>Charges on the Collection Fund</u> | | | | |
| 345,617 | 51,419 | 397,036 | Write-offs of uncollectable amounts | | 187,274 | 121,285 | 308,559 |
| 1,728,960 | 135,275 | 1,864,235 | Increase / (decrease) in Bad Debt / Appeals Provisions | G3 | (402,555) | 149,796 | (252,759) |
| 162,472 | 0 | 162,472 | Cost of Collection | | 162,547 | | 162,547 |
| 228,415 | 0 | 228,415 | Disregarded Amounts - Renewable Energy Schemes | G4 | 203,127 | | 203,127 |
| (80,193) | 0 | (80,193) | Transitional Protection Payments | | | | 0 |
| 2,385,271 | 186,694 | 2,571,965 | | | 150,393 | 271,081 | 421,474 |
| 40,296,887 | 77,461,976 | 117,758,863 | Total Expenditure | | 37,815,072 | 81,786,844 | 119,601,916 |
| 772,841 | (211,870) | 560,971 | (Surplus) / Deficit for the Year | | (1,119,726) | (468,753) | (1,588,479) |
| 543,463 | (357,466) | 185,997 | (Surplus) / Deficit brought forward | | 1,316,304 | (569,336) | 746,968 |
| 1,316,304 | (569,336) | 746,968 | (Surplus) / Deficit carried forward | G5 | 196,578 | (1,038,089) | (841,511) |

NOTES TO THE COLLECTION FUND

G1. Council Tax System

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

Council Tax was introduced on 1 April 1993, and is a property based tax. The District Valuer valued all domestic property in the area and placed them into one of nine bands. In order to set the Council Tax, the Council estimates the number of dwellings in each of the nine valuation bands and convert these estimates into an "equivalent number of Band D dwellings". The table below shows the calculation for 2019/20.

| Band | Total Chargeable Dwellings | Band 'D' Conversion | Band 'D' Equivalent Chargeable Dwellings | New Regulation Adjustments | New Band D Equivalent Chargeable Dwellings |
|-----------------------|----------------------------|---------------------|--|----------------------------|--|
| A* | 2.00 | 5/9 | 1.11 | 0.00 | 1.11 |
| A | 1,158.50 | 6/9 | 772.33 | 32.67 | 805.00 |
| B | 4,042.25 | 7/9 | 3,143.97 | 30.33 | 3,174.30 |
| C | 14,619.50 | 8/9 | 12,995.11 | 72.89 | 13,068.00 |
| D | 10,205.60 | 1 | 10,205.60 | -2,296.67 | 7,908.93 |
| E | 6,529.50 | 11/9 | 7,980.50 | 108.17 | 8,088.67 |
| F | 3,713.75 | 13/9 | 5,364.31 | 65.00 | 5,429.31 |
| G | 2,420.25 | 15/9 | 4,033.75 | 118.33 | 4,152.08 |
| H | 309.75 | 2 | 619.50 | 57.00 | 676.50 |
| Total | | | 45,116.18 | -1,812.28 | 43,303.90 |
| Collection rate % | | | | | 98.50% |
| Plus MOD contribution | | | | | 939.22 |
| TAXBASE | | | | | 43,593.56 |

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

The above calculations resulted in an "average Band D Tax" of £1,857.25 per dwelling for 2019/20 (2018/19-£1,786.20. This included precepts payable to Oxfordshire County Council, the Police & Crime Commissioner for Thames Valley and West Oxfordshire District Council (but excludes amounts payable to the Town & Parish Councils within the district).

G2. National Non Domestic Rates

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

| | 2018/19 | 2019/20 |
|--|------------|-------------|
| Total Non Domestic Rateable Value at 31 March (£) | 99,093,471 | 100,627,087 |
| National Non-domestic Rate Multiplier - Higher | 49.3p | 50.4p |
| National Non-domestic Rate Multiplier - Lower [Small Business] | 48.0p | 49.1p |

NOTES TO THE COLLECTION FUND

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

G3. Tax Payers' Arrears & Provisions for Uncollectable Amounts

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

| | 2018/19 £ | 2019/20 £ |
|-----------------------------|--------------------|--------------------|
| Council Tax | (1,175,349) | (1,325,145) |
| National Non Domestic Rates | (4,486,527) | (3,167,380) |
| | (5,661,876) | (4,492,525) |

G4. Business Rates – Disregarded Amounts

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

G5. Collection Fund Balance Sheet Apportionment

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

| 2019/2020 | West Oxon. District Council £ | Oxfordshire County Council £ | Central Govt. £ | Thames Valley P&CC £ |
|---------------------------------|--|---------------------------------------|-----------------------|-------------------------------|
| Council Tax | 9.8% | 79.1% | 0.0% | 11.1% |
| Debtors | 309,462 | 2,495,583 | n/a | 350,475 |
| Bad Debt Provision | (129,957) | (1,048,008) | n/a | (147,180) |
| Prepayments and Overpayments | (119,411) | (962,963) | n/a | (135,237) |
| (Surplus) / Deficit at 31 March | (101,805) | (820,985) | n/a | (115,298) |
| Business Rates | 40% | 10% | 50% | 0.0% |
| Debtors | 407,243 | 101,811 | 509,053 | n/a |
| Bad Debt / Appeals Provision | (1,266,951) | (316,738) | (1,583,691) | n/a |
| Prepayments and Overpayments | (249,708) | (62,427) | (312,136) | n/a |
| (Surplus) / Deficit at 31 March | 78,632 | 19,660 | 98,287 | n/a |

NOTES TO THE COLLECTION FUND

| 2018/19 | West Oxon. District Council £ | Oxfordshire County Council £ | Central Govt. £ | Thames Valley P&CC £ |
|---------------------------------|--|---------------------------------------|-----------------------|-------------------------------|
| Council Tax | 10.0% | 79.8% | 0.0% | 10.2% |
| Debtors | 283,471 | 2,262,103 | n/a | 289,141 |
| Bad Debt Provision | (117,535) | (937,928) | n/a | (119,886) |
| Prepayments and Overpayments | (106,171) | (847,244) | n/a | (108,294) |
| (Surplus) / Deficit at 31 March | (56,933) | (454,329) | n/a | (58,072) |
| Business Rates | 40% | 10% | 50% | 0.0% |
| Debtors | 384,846 | 96,212 | 481,058 | n/a |
| Bad Debt / Appeals Provision | (1,794,610) | (448,653) | (2,243,264) | n/a |
| Prepayments and Overpayments | (296,391) | (74,097) | (370,489) | n/a |
| (Surplus) / Deficit at 31 March | 526,523 | 131,632 | 658,152 | n/a |

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

ANNUAL GOVERNANCE STATEMENT 2019/20

AGS continued.

A

Accounting Period

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

Accounting Statements

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

Accruals

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

Actuarial Gains and Losses (Pension Schemes)

Changes in the net pensions liability that arise because events have not matched assumptions at the last actuarial valuation or because actuarial assumptions have changed.

Amortisation

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

Appointed Auditors

The Local Audit and Accountability Act 2014 includes a statutory requirement that a local authority's annual Statement of Accounts be subject to external review by a duly appointed external auditor. From 2018/19, the responsibility for the appointment of said external auditor has been devolved to Public Sector Audit Appointments (PSSA) for Local Government Authorities that have opted into its national scheme. Grant Thornton UK LLP is the Council's appointed auditors for the period 2018/19 to 2022/23.

Approved Institutions

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

Asset

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

Audit of Accounts

An independent examination of the Council's financial affairs.

B

Billing Authority

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

Budget

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

C

Capital Expenditure

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

Capital Programme

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

Capital Receipts

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

Collection Fund

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

Community Assets

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

Consistency

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

Contingency

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

Contingent Asset

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

Contingent Liability

A contingent liability is either:

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

Council Tax

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

Creditors

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

Current Assets

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

Current Liabilities

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

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities as a result of employee service earned in the current period.

Curtailed (Pensions)

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

D**Debtors**

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

Depreciation

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

Direct Revenue Financing (DRF)

Resources provided from an authority's revenue budget to finance the cost of capital projects.

E**Equity**

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

Equity Instrument

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

Events After the Reporting Period

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

Exceptional Items

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

External Audit

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

F**Fair Value (FV)**

The price an asset could be exchanged for in an arm's length transaction less any grant.

Fees and Charges

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

Finance Leases

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

Financial Asset

A right to future economic benefits controlled by the Authority that is represented by:

- cash
- an equity instrument of another entity
- a contractual right to receive cash (or another financial asset) from another entity
- a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Authority.

Financial Instruments

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

Financial Liability

An obligation to transfer economic benefits controlled by the Authority that is represented by:

- a contractual obligation to deliver cash (or another financial asset) to another entity
- a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

G

General Fund (GF)

The main revenue fund of a billing authority, used to meet day-to-day spending.

Government Grants

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

Gross Expenditure

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

Growth

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

H

Housing Benefit (Rent Allowance)

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

I

Impairment

A reduction in the carrying value of a fixed asset below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment)

Income

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

Infrastructure Assets

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

Intangible Assets

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

Interest Receivable

The money earned from the investment of surplus cash.

Inventories

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

Investment Property

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

J

Joint Arrangement

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

L

Liability

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

Local Council Tax Support Scheme

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

Long-Term Assets

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

Long-Term Liabilities

Amounts which will become due or could be called upon beyond the next accounting period.

M

Materiality

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

Minimum Revenue Provision (MRP)

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

N

National Non-Domestic Rates (NNDR)

A levy on businesses, based on a national rate in the pound set by the Government, multiplied by the rateable value of the premises they occupy.

Net Book Value (NBV)

The amount at which non-current assets are included in the balance sheet.

Net Debt

The Authority's total borrowings less cash investments.

Net Expenditure

Gross expenditure less specific service income.

Net Interest on the Net Defined Benefit Liability (Pensions)

The net interest expense - the change during the period in the net benefit liability that arises from the passage of time.

Non-Current Assets

Property, plant and equipment and other assets that bring longer term benefit or service potential to the Authority.

Non-Operational Assets

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

O

Operating Leases

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

Operational Assets

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

Outturn

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

P

Past Service Costs (Pensions)

The increase in the present value of the defined benefit scheme liabilities, related to employee service in prior periods, arising as a result of, or improvement to, retirement benefits.

Pension Fund

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

Precept

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

Precepting Authorities

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

Prior Period Adjustments

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

Provisions

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

Prudence

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

Prudential Code

The CIPFA Prudential Code for Capital Finance in Local Authorities – the guidance applicable from April 2017 for the greater freedom for authorities to borrow to fund capital investment (under the Local Government Act 2003). This Code requires the Authority to set and monitor a suite of Prudential Indicators, including its Affordable Borrowing Limit, and produce a capital strategy to give weight to local circumstances and explain their approach to borrowing and investment.

R

Rateable Value

GLOSSARY OF TERMS AND ABBREVIATIONS

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

Revenue Expenditure Funded by Capital Under Statute (REFCUS)

Expenditure of a capital nature but for which there is no tangible asset, e.g. renovation grants.

Related Parties

Two or more parties are related parties when at any time during the financial period:

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

Examples of related parties to an authority include Central Government, Local Authorities and other bodies precepting or levying demands on the Council Tax, its Members, its Chief Officers and its Pension Fund.

For individuals identified as related parties, it is also presumed that members of the close family, or the same household, or any partnerships, companies in which the individual or a member of their close family, or the same household has a controlling interest, are deemed to be related parties.

Related Party Transactions

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

Reserves

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

Retirement Benefits

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

Return on Plan Assets (Pensions)

Changes during the period in the net benefit liability that arises from the passage of time excluding amounts included in Net Interest on the Net Defined Benefit Liability.

Revenue Expenditure

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

Revenue Support Grant

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

S

Specific Grants

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

T

Total Cost

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

W

Work In Progress

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

INDEX OF NOTES TO THE ACCOUNTS

| | Note | Page |
|--|------|---------|
| Accounting Policies | F5 | 54 - 65 |
| Accounting Standards Not Yet Adopted | F7 | 65 |
| Adjustments between Accounting Basis and Funding Basis Under Regulation | C1 | 22 – 23 |
| Assumptions and Other Major Sources of Estimation | F8 | 66 |
| Capital Expenditure & Financing | D8 | 38 |
| Collection Fund - Balance Sheet Apportionment | G5 | 69 |
| Collection Fund - Business Rates – Disregarded Amounts | G4 | 71 |
| Collection Fund - Council Tax System | G1 | 70 |
| Collection Fund - National Non Domestic Rates | G2 | 70 |
| Collection Fund - Tax Payers' Arrears and Provisions for Uncollectable Amounts | G3 | 71 |
| Contingent Liabilities and Contingent Assets | F9 | 67 |
| Current Creditors | D5 | 36 |
| Critical Judgements in Applying Accounting Policies | F6 | 64 |
| Current Debtors | D4 | 36 |
| Defined Benefit Pension Scheme | F1 | 42 – 46 |
| Expenditure and Funding Analysis | B1 | 11 – 14 |
| Expenditure and Income Analysed by Nature | B2 | 15 |
| External Audit Costs | B7 | 17 |
| Financial Instruments | F2 | 47 – 49 |
| Financing & Investment Income and Expenditure | B4 | 16 |
| Grant Income | B9 | 20 |
| Intangible Assets | D3 | 35 |
| Investment Properties | D2 | 34 |
| Leases | F4 | 52 – 53 |
| Non - Current Debtors | D7 | 37 |
| Members' Allowances | B6 | 17 |
| Nature and Extent of Risks Arising from Financial Instruments | F3 | 50 – 52 |
| Notes to the Cash Flow Statement | E1 | 39 |
| Officer Remuneration | B8 | 18 – 19 |
| Other Operating Income and Expenditure | B3 | 16 |
| Property, Plant and Equipment | D1 | 30 – 33 |
| Provisions | D6 | 37 |
| Related Parties | F10 | 67 – 68 |
| Taxation and Non Specific Grant Income | B5 | 16 |
| Termination Benefits | B10 | 21 |
| Unusable Reserves | C3 | 24 – 29 |
| Usable Reserves | C2 | 24 |