

**URGENT BUSINESS AND SUPPLEMENTARY INFORMATION**

**Accounts, Audit and Risk Committee**

**24 June 2015**

Agenda Item Number	Page	Title	Officer Responsible	Reason Not Included with Original Agenda
11.	Pages 1 - 102	Statement of Accounts Review Appendix 3	Head of Finance and Procurement	Information not available at time of agenda dispatch

*If you need any further information about the meeting please contact James Doble, Democratic and Elections james.doble@cherwellandsouthnorthants.gov.uk, 01295 221587*

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**CHERWELL DISTRICT COUNCIL**  
**ANNUAL FINANCIAL REPORT 2014-15**

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## 1. INTRODUCTION

Welcome to Cherwell District Council's Statement of Accounts for the year ending 31 March 2015. The Statement of Accounts is a statutory document providing information on the cost of services provided by Cherwell District Council to the council tax payer and detailing how those services were financed. In addition, it provides information, within the Balance Sheet on the value of our assets (what we own), what we are owed and the value of our liabilities (what we owe). The terminology used can often be confusing so I hope you find the glossary in section 14 a useful reference.

A summary of the financial position is available in the Summary of Accounts and you can find a copy on our website.

Should you have any comments or wish to discuss this statement in further detail then please contact the finance team by email on [finance@cherwell-dc.gov.uk](mailto:finance@cherwell-dc.gov.uk)

We hope you find the financial statements of interest and we look forward to hearing your views.

**Martin Henry**  
**Chief Financial Officer and Director of Resources**

Cherwell District Council  
PO Box 27  
Banbury  
Oxfordshire  
OX15 4BH

## 2. EXPLANATORY FOREWORD

This document sets out the Council's statutory accounts for the financial year ended 31 March 2015. The format accords with statutory undertakings and the requirements for publication of financial information set out in the Code of Practice on Local Authority Accounting in the United Kingdom and complies with International Financial Reporting Standards (IFRS).

The explanatory foreword gives readers a brief overview of the most significant matters reported in the accounts and an explanation in overall terms of the Council's financial position.

### 2.1 The Accounting Statements

Detailed below is an explanation of the Statements within these accounts and the relationship between them:

**The Statement of Responsibilities for the Statement of Accounts** - identifies the officer who is responsible for the proper administration of the Council's financial affairs.

#### **The Accounting Statements:**

**Movement in Reserves Statement** - This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/ Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

**Comprehensive Income and Expenditure Statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

**Balance Sheet** – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

**Cash Flow Statement** – The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and

financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

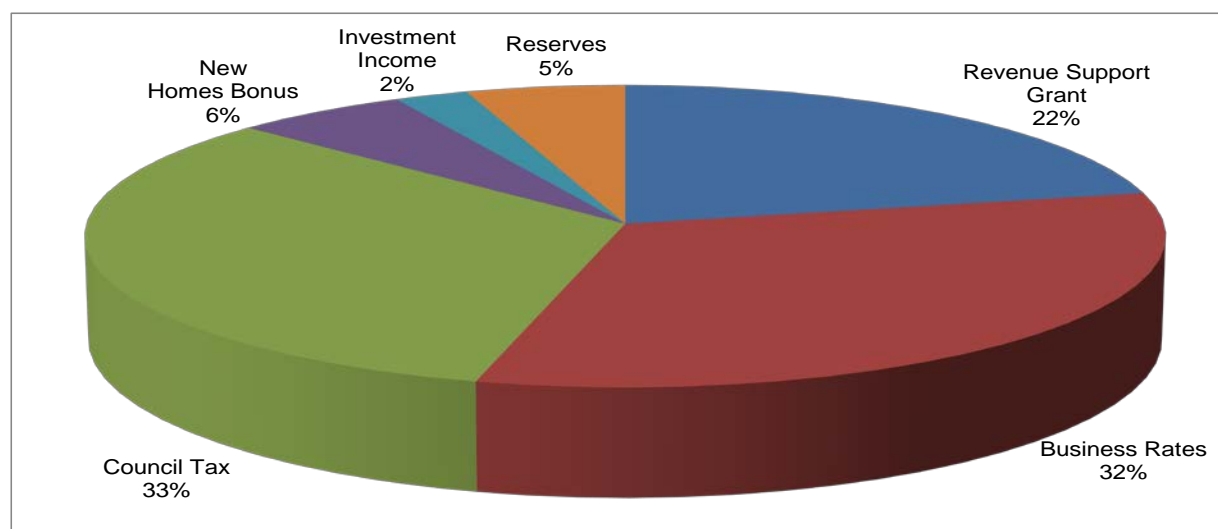
### **The Supplementary Financial Statements:**

**The Collection Fund** - The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government to council tax and non-domestic rates. A Statement of Accounting Policies (Note 1 to the Financial Statements) supports these statements and details the general accounting conventions used in preparing the accounts. Where accounting policies do not adhere to recommended practice, this is disclosed.

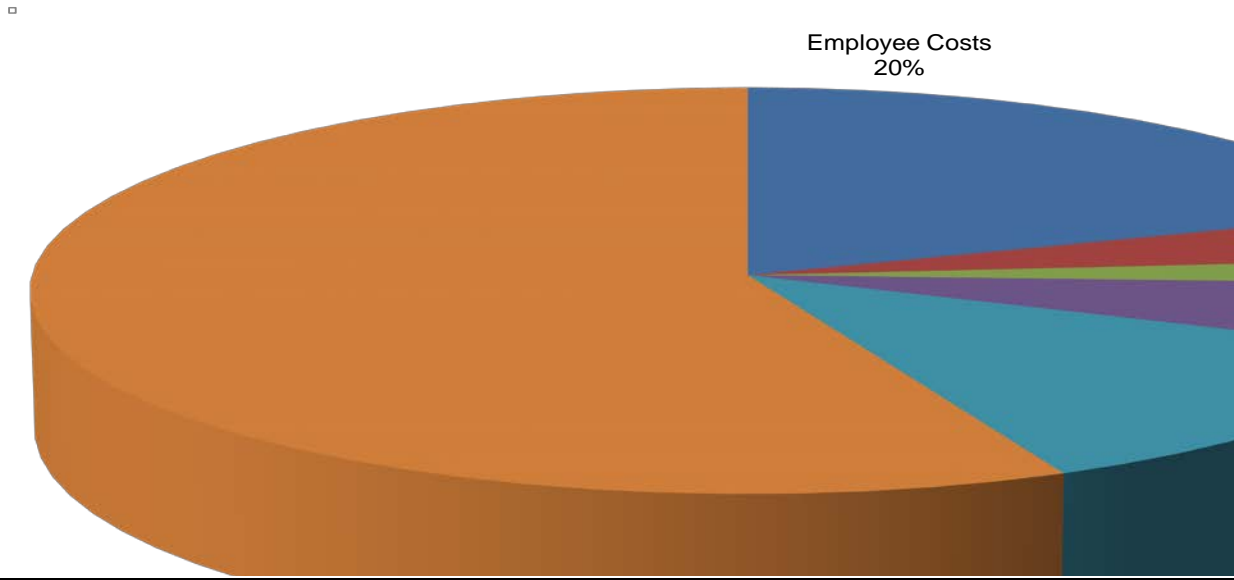
## **2.2 Revenue Expenditure**

The charts below outline where the Council's revenue money came from, how it was spent and on which services. They show the overall position of the Council's revenue budgets for 2014/15.

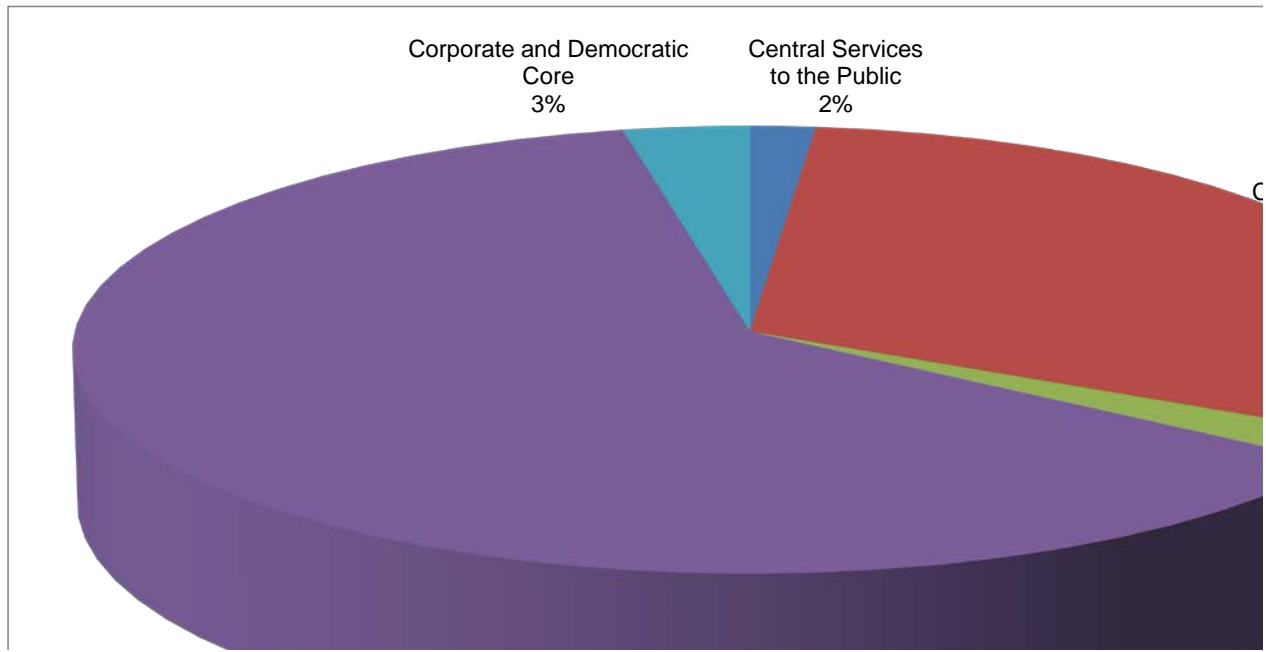
### **Where The Money Came From**



**What the Money Was Spent**



**What Services Have Been Provided**



## General Fund Revenue Account

The following table summarises the position for the General Fund for 2014/15.

	<b>Adjusted Budget 2014/15</b>	<b>Outturn 2014/15</b>	<b>Variance 2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>			
Net Service Expenditure	18,748	17,999	<b>(749)</b>
Capital Financing Adjustments	(3,341)	(3,341)	<b>0</b>
Transfer to Reserves	0	4,498	<b>4,498</b>
<b>Total Net Expenditure</b>	<b>15,407</b>	<b>19,156</b>	<b>3,749</b>
<b>Income</b>			
Revenue Support Grant	(3,864)	(3,864)	<b>0</b>
Business Rates	(3,801)	(5,821)	<b>(2,020)</b>
Met by local council taxpayers	(5,764)	(5,764)	<b>0</b>
New Homes Bonus	(1,013)	(1,847)	<b>(834)</b>
Investment Income	(48)	(810)	<b>(762)</b>
Other Grants	0	(111)	<b>(111)</b>
Use of Reserves	(917)	(1,208)	<b>(291)</b>
<b>Total Income</b>	<b>(15,407)</b>	<b>(19,425)</b>	<b>(4,018)</b>
<b>(Surplus)/Deficit for the year</b>	<b>0</b>	<b>(269)</b>	<b>(269)</b>
<b>Balance Brought Forward</b>	<b>(1,696)</b>	<b>(1,696)</b>	<b>0</b>
<b>Balance Carried Forward</b>	<b>(1,696)</b>	<b>(1,965)</b>	<b>(269)</b>

## Budget Variations

The outturn reflects a number of one off and ongoing savings. These have been achieved as a result of the significant work undertaken when preparing the 2014/15 budget. The total service underspend is £1m and the major variances are set out below:

<b>(Under)/Overspends</b>	<b>£000</b>
a. Unspent Eco-Town and Capacity Grant funding	(413)
b. Planning fees	(1,239)
c. Additional costs of delivering the local plan	539
d. Car Parking Income	421
e. Waste and Recycling operating costs	180
f. Savings on the maintenance of corporate assets/facilities	(113)
g. Miscellaneous	(124)
	<b>(749)</b>

It should be noted that due to the nature of the Council's budget, there are hundreds of individual budgets, many of which had some degree of variation. The items detailed above identify the significant areas only.



## 2.3 Capital Expenditure

Capital expenditure relates primarily to spending on Council assets (i.e. an item with an expected life of more than one year). Overall the expenditure during the year was £18,185m compared to the approved budget of £21.645m.

Description	Original Budget 14/15	Adjusted 14/15	Approved Budget 14/15	Actual 14/15	Slippage 14/15	Variance 14/15
	£000	£000	£000	£000	£000	£000
Community and Environment	4,093	(1,271)	<b>2,822</b>	1,566	906	<b>(350)</b>
Resources	839	0	<b>839</b>	535	389	<b>85</b>
Development	16,033	0	<b>16,033</b>	11,307	4,331	<b>(395)</b>
Bicester Regeneration	4,837	(2,886)	<b>1,951</b>	4,777	0	<b>2,826</b>
<b>GRAND TOTAL</b>	<b>25,802</b>	<b>(4,157)</b>	<b>21,645</b>	<b>18,185</b>	<b>5,626</b>	<b>2,166</b>

## 2.4 Material Transactions

The following material transaction relates to 2014/15:

### a) Pensions

The value of the pension fund deficit for 2014/15 is £78.8m; this reflects an increase of £14.9m from the 2013/14 deficit position of £63.9m.

The following material transaction relates to 2013/14:

### a) Pensions

The value of the pension fund deficit for 2013/14 is £63.9m; this reflects an increase of £10.6m from the 2012/13 deficit position of £53.3m.

## 2.4 Reserves

The Council at 31 March 2015 has a General Fund balance of £1.674m, which is in line with the Council's Medium Term Financial Strategy. In addition, the Council has earmarked revenue reserves totalling £16.649m (details are included within Note 8.5 (Pages 20 - 22)).

## 2.5 Graven Hill

During 2014/15 the Council established two companies to deliver a self-build housing project at Graven Hill Bicester. Shares in Graven Hill Holding Company are 100% owned by the Council and Shares in Graven Hill Development Company are 99% owned by Graven Hill Holding Company and 1% by the Council.

The arrangements require the Council to prepare Group Accounts for the first time in 2014/15. The accounts for the company are prepared by the companies' accountants Clark Howes and are presented at page 59.

## 2.6 Investments in Iceland

Cherwell District Council was one of at least 123 local authorities that were affected by the collapse of Icelandic banking institutions.

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £6.5m deposited with one of these institutions, Glitnir, with varying maturity dates and interest rates as follows:

Glitnir	Date Invested	Maturity Date	Amount Invested	Interest Rate
Investment 1	06/02/07	08/02/10	£2,000,000	5.74%
Investment 2	26/10/06	26/10/09	£2,000,000	5.72%
Investment 3	31/08/07	30/03/09	£2,500,000	6.30%
			<b>£6,500,000</b>	

Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in March 2012. An element of the distribution is in Icelandic Krona placed in an escrow account in Iceland which earned interest at a blended rate of 3.97%.

The Glitnir investment remaining in the Council's balance sheet at 31 March 2015 is £1.47m

Glitnir	Claim Ref	Total Claim Value	Claim Value in Escrow at 31/3/2015	Claim Value in Escrow at 31/3/2015
				£1 : 203.34 ISK
		ISK	ISK	£
Investment 1	1819	430,659,559	92,190,826	453,383
Investment 2	1870	436,659,157	93,475,153	459,699
Investment 3	1888	527,451,012	112,910,867	555,281
		<b>1,394,769,728</b>	<b>298,576,846</b>	<b>1,468,363</b>

The amounts were converted from Icelandic Krona to GBP Sterling with the 'sell' exchange rate as at 31 March 2015 as published on the Central Bank of Iceland website and in accordance with CIPFA LAAP Bulletin 82 Update 7. A foreign exchange loss of £115,681 was recognised at the balance sheet date.

## 2.7 Impact of the current economic climate

The Council's financial strategy and 2014/15 budget were approved in February 2014 at the meeting of Full Council. The key messages in relation to the budget were;

The current economic climate presents unprecedented challenges in meeting spending priorities without placing undue burden on local taxpayers. The Council's successful approach to improving value for money and securing efficiencies on an ongoing basis provides a solid foundation.

The strategy for generating resources at the same rate as grant is expected to reduce is predicated on a strategy that focusses on three areas:

## **Joint Working**

The Council's partnership with South Northants Council has delivered in excess of £3m pa savings. The potential for delivering further savings through not only joint working but the Council's plans to set up a confederation for commissioning services is significant.

## **Maximising Income**

The Council has identified that residential and commercial growth presents an opportunity to improve income streams (Business Rates, New Homes Bonus and Council Tax). We in partnership with South Northants Council have set up a team focussed on maximising income from these areas

## **Investment**

The Council has a significant role in creating prosperity in its area and is taking on ambitious regeneration projects, which will breathe new life into the areas targeted. Many of these projects will also deliver revenue and capital income streams over the medium term. This approach is expected to deliver significant community and financial benefits.

Martin Henry BA (Hons) CPFA

**Chief Financial Officer and Director of Resources**

**Date:**

### **3. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

#### **3.1 The Council's responsibilities**

The Council 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 Council, that officer is the Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

#### **3.2 The Chief Financial Officer's responsibilities**

The Chief Financial Officer (151 Officer) is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices, as set out in the CIPFA/LASAAC *Code of Practice on Local Council Accounting in the United Kingdom* (the Code of Practice).

In preparing this Statement of Accounts, the Chief Financial 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;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

#### **3.3 Chief Financial Officer Certificate**

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2015.

**Martin Henry BA (Hons) CPFA**

**Chief Financial Officer**

Director of Resources

**Date:**

#### **3.4 Chairman of Accounts, Audit and Risk Committee Certificate**

I certify that the Statement of Accounts has received the full approval of Members.

**Councillor Mike Kerford Byrnes**

**Chairman of Accounts, Audit and Risk Committee**

**Date:**

## 4. MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

<b>31-Mar-15</b>		<b>General</b>	<b>Earmarked</b>	<b>Capital</b>	<b>Capital</b>	<b>Total</b>	<b>Unusable</b>	<b>Total</b>
		<b>Fund</b>	<b>Reserves</b>	<b>Receipts</b>	<b>Grants</b>	<b>Usable</b>	<b>Reserves</b>	<b>Authority</b>
		<b>Balance</b>	<b>Reserves</b>	<b>Reserve</b>	<b>Unapplied</b>	<b>Reserves</b>	<b>Reserves</b>	<b>Reserves</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance 1 April 2014</b>	BS	(1,405)	(13,387)	(25,209)	(47)	(40,048)	(68,339)	(108,387)
<b>Movement in reserves during 2014/15</b>								
Surplus or (deficit) on the provision of service	Cl&E	5,883				5,883		5,883
Other Comprehensive Income & Expenditure						0	10,548	10,548
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>5,883</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,883</b>	<b>10,548</b>	<b>16,431</b>
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 8.4)	8.4	(9,466)		13,551		4,085	(4,085)	0
Reversing Use of capital receipts to fund Glitnir, Iceland capitalisation								0
<b>Increase / decrease before transfers to Earmarked Reserves</b>		<b>(3,583)</b>	<b>0</b>	<b>13,551</b>	<b>0</b>	<b>9,968</b>	<b>6,463</b>	<b>16,431</b>
Transfers to/from Earmarked Reserves		3,296	(3,296)			0		0
Use of reserves for capital financing		(34)	34			0		0
Transfers to/from Unusable Reserves		52				52	(52)	0
<b>Total movements in Earmarked Reserves</b>	<b>8.5</b>	<b>3,314</b>	<b>(3,262)</b>	<b>0</b>	<b>0</b>	<b>52</b>	<b>(52)</b>	<b>0</b>
<b>Increase / decrease in 2014/15</b>		<b>(269)</b>	<b>(3,262)</b>	<b>13,551</b>	<b>0</b>	<b>10,020</b>	<b>6,411</b>	<b>16,431</b>
<b>Balance at 31 March 2015 carried forward</b>		<b>(1,674)</b>	<b>(16,649)</b>	<b>(11,658)</b>	<b>(47)</b>	<b>(30,028)</b>	<b>(61,928)</b>	<b>(91,956)</b>

Comparative figures for 2013-14 are:

		<b>General</b>	<b>Earmarked</b>	<b>Capital</b>	<b>Capital</b>	<b>Total</b>	<b>Unusable</b>	<b>Total</b>
		<b>Fund</b>	<b>Reserves</b>	<b>Receipts</b>	<b>Grants</b>	<b>Usable</b>	<b>Reserves</b>	<b>Authority</b>
		<b>Balance</b>	<b>Reserves</b>	<b>Reserve</b>	<b>Unapplied</b>	<b>Reserves</b>	<b>Reserves</b>	<b>Reserves</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance 1 April 2013</b>	BS	(3,690)	(10,861)	(30,392)	(47)	(44,990)	(79,067)	(124,057)
<b>Movement in reserves during 2013/14</b>								
Surplus or (deficit) on the provision of service	Cl&E	6,057				6,057		6,057
Other Comprehensive Income & Expenditure						0	9,612	9,612
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>6,057</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,057</b>	<b>9,612</b>	<b>15,669</b>
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 8.4)	8.4	(6,265)		5,183		(1,082)	1,082	0
Reversing Use of capital receipts to fund Glitnir, Iceland capitalisation								0
<b>Increase / decrease before transfers to Earmarked Reserves</b>		<b>(208)</b>	<b>0</b>	<b>5,183</b>	<b>0</b>	<b>4,975</b>	<b>10,694</b>	<b>15,669</b>
Transfers to/from Earmarked Reserves		2,853	(2,853)			0		0
Use of reserves for capital financing		(327)	327			0		0
Transfers to/from Financial Instrument Available for Sale Reserves		(33)				(33)	33	0
<b>Total movements in Earmarked Reserves</b>	<b>8.5</b>	<b>2,493</b>	<b>(2,526)</b>	<b>0</b>	<b>0</b>	<b>(33)</b>	<b>33</b>	<b>0</b>
<b>Increase / decrease in 2013/14</b>		<b>2,285</b>	<b>(2,526)</b>	<b>5,183</b>	<b>0</b>	<b>4,942</b>	<b>10,727</b>	<b>15,669</b>
<b>Balance at 31 March 2014 carried forward</b>		<b>(1,405)</b>	<b>(13,387)</b>	<b>(25,209)</b>	<b>(47)</b>	<b>(40,048)</b>	<b>(68,340)</b>	<b>(108,388)</b>

## 5. COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
31-Mar-14	31-Mar-14	31-Mar-14		31-Mar-15	31-Mar-15	31-Mar-15	
£000	£000	£000		£000	£000	£000	
1,266	(956 )	310	Central Services to the Public	1,221	(986)	235	
7,140	(2,046 )	5,094	Cultural and Related Services	8,240	(1,759)	6,481	
8,589	(2,574 )	6,015	Environment and Regulatory Services	7,947	(2,480)	5,467	
5,737	(2,151 )	3,586	Planning Services	6,103	(3,541)	2,562	
1,289	(2,050 )	(761 )	Highways, Roads & Transport Services	1,448	(1,753)	(305)	
44,349	(39,864 )	4,485	Other Housing Services (General Fund)	45,011	(40,873)	4,138	
2,450	(85 )	2,365	Corporate and Democratic Core	2,444	(366)	2,078	
1,300	0	1,300	Non Distributed Costs	1,333	0	1,333	
<b>72,121</b>	<b>(49,726 )</b>	<b>22,395</b>	<b>Net Cost of Services</b>	<b>73,747</b>	<b>(51,758 )</b>	<b>21,989</b>	
			2,821 Other Operating Expenditure (Note 8.6)			3,070	
			Financing and Investment Income & Expenditure				
			440 (Note 8.7)			853	
			Taxation and Non-Specific Grant Income (Note				
			(19,599) 8.8)			(20,029)	
			<b>6,057 (Surplus) / deficit on Provision of Service</b>			<b>5,883</b>	
			(Surplus) / deficit on the revaluation of non-current				
			1,037 assets (Note 8.22.1)			(2,216)	
			Actuarial (gains) / losses on pension assets &				
			8,575 liabilities (Note 8.22.4)			12,764	
			0 (Surplus)/Deficit on Other items			0	
			<b>9,612 Other Comprehensive Income &amp; Expenditure</b>			<b>10,548</b>	
			(Surplus)/ deficit on Total Comprehensive Income				
			<b>15,669 &amp; Expenditure</b>			<b>16,431</b>	

## 6. BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2014 £000		Notes	31 March 2015 £000
109,581	Property, Plant & Equipment	8.9	117,411
16,224	Investment Property	8.11	15,701
967	Intangible Assets	8.12	757
1,717	Long Term Investments	8.15	3,741
3,167	Long Term Debtors	8.17	6,609
<b>131,656</b>	<b>Long Term Assets</b>		<b>144,219</b>
45,184	Short Term Investments	8.15	42,032
183	Inventories		147
12,530	Short Term Debtors	8.17	13,859
9,680	Cash and Cash Equivalents	8.18	10,150
<b>67,577</b>	<b>Current Assets</b>		<b>66,188</b>
(500)	Bank Overdraft	8.18	(1,936)
(7,041)	Short Term Creditors	8.19	(12,954)
(2,927)	Receipts in Advance	8.19	(3,970)
(708)	Provisions	8.20	(2,710)
<b>(11,176)</b>	<b>Current Liabilities</b>		<b>(21,570)</b>
(63,907)	Pension Liability	8.22.4	(78,836)
(1,657)	Provisions	8.20	(709)
(14,105)	Capital Grants Receipts in Advance	8.33	(17,336)
<b>(79,669)</b>	<b>Long Term Liabilities</b>		<b>(96,881)</b>
<b>108,388</b>	<b>Net Assets</b>		<b>91,956</b>
(40,048)	Useable Reserves	8.21	(30,028)
(68,340)	Unusable Reserves	8.22	(61,928)
<b>(108,388)</b>	<b>Total Reserves</b>		<b>(91,956)</b>

## 7. CASH FLOW STATEMENT

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

<b>31-Mar-14</b>		<b>Note</b>	<b>31-Mar-15</b>
<b>£000</b>			<b>£000</b>
(6,057)	Net Surplus or (Deficit) on the Provision of Services	8.23	(5,883)
9,206	Adjustments to net surplus or deficit on the provision of services for non-cash movements	8.23	20,509
3,916	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	8.23	(5,023)
<u>7,065</u>	Net cash flows from Operating Activities	<u>8.23</u>	<u>9,603</u>
(9,428)	Investing Activities	8.24	(10,528)
2,385	Financing Activities	8.25	(40)
<u>22</u>	Net increase or (decrease) in cash and cash equivalents		<u>(965)</u>
9,158	Cash and cash equivalents at the beginning of the reporting period	8.18	9,180
<u><b>9,180</b></u>	<b>Cash and cash equivalents at the end of the reporting period</b>	<u><b>8.18</b></u>	<u><b>8,215</b></u>



## 8. NOTES TO THE CORE FINANCIAL STATEMENTS

### 8.1 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 13, 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:

#### Future Funding of Local Government

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council prepares a detailed Medium Term Financial Plan, which models the risk and helps identify what needs to be done to manage the risks.

#### Heritage Assets

The 2014-15 Code adopts the requirements of FRS 30 *Heritage Asset*. Heritage assets are maintained principally for their contribution to knowledge and culture and it is this which distinguishes them from other assets. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage.

The Council has reviewed its current Community Asset portfolio and concluded that none of these assets meet the definition of a Heritage Asset and falls outside the scope of FRS 30 and continues to be accounted for as Community Assets on the Balance Sheet.

The Council transferred the Banbury Museum operations to Banbury Museum Trust on 1 November 2013, but the Council still retain the museum building. The Council has reviewed the arrangements in relation to Banbury Museum and concluded that the museum building does not meet the definition of a Heritage Asset and falls outside the scope of FRS 30, as the economic benefit or service potential generated is as a result of the operational function it provides.

### 8.2 Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Depreciation of Property, Plant & Equipment	The Council assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological	Where the Council determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net book value in excess of the

	<p>advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.</p>	<p>residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the Council's accounts when the change in estimate is determined. The carrying value of assets in the balance sheet is £117,411k</p>
<p>Impairment of Property, Plant &amp; Equipment &amp; Intangible Assets</p>	<p>The Council assesses the impairment of property, plant and equipment and intangible assets (excluding goodwill) whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards</p> <p>Factors that are considered important and which could trigger an impairment review include the following:</p> <ul style="list-style-type: none"> <li>• obsolescence or physical damage;</li> <li>• significant changes in technology and regulatory environments;</li> <li>• significant underperformance relative to expected historical or projected future operating results;</li> <li>• significant changes in the use of its assets or the strategy of the overall business;</li> <li>• significant negative industry or economic trends; and</li> <li>• significant decline in the market capitalisation relative to net book value for a sustained period.</li> </ul>	<p>The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash generating units requires significant judgement which is determined by a qualified valuer.</p>
<p>Fair Value Estimation</p>		<p>The nominal value of receivables (less any valuation allowance) and payables are assumed to approximate their fair values. Judgement is required in determining the appropriate assumptions underlying those inputs and forecasts.</p> <p>The fair value of financial liabilities measured at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments. Discounted cash flows are used to determine the fair value for the majority of remaining financial instruments.</p>

Impairment allowance for doubtful debt	The Impairment allowance for doubtful debt reflects the Council's estimates of losses arising from the failure or inability of the Council's customers to make required payments. The allowance is based on the ageing of customer accounts, customer credit worthiness and the Council's historical write-off experience.	Changes to the allowance may be required if the financial condition of the Council's customers improves or deteriorates. An improvement in financial condition may result in lower actual write-offs.
Pensions	<p>The Council provides one defined benefit pension scheme for its employees. The asset (or liability) recognised in the statement of financial position in respect of defined benefit pension plans represents the fair value of plan assets less the present value of the defined benefit obligations at the reporting date. The expected cost of providing these defined benefit pensions will depend on an assessment of such factors as:</p> <ul style="list-style-type: none"> <li>• the life expectancy of the Officers;</li> <li>• the length of service;</li> <li>• the rate of salary progression;</li> <li>• the rate of return earned on assets in the future;</li> <li>• the rate used to discount future pension liabilities; and</li> <li>• future inflation rates.</li> </ul>	The assumptions used by the Council are set out in note 12 and are estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice but have been comparable to the median estimates in this regard used by other Councils. Changes to these assumptions could materially affect the size of the defined benefit scheme's liabilities and assets disclosed in note 12.

### 8.3 Events after the balance sheet date

The Statement of Accounts will be authorised for issue by the Director of Resources (CFO) on prior to the 30 September 2015. 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 2015, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

### 8.4 Adjustments between Accounting Basis and Funding Basis under Regulations

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

31-Mar-15	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>					
Reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment of non current assets	(3,811)				(3,811)
Amortisation of intangible assets	(308)				(308)
Revaluation losses on Property Plant and Equipment	(1,522)				(1,522)
Revenue expenditure funded from capital under statute	(1,423)				(1,423)
Movements in the market value of Investment Properties - I&E	(245)				(245)
Amounts of Non-current Assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(3,268)				(3,268)
FV and Historic Cost Depreciation Adjustment					
Contributions in relation to donated assets credited to the CIES					
Capital expenditure charged against the General Fund (RCCO)	34				34
<b>Adjustments involving the Capital Grants Unapplied Account</b>					
Capital Grants and contributions unapplied credited to the CIES					
Application of grants to capital financing transferred to the CAA	389				389
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES					
	2,857		(2,857)		
Other capital cash receipts	1,358		(1,358)		
Use of the Capital Receipts Reserve to finance new capital expenditure			17,762		17,762
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(4)		4		
<b>Adjustments Involving the Deferred Capital Receipts Reserve:</b>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES					
	421				421
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES					
	(5,344)				(5,344)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,179				3,179
<b>Adjustments involving the Collection Fund Adjustments Account:</b>					
Amount by which council tax income credited to the CIES is different from the council tax income calculated for the year in accordance with statutory requirements					
	5				5
Amount by which non-domestic rates income credited to the CIES is different from the non-domestic rates income calculated for the year in accordance with statutory requirements					
	(1,822)				(1,822)
<b>Adjustment involving the Accumulated Absences Account</b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements					
	39				39
<b>TOTAL ADJUSTMENTS</b>	<b>(9,465)</b>		<b>13,551</b>		<b>4,086</b>

Comparative figures for 2013-14 are:

31-Mar-14	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
<b>Adjustments involving the Capital Adjustment Account:</b>					
Reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment of non current assets	(3,950)				(3,950)
Amortisation of intangible assets	(431)				(431)
Revaluation losses on Property Plant and Equipment	(437)				(437)
Revenue expenditure funded from capital under statute	(1,351)				(1,351)
Movements in the market value of Investment Properties - I&E	178				178
Amounts of Non-current Assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(41)				(41)
FV and Historic Cost Depreciation Adjustment					
Contributions in relation to donated assets credited to the CIES					
Capital expenditure charged against the General Fund (RCCO)	327				327
<b>Adjustments involving the Capital Grants Unapplied Account</b>					
Capital Grants and contributions unapplied credited to the CIES					
Application of grants to capital financing transferred to the CAA	539				539
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES					
	57		(57)		
Other capital cash receipts	1,344		(1,344)		0
Use of the Capital Receipts Reserve to finance new capital expenditure			6,585		6,585
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(3)		3		0
					0
<b>Adjustments Involving the Deferred Capital Receipts Reserve:</b>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES					
			(4)		(4)
					0
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES					
	(4,834)				(4,834)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,850				2,850
					0
<b>Adjustments involving the Collection Fund Adjustments Account:</b>					
Amount by which council tax income credited to the CIES is different from the council tax income calculated for the year in accordance with statutory requirements					
	29	0			29
Amount by which non-domestic rates income credited to the CIES is different from the non-domestic rates income calculated for the year in accordance with statutory requirements					
	(533)				(533)
<b>Adjustment involving the Accumulated Absences Account</b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements					
	(9)				(9)
<b>TOTAL ADJUSTMENTS</b>	<b>(6,266)</b>		<b>5,183</b>	<b>0</b>	<b>(1,083)</b>

## 8.5 Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014-15.

Reserve	Balance 31-Mar-14	Transfer in	Transfer out	Review of Reserves	Balance 31-Mar-15
	£000	£000	£000	£000	£000
Self Insurance	(160)	0	0	0	(160)
Building Control	(47)	(53)	0		(100)
High Speed 2	(14)	0	11		(3)
Wheeled Bin Replacements	(127)	0	15		(112)
Environmental Warranties	(2,240)	0	0		(2,240)
Corporate Transformation	(655)	0	67	(33)	(621)
Planning Control	(619)	(300)	0		(919)
Local Plan Charges	0	(400)	0		(400)
Planning Policy	(300)	0	300		0
Corporate IT	(143)	0	0		(143)
Hanwell Fields Open Space	(79)	0	0		(79)
Licensing	(70)	(61)	0		(131)
Elections	(127)	0	18		(109)
Jubilee / Olympics	(21)	0	0		(21)
Economic Risk	(250)	0	250		0
Country Park Option Appraisal	(50)	0	0	50	0
Special Initiatives	(33)	0	0	33	0
Welfare Reform	(150)	0	0	(129)	(279)
Apprentice	(41)	0	41		0
Capacity Funding	0	(203)	0		(203)
Heat Network	(90)	0	16		(74)
General Fund Items	(388)	(311)	24		(675)
Retained Business Rates	(523)	0	0	(385)	(908)
Country Park Reserve	(50)	0	0	(50)	(100)
S31 Grants	(385)	(731)	0	385	(731)
NHB - Affordable Housing	(126)	(167)	8	(7)	(292)
NHB - Economic Development	(726)	(636)	0		(1,362)
Graven Hill Equalisation Reserve	(2,800)	(596)	0		(3,396)
Sainsbury's Primary Authority	0	(55)	0		(55)
Car Park Studies	0	(200)	0		(200)
Valuation Consultancy	0	(70)	0		(70)
Transport Engineer Consultancy	0	(280)	0		(280)
Joint External Bid-writer	0	(30)	0		(30)
Debt Collection Improvements	0	(25)	0		(25)
Shared Payment Management System	0	(10)	0		(10)
Member Training Reserve	0	(9)	0		(9)
Housing Reserve	(100)	(120)	0		(220)
Eco Town Revenue	(1,155)	(29)	340		(844)
Planning Delivery Grant	(331)	0	9		(322)
Broadfield Road Yarnton Sports	(4)	0	1		(3)
Homelessness Prevention	(97)	0	27		(70)
Planning Policy - Climate Change	(82)	0	0		(82)
Government Grant LABGI	(25)	0	0		(25)
Bicester Fields Main Park	(97)	0	0		(97)
Flood Recovery Grant	(94)	0	0		(94)
Bicester Youth Bus	(65)	0	0		(65)
Dovecote Milcombe	(57)	0	1		(56)
Area Based Grant	(83)	0	0		(83)
New Homes Bonus	(11)	(31)	4	7	(31)
Green Deal Pioneer Places	(69)	0	0		(69)
Local Government Resource Review	(129)	0	0	129	0
New Burdens Grant	(109)	(139)	0		(248)
Brighter Futures - Skills Reward Grant	(43)	0	0		(43)
Brighter Futures Reserve Account	(67)	0	19		(48)
Courtyard Youth Arts	(82)	0	43		(39)
Small grants & contrib under £65k	(473)	(48)	48		(473)
<b>Total Earmarked Reserves</b>	<b>(13,387)</b>	<b>(4,504)</b>	<b>1,242</b>	<b>0</b>	<b>(16,649)</b>

Comparative figures for 2013-14 are:

Reserve	Balance 31-Mar-13	Transfer in	Transfer out	Review of Reserves	Balance 31-Mar-14
<b>General Fund:</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Self-Insurance	(160)	0	0	0	(160)
Building Control	(47)	0	0	0	(47)
Plant & Transport Renewals Fund	(250)	0	250	0	0
High Speed 2	(14)	0	0	0	(14)
Wheeled Bin Replacements	(150)	0	24	0	(126)
Environmental Warranties	(2,240)	0	0	0	(2,240)
Corporate Transformation	(744)	0	89	0	(655)
Planning Control	(600)	(150)	0	132	(618)
Planning Policy	(500)	(197)	397	0	(300)
Corporate IT	(300)	0	157	0	(143)
Hanwell Fields Open Space	(89)	0	10	0	(79)
Licensing	(70)	0	0	0	(70)
Elections	(50)	(77)	0	0	(127)
Jubilee / Olympics	(21)	0	0	0	(21)
Economic Risk	(250)	0	0	0	(250)
Country Park Option Appraisal	(50)	0	0	0	(50)
Special Initiatives	(300)	0	267	0	(33)
Welfare Reform	(150)	0	0	0	(150)
Apprentice	(50)	0	9	0	(41)
Heat Network	0	(90)	0	0	(90)
General Fund Items	0	(388)	0	0	(388)
Investment Income Equali Reserve	0	(304)	0	304	0
Retained Business Rates	0	(523)	0	0	(523)
Discretionary Rates Contingency	0	(128)	0	128	0
Country Park Reserve	0	(50)	0	0	(50)
S31 Grants	0	(385)	0	0	(385)
NHB - Affordable Housing	0	(126)	0	0	(126)
NHB - Economic Development	0	(726)	0	0	(726)
Graven Hill Equalisation Reserve	0	0	0	(2,800)	(2,800)
Housing Reserve	0	0	0	(100)	(100)
Eco Town Revenue	(1,512)	(81)	437	0	(1,156)
Planning Delivery Grant	(481)	0	150	0	(331)
Broadfield Road Yarnton Sports	(150)	0	146	0	(5)
Homelessness Prevention	(167)	0	70	0	(97)
Planning Policy - Climate Change	(82)	0	0	0	(82)
Government Grant LABGI	(49)	0	24	0	(25)
Bicester Fields Main Park	(96)	0	0	0	(96)
Flood Recovery Grant	(94)	0	0	0	(94)
Bicester Youth Bus	(65)	0	0	0	(65)
Dovecote Milcombe	(57)	0	0	0	(57)
Area Based Grant	(83)	0	0	0	(83)
New Homes Bonus	(1,142)	(551)	1,136	546	(11)
Green Deal Pioneer Places	(145)	0	75	0	(70)
Local Government Resource Review	(84)	0	0	(45)	(129)
New Burdens Grant	(33)	(84)	9	0	(108)
Brighter Futures Reserve Account	(67)	(43)	0	0	(110)
Courtyard Youth Arts	0	(82)	0	0	(82)
Small grants & contrib under £65,000	(519)	(46)	56	35	(474)
<b>Total Earmarked Reserves</b>	<b>(10,861)</b>	<b>(4,031)</b>	<b>3,306</b>	<b>(1,800)</b>	<b>(13,387)</b>

The following table sets out how the earmarked reserves above £350,000 will be used:

Environmental Warranties	To fund commitment on asbestos for the period associated with Stock Transfer Contract
Corporate Transformation	Change reserve to fund restructuring and business transformation projects
Planning Control	Created to cover planning appeals
Local Plan Charges	The funding of the preparation and approval for the Local Plan will span a number of years and the reserve will be used to "smooth" the costs.
General Fund Items	Budget carry forward requests
Retained Business Rates	Retained business rates from 2013-14
S31 Grant	Retained business rates from 2013-14
NHB - Economic Development	To enable economic development to take place across the district
Graven Hill Equalisation Reserve	To minimise the borrowing impact on the Council's net revenue budget for the Graven Hill project
Eco Town Revenue	Funds for the Eco Town in Bicester
Total Small grants & contributions under £65,000	Each of these individual grants & contributions do not exceed £350,000

## 8.6 Other Operating Expenditure

31-Mar-14 £000		31-Mar-15 £000
4,177	Parish Council Precepts	4,279
	Payments to the Government Housing Capital Receipts Pool	4
3		4
(15)	(Gains) / losses on the disposal of non current assets	(10)
(1,344)	Income from disposal of capital interests	(1,203)
<u>2,821</u>	<b>Total</b>	<u>3,070</u>

## 8.7 Financing and Investment Income and Expenditure

31-Mar-14 £000		31-Mar-15 £000
0	Interest payable and similar charges	0
2,229	Pensions interest cost and expected return on pensions assets	2,743
(533)	Interest receivable and similar income	(793)
	Income and expenditure in relation to investment properties and changes in their fair value	245
(142)		245
(69)	Other investment income / expenditure (Glitnir)	196
33	Surplus/Deficit on Revaluation of Assets for Sale	(72)
(100)	Finance Lease Income	(127)
(978)	Surplus on trading undertakings (note 8.11)	(1,339)
<u>440</u>	<b>Total</b>	<u>853</u>



## 8.8 Taxation and Non Specific Grant Income

31-Mar-14 £000		31-Mar-15 £000
(10,207)	Council Tax Income	(9,747)
(63)	Council Tax Freeze Grant	(63)
0	Non Domestic Rates	1,881
(5,400)	Non-ringfenced government grants	(6,556)
(70)	Capital grants and contributions	(154)
(3,859)	Business Rates Retention Scheme	(5,390)
0	Donated Asset contribution	0
<u>(19,599)</u>	<b>Total</b>	<u>(20,029)</u>

## 8.9 Property, Plant & Equipment

At Cherwell District Council, for the financial year 2014-15, all property valuations are carried out by John Slack MRICS, Chief Valuer Regeneration and Estates. The bases of valuations are undertaken in accordance with the Statement of Asset Valuation Practice and Guidance Notes, published by the Royal Institute of Chartered Surveyors (RICS).

31-Mar-15	Operational Assets			Community Assets £000s	Non-Operational Assets		Total £000s
	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Infrastructure £000s		Assets Held For Sale £000s	Assets under Construction £000s	
<b>Cost or valuation</b>							
As at 1st April 2014	114,751	9,397	5,375	386	0	5,186	135,095
Additions	587	1,601	49	0	0	14,323	16,560
Derecognition - Disposals	(141)	(559)	0	0	0	(5,476)	(6,176)
Revaluation increases / decreases recognised in the Revaluation Reserve	2,217	0	0	0	0	0	2,217
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services	(1,522)	0	0	0	0	0	(1,522)
Reclassification	771	0	0	0	0	(771)	0
Other movements in Cost or Valuation	(3,973)	0	0	0	0	0	(3,973)
<b>As at 31st March 2015</b>	<b>112,690</b>	<b>10,439</b>	<b>5,424</b>	<b>386</b>	<b>0</b>	<b>13,262</b>	<b>142,201</b>
<b>Accumulated Depreciation and Impairment</b>							
As at 1st April 2014	(16,578)	(7,052)	(1,822)	(62)	0	0	(25,514)
Depreciation Charge	(2,925)	(707)	(179)	0	0	0	(3,811)
Derecognition - Disposals	3	559	0	0	0	0	562
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0
Acc. Depreciation WO to GCA	3,973	0	0	0	0	0	3,973
<b>As at 31st March 2015</b>	<b>(15,527)</b>	<b>(7,200)</b>	<b>(2,001)</b>	<b>(62)</b>	<b>0</b>	<b>0</b>	<b>(24,790)</b>
<b>Net Book Value</b>							
At 31st March 2015	97,163	3,239	3,423	324	0	13,262	117,411
At 31st March 2014	98,172	2,346	3,552	324	0	5,186	109,581

## Comparative Movements in 2013-14:

31-Mar-14	Operational Assets			Community Assets	Non-Operational Assets		Total
	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	Infrastructure £000s		Assets Held For Sale £000s	Assets under Construction £000s	
<b>Cost or valuation</b>							
As at 1st April 2013	115,241	9,164	5,371	386	0	7,987	138,149
Additions	451	688	4	0	0	4,411	5,554
Derecognition - Disposals	(42)	(215)	0	0	0	0	(257)
Revaluation increases / decreases recognised in the Revaluation Reserve	(1,037)	0	0	0	0	0	(1,037)
Revaluation increases / decreases recognised in the Surplus / Deficit on the Provision of Services	(77)	0	0	0	0	(360)	(437)
Reclassification	350	0	0	0	0	(6,852)	(6,502)
Other movements in Cost or Valuation	(135)	(240)					(375)
<b>As at 31st March 2014</b>	<b>114,751</b>	<b>9,397</b>	<b>5,375</b>	<b>386</b>	<b>0</b>	<b>5,186</b>	<b>135,095</b>
<b>Accumulated Depreciation and Impairment</b>							
As at 1st April 2013	(13,879)	(6,719)	(1,636)	(62)	0	0	(22,296)
Depreciation Charge	(2,834)	(928)	(186)	0	0	0	(3,948)
Derecognition - Disposals	0	215	0	0	0	0	215
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses recognised in the Revaluation Reserve		0	0	0	0	0	0
Impairment losses recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0
Acc. Depreciation WO to GCA	135	381	0	0	0	0	516
<b>As at 31st March 2014</b>	<b>(16,578)</b>	<b>(7,052)</b>	<b>(1,822)</b>	<b>(62)</b>	<b>0</b>	<b>0</b>	<b>(25,514)</b>
<b>Net Book Value</b>							
At 31st March 2014	98,172	2,346	3,552	324	0	5,186	109,581
At 31st March 2013	101,362	2,445	3,734	324	0	7,987	115,852

The table below distinguishes between assets held at "historical cost" and at "fair value" in the balance sheet.

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Asset under Construction	Total
	£000	£000	£000	£000	£000	£000
<b>Carried at historical cost</b>	587	3,240	3,423	0	0	7,250
<b>Valued at Fair Value @</b>						
31-Mar-15	69,744	0	0	0	13,262	83,006
31-Mar-14	2,462	0	0	11	0	2,473
31-Mar-13	24,369	0	0	313	0	24,682
31-Mar-12	0	0	0	0	0	0
31-Mar-11	0	0	0	0	0	0
<b>Total Value At 31st March 2015</b>	<b>97,162</b>	<b>3,240</b>	<b>3,423</b>	<b>324</b>	<b>13,262</b>	<b>117,411</b>

## Revaluations

The Council carries out a rolling programme that ensures that all Property Plant & Equipment required to be measured at fair value is re valued every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standard of the Royal Institute of Chartered Surveyors. Vehicle plant and equipment are carried at depreciated historic cost. In 2014-15 a 20% valuation exercise was undertaken by the Chief Valuer.

### 8.10 Heritage Assets

As set out in our summary of significant accounting policies, the Council requires heritage assets to be carried in the balance sheet at valuation.

In the Council's critical judgements in applying accounting policies (see Note 8.1), the Council has concluded that there are no assets to recognise on its balance sheet that were not previously recognised or no heritage assets previously recognised within community assets that should be reclassified as heritage assets in the Balance Sheet.

### 8.11 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:

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>		<b>£000</b>
1,441	Rental Income from investment property	1,336
(463)	Direct operating expenses arising from investment property	3
<u>978</u>	<b>Net gain</b>	<u>1,339</u>

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

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>		<b>£000</b>
9,242	<b>Balance at start of the year</b>	16,224
	Additions:	
303	Subsequent expenditure	102
177	Net gains/losses from Investment Property fair value adjustments	(625)
	Transfers:	
6,502	To/from Property, Plant and Equipment	0
<u>16,224</u>	<b>Balance at end of the year</b>	<u>15,701</u>

## 8.12 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 the Council holds are all purchased licenses and software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The total amounts held for each category of useful lives are:

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>	<b>Software and Licences</b>	<b>£000</b>
0	1 Year	0
133	3 Years	180
13	4 Years	0
650	5 Years	423
0	7 Years	0
171	10 Years	154
<b>967</b>		<b>757</b>

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £308,000 charged to revenue in 2014-15 was mostly charged to the ICT infrastructure support cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

The movement on Intangible Asset balances during the year is as follows:

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>	<b>Software and Licences</b>	<b>£000</b>
3,917	Balance at start of year:	967
(2,621)	Gross carrying amounts	4,353
	Accumulated amortisation	(3,386)
<u>1,296</u>	Net carrying amount at start of year	<u>967</u>
	Additions:	
243	Purchases	99
0	Disposals Gross Carrying Amount	0
0	Disposals amortisation	0
(141)	Other Adjustments	(1)
(431)	Amortisation for the period	(308)
<b>967</b>	<b>Net carrying amount at end of year</b>	<b>757</b>
	Comprising:	
4,353	Gross carrying amounts	4,451
(3,386)	Accumulated amortisation	(3,694)
<b>967</b>		<b>757</b>

### 8.13 Commitments under Capital Contracts

As at 31st March 2015 the Council had entered into contracts for the construction or enhancement of property, plant and equipment in 2015-16. These commitments were:-

<b>Council Approved Capital Commitments</b>			
	<b>Total Contract Value £000</b>	<b>Previously Spent £000</b>	<b>2015/16 £000</b>
South West Bicester Sports Village	951	626	325
Bicester Community Building	8,328	2,114	6,214
Biomass Heating System	311	299	12
Replacement Refuse Vehicles	877	860	17
	<u>10,467</u>	<u>3,899</u>	<u>6,568</u>

#### Graven Hill

The sale of Bicester's Graven Hill site has been completed with Cherwell District Council, through a company limited by shares, taking ownership of the site from the Ministry of Defence (MoD).

The Council has, through Graven Hill Development Company, purchased the land from the MoD for £27.25m (payable in installments connected with access to parcels of land over a 5 year period). Graven Hill will deliver the UK's first large-scale self-build community of up to 1,900 homes and one million square feet of commercial space.

This is a multimillion pound project which cannot be met from existing capital resources. Therefore the associated costs will be financed through borrowing in line with the Council's Treasury Management Strategy.

### 8.14 Revenue Expenditure funded from Capital under Statute

The following analysis represents capital expenditure incurred during 2014-15 which did not result in the creation of a tangible asset owned by the Council. This expenditure has been written off to revenue in 2014-15.

<b>31-Mar-14 £000</b>	<b>Type of Charge</b>	<b>31-Mar-15 £000</b>
804	Disabled Facilities Grant	847
15	Housing Homelessness	0
94	Community Improvement Schemes	0
65	Local Council Social Housing Grant	0
237	Other Discretionary Grants	241
91	Energy Efficiency Schemes	75
45	Eco Town, Bicester	0
0	Claypits Land	50
0	Condition Survey Works	210
<u>1,351</u>		<u>1,423</u>

## 8.15 Treasury Investments

31-Mar-14 £000		31-Mar-15 £000
	<b>Long Term Investments</b>	
1,717	Available for Sale Financial Assets	3,741
<u>1,717</u>		<u>3,741</u>
	<b>Current Investments</b>	
35,182	Fixed Term Loans and Receivables	37,028
0	Fair Value through I&E Investments	0
10,002	Available for Sale Financial Assets	5,004
<u>45,184</u>		<u>42,032</u>
<u>46,901</u>		<u>45,773</u>

### Analysis of Investments

#### Long Term Investments – Available for Sale Financial Asset

This investment is a UK Gilt Holding due to mature on 22 July 2018. The carrying value is adjusted for any notional loss / gain.

#### Current Investments - Fixed-term loans and receivables

These investments are fixed term and fixed interest rate cash deposits with Banks and Building Societies. The carrying value includes the principal sum plus accrued interest.

#### Current Investments - Fair value through Income and Expenditure Investments

In 2013-14 this represented funds held with fund managers Investec. These were returned to in house control within 2013-14.

#### Current Investments – Available for Sale Financial Assets

These short term investments are Certificates of Deposits. These are valued at bid price and all income and material gains and losses, is taken to the Comprehensive Income & Expenditure Account.

### Investment gains and losses

31-Mar-14 £000		Loans and Receivables £000	31- 3-15 Fair value through I&E £000	Available for sale Financial Assets £000	Total £000
(533)	Interest and Investment Income	(775)	(12)	(4)	(791)
<u>(533)</u>		<u>(775)</u>	<u>(12)</u>	<u>(4)</u>	<u>(791)</u>
0	Gains on forward deals	0	0	0	0
0	Impairment of Iceland investments	0	0	0	0
<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(533)</u>	<b>Net gain</b>	<u>(775)</u>	<u>(12)</u>	<u>(4)</u>	<u>(791)</u>

## 8.16 Financial Instruments

### 8.16.1 Carrying Values

Financial assets comprise long-term and short-term investments, long-term debtors, short-term debtors (excluding statutory debts such as Council Tax, Non-Domestic Rates, rent allowances, precepts, etc) and cash & cash equivalents. Financial liabilities are creditors excluding statutory obligations that arise from contracts.

For each category, the financial instruments disclosed in the Balance Sheet are carried at the following values:

<b>Long Term</b>	<b>Short Term</b>		<b>Long Term</b>	<b>Short Term</b>
<b>31-Mar-14</b>	<b>31-Mar-14</b>		<b>31-Mar-15</b>	<b>31-Mar-15</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
0	35,182	Fixed Term Loans & Receivables	0	37,028
0	0	Fair Value through I&E Investments	0	0
1,717	10,002	Available for sale Financial Assets	3,741	5,004
0	9,680	Cash & Cash Equivalents	0	10,150
3,167	3,882	Loans & Receivables	6,609	3,095
<b>4,884</b>	<b>58,746</b>	<b>Total Financial Assets</b>	<b>10,350</b>	<b>55,277</b>
0	(500)	Bank Overdraft	0	(1,936)
0	(7,040)	Creditors	0	(12,954)
<b>0</b>	<b>(7,540)</b>	<b>Total Financial Liabilities</b>	<b>0</b>	<b>(14,890)</b>

### 8.16.2 Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction. Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value;
- Fair value of trade and other receivables is taken to be the invoiced or billed amount.

<b>Carrying Value</b>	<b>Fair Value</b>		<b>Carrying Value</b>	<b>Fair Value</b>
<b>31-Mar-14</b>	<b>31-Mar-14</b>		<b>31-Mar-15</b>	<b>31-Mar-15</b>
<b>£000s</b>	<b>£000s</b>		<b>£000s</b>	<b>£000s</b>
0	9,680	Cash Equivalents	0	10,150
0	1,717	Long Term Investments	0	3,741
0	45,184	Short Term Investments	0	42,032
3167	3,882	Trade Debtors	6,609	3,095
<b>3,167</b>	<b>60,463</b>	<b>Total</b>	<b>6,609</b>	<b>59,018</b>

As at 31<sup>st</sup> March 2015 the council held a UK Gilt holding which has been categorised as long term as it is due to mature is on 22 July 2018.

### 8.16.3 Income, Expense, Gains & Losses

The income, expenses, gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows:

	Financial Liabilities Liabilities at amortised cost 31-Mar-15 £000	Loans & Receivables 31-Mar-15 £000	Financial Assets Assets at fair value through I&E 31-Mar-15 £000	Available for Sale Financial Assets 31-Mar-15 £000	Total 31-Mar-15 £000
Interest expense	0	0	0	0	0
Impairment losses	0	0	0	0	0
<b>Total expense in the Surplus or deficit on the Provision of Service</b>	0	0	0	0	0
Interest income	0	(775)	(12)	(4)	(791)
<b>Total income in the Surplus or deficit on the Provision of Service</b>	0	(775)	(12)	(4)	(791)
<b>Net (gain) / loss for the year</b>	0	(775)	(12)	(4)	(791)

2013-14 table has been restated to incorporate the column Available for sale, although no figures required in it.

Comparative figures for 2013-14 are:

	Financial Liabilities Liabilities at amortised cost 31-Mar-14 £000	Loans & Receivables 31-Mar-14 £000	Financial Assets Assets at fair value through I&E 31-Mar-14 £000	Available for Sale Financial Assets 31-Mar-14 £000	Total 31-Mar-14 £000
Interest expense	0	0	0	0	0
Impairment losses	0	0	0	0	0
<b>Total expense in the Surplus or deficit on the Provision of Service</b>	0	0	0	0	0
Interest income	0	(529)	(2)	(2)	(533)
<b>Total income in the Surplus or deficit on the Provision of Service</b>	0	(529)	(2)	(2)	(533)
<b>Net (gain) / loss for the year</b>	0	(529)	(2)	(2)	(533)



#### 8.16.4 Key Risks

The Council's activities expose it to a variety of financial risks. The Council did not require debt financing in 2014-15 and currently does not have any debt exposure. As such the key risks are in relation to financial assets and are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be 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 rates movements and credit ratings due to methodology changes thus affecting the council's approved counterparty list.

#### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls 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 Code of Practice on Treasury Management in the Public Services 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 Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses with its financial regulations;
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures as to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting meeting. 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 also reported annually to Members.

The 2014-15 annual treasury management strategy which incorporates the prudential indicators was approved by Council in February 2014 and is available on the Council website. During 2014-15 all of the Council's Treasury Management activities were undertaken inhouse. The funds arise from daily cashflow and a core balance of cash backed reserves which are available for investment over a longer period in accordance with the approved Treasury Management Strategy.

**External fund managers:** In 2013/14 a proportion of the Council's funds were externally managed on a discretionary basis by Investec. The Council ceased its contract with Investec and recalled all its funds in March 2014.

As at 31 March 2015 all funds were returned bar a UK Gilt Holding which is due to mature in July 2018. The custodianship of this Gilt was transferred to King and Shaxon to maturity.

These Treasury Management 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 (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

The Council's Treasury Management function and the rates quoted in this valuation are supported and obtained by the Council's treasury management advisors Capita Asset Services (formerly Sector).

### **Credit risk**

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poor Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after the initial criteria are applied. The full Investment Strategy was approved by Council and can be found on the Council's website.

This Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2015 that this was likely to crystallise

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

<b>Deposits with banks and financial institutions (excluding Iceland Banks)</b>	<b>Credit Rating</b>	<b>Principal Amount 31-Mar-15 £000s</b>	<b>Historical experience of default (adjusted to reflect market conditions)</b>	<b>Estimated maximum exposure to default 31-Mar-15</b>
Goldman Sachs MMF GBP Liquid Reserves Inst G630	AAA	2,973	0%	0
Federated Short-Term Sterling Prime Fund 4	AAA	130	0%	0
Federated Sterling Cash Plus Fund 4 Fair Value	AAA	4,509	0%	0
Lloyds	A	1,500	0%	0
Lloyds	A	3,500	0%	0
Lloyds	A	3,000	0%	0
Lloyds	A	3,000	0%	0
Nationwide BS	A	1,500	0%	0
Lloyds	A	4,000	0%	0
Nationwide BS	A	3,000	0%	0
Barclays	A	2,000	0%	0
Barclays	A	5,000	0%	0
Nationwide BS	A	2,000	0%	0
Nationwide BS	A	1,000	0%	0
Barclays	A	3,000	0%	0
Barclays	A	3,000	0%	0
Standard Chartered CD	AA-	2,000	0%	0
Standard Chartered CD	AA-	3,000	0%	0
UK Treasury 1.25% 22/07/2018 Gilt	AA+	1,778	0%	0
		<u>49,890</u>		
Trade Debtors		3,095	5.00%	155
<b>Total</b>		<u><b>52,985</b></u>		<u><b>155</b></u>

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council generally allows 30 days credit for its debtors. The past due amount can be analysed by age as follows:

<b>31-Mar-14 £000</b>		<b>31-Mar-15 £000</b>
70	Less than three months	68
104	Three to twelve months	55
78	More than one year	116
<u><b>252</b></u>		<u><b>239</b></u>

Creditors are paid according to terms; there are no defaults or exposures to be considered. The Council initiates a legal charge on property where, for instance, works in default invoices are raised but the debtor cannot afford to pay immediately. The total collateral at 31 March 2015 was £61,883 (2013-14 £37,504).

## Glitnir Bank hf

In October 2008, the Icelandic bank, Glitnir Banki hf, collapsed. The Council has £6.5 on deposit with the bank. Following the grant of priority status to UK local authorities by the Icelandic Supreme Court in October 2011, the Glitnir winding up board made a first and final distribution to the Council in a basket of currencies in March 2012. At the time of distribution, it was not clear under Icelandic law the applicable exchange rate to be used when calculating the basket of currencies. Consequently the winding up board reserved its rights in this regard. Following clarification by the Icelandic Supreme Court, in April 2014 the winding up board made claims for repayment of part of the funds paid in March 2012. The claims were settled in March 2015 with the Council making a repayment of £80k. This was reported as a contingent liability in 2013/14.

Part of the distribution was in Icelandic Krona which is held in an escrow account in Iceland due to Icelandic law and is earning interest at a blended rate of 3.97%. However, this means that the amount held in the escrow account is exposed to foreign exchange rate risk over which the Council has no control.

The amounts were converted from Icelandic Krona to GBP Sterling in accordance with CIPFA LAAP Bulletin 82 Update 7. The exchange rate used is the 'sell price' as at 31 March 2015 as published on the Central Bank of Iceland's website. A foreign exchange loss of £116k has been recognised at the balance sheet date.

Glitnir	Claim Ref	Total Claim Value	Claim Value in	Claim Value in
			Escrow at 31/3/2015	Escrow at 31/3/2015
		ISK000	ISK000	£1 : 203.34 ISK £000
Investment 1	1819	430,660	92,191	453
Investment 2	1870	436,659	93,475	460
Investment 3	1888	527,451	112,911	555
		<b>1,394,770</b>	<b>298,577</b>	<b>1,468</b>

## Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury Management Strategy), as well through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when needed.

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

The maturity analysis of financial assets is as follows:

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>	<b>Investments (Excluding Glitnir, Iceland)</b>	<b>£000</b>
45,184	Less than one year	42,032
1,717	Between one and two years	3,741
0	Between two and three years	0
0	More than three years	0
<u>46,901</u>		<u>45,773</u>

### **Refinancing and Maturity Risk**

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

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved Treasury Management Strategy address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council has no long term financial liabilities. All trade and other payables are due to be paid in less than one year.

### **Market risk**

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

- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

As at 31 March 2015, there was no material exposure to changes in interest rates as the majority of investment activity was undertaken at a fixed rate of interest. Therefore, had the interest rate been 1% higher (or conversely 1% lower), there would be no material impact on other financial statements within these accounts.

**Price risk** - The Council, excluding the pension fund, does not generally invest in equity shares but does hold a marketable UK Gilt and certificates of deposits.

**Foreign exchange risk in Relation to Icelandic Deposits** - The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir. This is being held in Icelandic Krona in an escrow account due to the current Icelandic law.

## 8.17 Debtors

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>Restated</b>		
<b>£000</b>		<b>£000</b>
4,928	Central government bodies	5,453
1,470	Other local authorities	1,894
24	NHS bodies	25
	Other entities and individuals:	
693	Council Tax	681
2,119	Non-Domestic Rates	1,932
1,181	Housing Benefit Overpayments	1,358
1,370	Other	2,998
<b>11,785</b>	<b>Total Debtors</b>	<b>14,341</b>
(109)	Council Tax payers	(107)
(146)	General Fund	(339)
(446)	Housing Benefits Overpayments	(380)
(124)	Non Domestic Rates	(91)
<b>(825)</b>	<b>Total Impairment Allowance for Doubtful Debts</b>	<b>(917)</b>
0	Government Departments	0
0	Other Local Authorities	0
1,570	Sundry Persons	435
<b>1,570</b>	<b>Total for Payments in Advance</b>	<b>435</b>
<b>12,530</b>	<b>TOTAL NET CURRENT DEBTORS</b>	<b>13,859</b>
15	Housing	9
3,152	General Fund	6,600
0	Housing Act	0
<b>3,167</b>	<b>TOTAL LONG TERM DEBTORS</b>	<b>6,609</b>

## 8.18 Cash & Cash Equivalents

31-Mar-14 £000		31-Mar-15 £000
(500)	Bank Overdraft	(1,936)
9,680	Short-term deposits	10,150
<u>9,180</u>	<b>Total Cash and Cash Equivalents</b>	<u>8,214</u>

## 8.19 Creditors

31-Mar-14 £000		31-Mar-15 £000
(606)	Central government bodies	(642)
(74)	Other local authorities	(74)
0	NHS bodies	0
0	Public corporations and trading funds	0
0	Other entities and individuals	0
(762)	Non-Domestic Rates	(577)
(105)	Council Tax	(86)
(5,494)	Other	(11,575)
<u>(7,041)</u>	<b>Total Creditors</b>	<u>(12,954)</u>
(7)	Central government bodies	(7)
(1)	Other local authorities	(1)
(2,919)	Sundry persons	(3,962)
<u>(2,927)</u>	<b>Receipts in Advance (current - within 1 year)</b>	<u>(3,970)</u>

## 8.20 Provisions

The main provisions during 2014-15 are for NNDR appeals where the council is required to hold a provision for the potential cost of successful appeals with the valuation office. Other provisions include:

- Landlord Rent Guarantee provides for the cost of damage/repairs to properties when tenants vacate properties
- the restructure provision where the Council undertook to find budget savings and increase efficiencies through joint working/restructuring with South Northants Council
- Housings Home Improvement provision for running this service

Provisions have been made to cover the estimated costs of implementation of these initiatives.

Balance at 31/03/14 £000	Additional provisions made in 2014-15 £000	Amounts used in 2014-15 £000	Unused Amounts Reversed in 2014-15 £000	Unwinding of discounting in 2014-15 £000	Balance at 31/03/15 £000
<b>Under 1 year</b>					
(46) Restructure Provision	(25)	46	0	0	(25)
(40) Engineering Services Provision	0	40	0	0	0
(1) Health Walks Training Fund	(3)	0	0	0	(4)
(88) Joint Working Provision	0	88	0	0	0
0 Incremental Pay Provision 12/13	0	0	0	0	0
(333) NNDR Appeals 13/14 Provision	(2,348)	0	0	0	(2,681)
(200) Property Searches	0	200	0	0	0
<b>(708)</b>	<b>(2,376)</b>	<b>374</b>	<b>0</b>	<b>0</b>	<b>(2,710)</b>
<b>Over 1 year</b>					
(1,008) NNDR Appeals Provision	1,008	0	0	0	0
(3) Health Walks Training Fund	3	0	0	0	0
(108) Landlord Rent Guarantee Provision	(5)	0	0	0	(113)
(275) Restructure Provision	0	0	0	0	(275)
(18) Landlord Rent Ex-Charter Provision	0	0	0	0	(18)
0 Flood Prevention Provision	0	0	0	0	0
(31) Banbury Bowls Club	(8)	0	0	0	(39)
(43) 58 Bridge Street - Repair & Renewals	(10)	0	0	0	(53)
0 Car Buy Out Provision	0	0	0	0	0
(171) Housings Home Improvement Agency	(40)	0	0	0	(211)
0 Bicester Pool	0	0	0	0	0
<b>(1,657)</b>	<b>948</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(709)</b>
<b>(2,365) Total Provisions</b>	<b>(1,428)</b>	<b>374</b>	<b>0</b>	<b>0</b>	<b>(3,419)</b>

## Usable and Unusable Reserves

The Council keeps a number of reserves in the balance sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. Different reserves held by the Council are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves' (i.e. those that cannot be applied to fund expenditure or reduce local taxation).

### 8.21 Usable Reserves

The Council has a number of usable reserves in the balance sheet, those that can be applied to fund future expenditure or reduce local taxation. The purpose of each useable reserve is detailed in the table below or cross referenced to supporting notes.

31-Mar-14 £000		Movement in Year £000	31-Mar-15 £000	Purpose of Reserve
(25,209)	Capital Receipts Reserve	13,551	(11,658)	Available proceeds of fixed asset sales
(13,387)	Earmarked Reserves	(3,262)	(16,649)	Various individual needs.
(1,405)	General Fund	(269)	(1,674)	Available revenue resources.
(47)	Capital Contributions & Grants Unapplied	0	(47)	Capital grants not used to fund capital expenditure.
<b>(40,048)</b>		<b>10,020</b>	<b>(30,028)</b>	



## 8.22 Unusable Reserves

The Council has a number of unusable reserves in the balance sheet, those that cannot be applied to fund future expenditure or reduce local taxation they are required to be held for statutory reasons and are needed to comply with proper accounting practice

The unusable reserves held by the Council are detailed in the below. The purpose of each useable reserve is cross referenced to supporting notes.

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>		<b>£000</b>
(42,622)	Revaluation Reserve	(43,402)
(87,302)	Capital Adjustment Account	(96,346)
33	Financial Instruments Available for Sale Reserve	(39)
(2,871)	Deferred Capital Receipts Reserve	(3,291)
63,907	Pensions Reserve	78,836
303	Collection Fund Adjustment Account	2,141
212	Accumulated Absences Account	173
<b>(68,340)</b>	<b>Total Unusable Reserves</b>	<b>(61,928)</b>

### 8.22.1 Revaluation Reserve

The Revaluation Reserve contains gains made by the Council arising from increases in the value of property. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used to provide services and the gains are consumed through depreciation, or;
- Disposed of and the gains 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.

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>		<b>£000</b>
<b>(45,036)</b>	<b>Balance at 1 April</b>	<b>(42,622)</b>
(148)	Upward revaluation of assets	(5,486)
1,185	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,270
<b>1,037</b>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>(2,216)</b>
1,355	Difference between fair value depreciation and historical cost depreciation	1,341
22	Accumulated gains on assets sold or scrapped	95
<b>1,377</b>	Amount written off to Capital Adjustment Account	<b>1,436</b>
<b>(42,622)</b>	<b>Balance at 31 March</b>	<b>(43,402)</b>

## 8.22.2 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 (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8.4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

The movements on the Capital Adjustment Account for the year are:

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>		<b>£000</b>
<b>(84,506)</b>	<b>Balance at 1 April</b>	<b>(87,302)</b>
<b>(84,506)</b>		<b>(87,302)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
3,950	Charges for depreciation and impairment of non-current assets	3,811
437	Revaluation gains / losses on Property, Plant and Equipment	1,522
431	Amortisation of intangible assets	308
1,351	Revenue expenditure funded from capital under statute	1,423
41	Amounts of non-current assets written off on disposal of sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,173
<b>6,210</b>		<b>10,237</b>
<b>(1,377)</b>	Adjusting amounts written out of the Revaluation Reserve	<b>(1,341)</b>
<b>4,833</b>	Net written out amount of the cost of non-current assets consumed in the year	<b>8,896</b>
	Capital financing applied in the year :	
(6,585)	Use of the Capital Receipts Reserve to finance new capital expenditure	(17,762)
(539)	Use of grants to finance Revenue Expenditure Financed from Capital Under Statute	(389)
(327)	Use of Earmarked Reserves	(34)
0	Contributions for Donated Assets	0
0	Capital Grants Unapplied written out	0
0	Adjustments involvement Financial Instruments Adjustment Account	0
<b>(7,451)</b>		<b>(18,185)</b>
(178)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	245
<b>(87,302)</b>	<b>Balance at 31 March</b>	<b>(96,346)</b>

### 8.22.3 Financial Instruments Adjustment Account

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

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>		<b>£000</b>
0	<b>Balance at 1 April</b>	0
33	Downward movement in Fair value and Market value of Financial Instruments available for sale	(39)
<u>33</u>	<b>Balance at 31 March</b>	<u>(39)</u>

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

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>		<b>£000</b>
<b>53,348</b>	<b>Balance at 1 April</b>	<b>63,907</b>
8,575	Actuarial gains or losses on pensions assets and liabilities	12,764
4,834	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,344
(2,850)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,179)
<u><b>63,907</b></u>	<b>Balance at 31 March</b>	<u><b>78,836</b></u>

### 8.22.5 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.

31-Mar-14 £000		31-Mar-15 £000
(2,875)	<b>Balance at 1 April</b>	(2,871)
	Transfer to the Capital Receipts Reserve upon receipt of cash	(420)
4		
<u>(2,871)</u>	<b>Balance at 31 March</b>	<u>(3,291)</u>

### 8.22.6 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.

31-Mar-14 £000s		31-Mar-15 £000s
(201)	<b>Balance at 1 April</b>	303
(29)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4)
533	Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	1,822
0	Transfers to/from General Fund from Collection fund adjustment account	20
<u>303</u>	<b>Balance at 31 March</b>	<u>2,141</u>

## 8.22.7 Accumulated Absences Account

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31-Mar-14 £000		31-Mar-15 £000
204	<b>Balance at 1 April</b>	212
(204)	Settlement or cancellation of accrual made at the end of the preceding year	(212)
<u>204</u>	Amounts accrued at the end of the current year	<u>212</u>
8	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(39)
<u>212</u>	<b>Balance at 31 March</b>	<u>173</u>

## 8.23 Cash Flow Statement – Operating Activities

31-Mar-14 £000		31-Mar-15 £000
(6,057)	<b>Net Surplus on the Provision of Service</b>	(5,883)
	<b>Adjust net surplus on the provision of services for non-cash movements</b>	
3,950	Depreciation	3,811
688	Impairment and downward valuations	1,522
431	Amortisation	308
1,760	Material Impairment losses on Investments debited to surplus or deficit on the provision of services in year	3,117
2,884	Increase/Decrease in Creditors	6,708
412	Increase/Decrease in Interest Debtors	31
(3,839)	Increase/Decrease in Sundry Debtors	(1,661)
52	Increase/Decrease in Inventories	34
1,984	Pension Liability	2,165
1,272	Contributions to/from Provisions	1,056
(429)	Movement in Investment Property Values	245
41	Carrying amount of non current assets sold	3,173
0	Other Non-Cash Movements	0
<u>9,206</u>		<u>20,509</u>
	<b>Adjust for items included in the net surplus on the provision of services that are investing or financing activities</b>	
(704)	Capital Grants credited to the surplus on the provision of services	(389)
0	Revenue Grants credited to the surplus on the provision of services	0
6,020	Other Capital Receipts	0
(1,400)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(4,634)
<u>3,916</u>		<u>(5,023)</u>
<u>7,065</u>	<b>Net Cash Flows from Operating Activities</b>	<u>9,603</u>

The cash flows from operating activities include the following:

31-Mar-14 £000		31-Mar-15 £000
1,013	Interest received	628
<u>1,013</u>		<u>628</u>

## 8.24 Cash Flow Statement – Investing Activities

31-Mar-14 £000		31-Mar-15 £000
(9,448)	Purchase of property, plant and equipment, investment property and intangible assets	(14,660)
(247)	Other payments for Investing Activities	(3,161)
(1,750)	Movement in short-term and long-term investments	(1,963)
5	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,635
2,012	Other receipts from investing activities	4,621
<u>(9,428)</u>	<b>Net cash flows from investing activities</b>	<u>(10,528)</u>

## 8.25 Cash Flow Statement – Financing Activities

31-Mar-14 £000		31-Mar-15 £000
2,385	Council Tax and NNDR	(40)
<u>2,385</u>	<b>Net cash flows from financing activities</b>	<u>(40)</u>

## 8.26 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- the Accumulated Absences accrual is excluded as it will not be matched;
- the balances unspent on revenue grants and contributions without conditions received in year are excluded.

The income and expenditure of the Council's directorates recorded in the budget reports for the year is as follows:

<b>Directorate Income and Expenditure 2014/15</b>	<b>Community &amp; Environment £000</b>	<b>Development £000</b>	<b>Resources £000</b>	<b>Total £000</b>
Fees, charges & other service income	(5,956)	(5,204)	(2,189)	<b>(13,349)</b>
Interest and investment income	0	(1)	183	<b>182</b>
Income from Council Tax	0	0	5	<b>5</b>
Government grants and contributions	(34)	(25)	(39,909)	<b>(39,968)</b>
<b>Total income</b>	<b>(5,990)</b>	<b>(5,230)</b>	<b>(41,910)</b>	<b>(53,130)</b>
Employee expenses	6,747	4,119	5,543	<b>16,409</b>
Other service expenses	7,451	4,533	5,086	<b>17,070</b>
Support Service recharges	(635)	(386)	(6,644)	<b>(7,665)</b>
Depreciation, amortisation and impairment	0	0	0	<b>0</b>
Interest Payments	0	0	0	<b>0</b>
Precepts & Levies	0	0	42,024	<b>42,024</b>
Payments to Housing Capital Receipts Pool	0	0	0	<b>0</b>
Gain or Loss on Disposal of Fixed Assets	(48)	0	0	<b>(48)</b>
<b>Total operating expenses</b>	<b>13,515</b>	<b>8,266</b>	<b>46,009</b>	<b>67,790</b>
<b>Net expenditure</b>	<b>7,525</b>	<b>3,036</b>	<b>4,099</b>	<b>14,660</b>

Comparative Movements in 2013-14:

<b>Directorate Income and Expenditure 2013/14</b>	<b>Community &amp; Environment £000</b>	<b>Development £000</b>	<b>Resources £000</b>	<b>Total £000</b>
Fees, charges & other service income	(6,583)	(3,836)	(1,901)	<b>(12,320)</b>
Interest and investment income	0	(2)	(2)	<b>(4)</b>
Income from Council Tax	0	0	0	<b>0</b>
Government grants and contributions	(106)	(30)	(38,622)	<b>(38,758)</b>
<b>Total income</b>	<b>(6,689)</b>	<b>(3,868)</b>	<b>(40,525)</b>	<b>(51,082)</b>
Employee expenses	6,869	3,895	5,074	<b>15,838</b>
Other service expenses	7,915	3,879	6,200	<b>17,994</b>
Support Service recharges	(667)	(447)	(6,333)	<b>(7,447)</b>
Depreciation, amortisation and impairment	0	0	0	<b>0</b>
Interest Payments	0	0	26	<b>26</b>
Precepts & Levies	0	0	40,978	<b>40,978</b>
Payments to Housing Capital Receipts Pool	0	0	0	<b>0</b>
Gain or Loss on Disposal of Fixed Assets	(17)	0	0	<b>(17)</b>
<b>Total operating expenses</b>	<b>14,100</b>	<b>7,327</b>	<b>45,945</b>	<b>67,372</b>
<b>Net expenditure</b>	<b>7,411</b>	<b>3,459</b>	<b>5,420</b>	<b>16,290</b>

## 8.26.1 Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

31-Mar-14 £000		31-Mar-15 £000
16,290	Net Expenditure in the Directorate Analysis	14,660
3,323	Services & Support Services not in Analysis	3,341
2,063	Amounts in the comprehensive Income and Expenditure Statement not reported to management in the Analysis	3,577
719	Amounts included in the Analysis not included in Comprehensive Income and Expenditure Statement	411
<b>22,395</b>	<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>21,989</b>

## 8.26.2 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15	Directorate	& Support Services not in	Not reported	Not	Allocation	Cost of	Corporate	Total
	Analysis	Analysis	to	included in	of	services	Amounts	
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(13,349)	0	0	1,845	0	(11,504)	(12,872)	(24,376)
Interest and investment income	182	0	0	(183)	0	(1)	(3,841)	(3,842)
Income from council tax	5	0	0	(5)	0	0	(26,577)	(26,577)
Government grants and contributions	(39,968)	0	(389)	48	0	(40,309)	(6,747)	(47,056)
<b>Total income</b>	<b>(53,130)</b>	<b>0</b>	<b>(389)</b>	<b>1,705</b>	<b>0</b>	<b>(51,814)</b>	<b>(50,037)</b>	<b>(101,851)</b>
Employee expenses	16,409	0	(615)	(1,882)	0	13,912	9	13,921
Other service expenses	17,070	0	976	1,134	0	19,180	363	19,543
Support Service recharges	(7,665)	0	453	7,535	0	323	257	580
Depreciation, amortisation and impairment	0	3,341	2,803	(3,802)	0	2,342	(245)	2,097
Interest Payments	0	0	0	0	0	0	5,989	5,989
Precepts & Levies	42,024	0	349	(4,279)	0	38,094	27,579	65,673
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	(48)	0	0	0	0	(48)	(21)	(69)
<b>Total operating expenses</b>	<b>67,790</b>	<b>3,341</b>	<b>3,966</b>	<b>(1,294)</b>	<b>0</b>	<b>73,803</b>	<b>33,931</b>	<b>107,734</b>
<b>Surplus or deficit on the provision of services</b>	<b>14,660</b>	<b>3,341</b>	<b>3,577</b>	<b>411</b>	<b>0</b>	<b>21,989</b>	<b>(16,106)</b>	<b>5,883</b>



### Comparative Movements in 2013-14:

2013/14	Directorate	Services & Support	Not reported	Not Allocation	Cost of	Corporate	Total
	Analysis	Services not in	to mgmt	included in	services	Amounts	
	£000	Analysis	£000	I&E	recharges	£000	£000
Fees, charges & other service income	(12,320)	0	0	1,871	0	(10,449)	(23,143)
Interest and investment income	(4)	0	0	2	0	(2)	(3,719)
Income from council tax	0	0	0	0	0	0	(26,211)
Government grants and contributions	(38,758)	0	(517)	0	0	(39,275)	(46,159)
<b>Total income</b>	<b>(51,082)</b>	<b>0</b>	<b>(517)</b>	<b>1,873</b>	<b>0</b>	<b>(49,726)</b>	<b>(99,232)</b>
Employee expenses	15,838	0	(224)	(1,976)	0	13,638	9
Other service expenses	17,994	0	1,340	(2,386)	0	16,948	631
Support Service recharges	(7,447)	0	(29)	7,714	0	238	260
Depreciation, amortisation and impairment	0	3,323	1,493	(653)	0	4,163	(129)
Interest Payments	26	0	0	(26)	0	0	5,344
Precepts & Levies	40,978	0	0	(3,827)	0	37,151	27,031
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	3
Gain or Loss on Disposal of Fixed Assets	(17)	0	0	0	0	(17)	18
<b>Total operating expenses</b>	<b>67,372</b>	<b>3,323</b>	<b>2,580</b>	<b>(1,154)</b>	<b>0</b>	<b>72,121</b>	<b>33,167</b>
<b>Surplus or deficit on the provision of services</b>	<b>16,290</b>	<b>3,323</b>	<b>2,063</b>	<b>719</b>	<b>0</b>	<b>22,395</b>	<b>(16,339)</b>

### 8.27 Trading Operations

Chargeable	Non	Total	Building Control	Charging	Non	Total
2013-14	Chargeable	2013-14	Account	2014-15	Chargeable	2014-15
£000	2013-14	£000		£000	2014-15	£000
126	66	192	Employees	119	47	166
8	3	11	Premises	6	3	9
13	5	18	Transport	15	5	20
22	8	30	Supplies and Services	50	17	67
89	10	99	Central and Departmental Recharge	138	14	152
<b>258</b>	<b>92</b>	<b>350</b>	<b>Total Expenditure</b>	<b>328</b>	<b>86</b>	<b>414</b>
<b>Income</b>						
( 298)	0	( 298)	Building Regulations Charges	( 357)	0	( 357)
0	0	0	Miscellaneous Income	0	0	0
<b>( 298)</b>	<b>0</b>	<b>( 298)</b>	<b>Total Income</b>	<b>( 357)</b>	<b>0</b>	<b>( 357)</b>
<b>( 40)</b>	<b>92</b>	<b>52</b>	<b>(Surplus)/Deficit for Year 2014-15</b>	<b>( 29)</b>	<b>86</b>	<b>57</b>
			(Surplus)/Deficit for Year 2013-14	( 40)		
			(Surplus)/Deficit for Year 2012-13	( 39)		
			<b>Three year (Surplus) or Deficit</b>	<b>( 108)</b>		

### 8.28 Agency Income and Expenditure

The Council undertake Section 38 Highways Act supervision on behalf of Oxfordshire County Council. This is largely funded by payments from private developers. The

Council also provides grounds maintenance services to other Councils as:

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>		<b>£000</b>
412	Bicester Town Council	391
142	Oxfordshire County Council	142
72	Kidlington Parish Council	85
0	Other Parish Councils	0
<hr/> <b>626</b>	<b>Total</b>	<hr/> <b>618</b>

## 8.29 Members' Allowances

The total of Members' Allowances paid in the year amounted to £312,980. This compares to £313,997 in 2013-14. A detailed list of allowances paid to each member is available for examination on the Council's website under "Councillors – Members' Allowances"

The Local Councils (Members' Allowances) Regulations 2003 requires local Councils to publish the amounts paid to members under the members' allowances scheme. The allowances available in 2014-15 were as follows:

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>	<b>Members' Allowances</b>	<b>£000</b>
2	Chairman's allowance	0
205	Basic Allowance	208
96	Special Responsibility Allowance	96
11	Travel & subsistence/Others	10
<hr/> <b>314</b>	<b>Total</b>	<hr/> <b>314</b>

## Officers' Remuneration

The Council is required, under regulation 7(2) of the Accounts and Audit Regulations 2003, to include in the notes to the accounts the number of employees in the accounting period whose remuneration was in excess of £50,000 excluding pension contributions. This includes senior staff all accounted for in the table on the following page where they are employees of Cherwell District Council. Senior staff employed by South Northants Council are not included in the table below.

Number of employees 31-Mar-14	Remuneration Band	Number of employees 31-Mar-15
2	£50,000 to £54,999	2
2	£55,000 to £59,999	1
0	£60,000 to £64,999	0
0	£65,000 to £69,999	0
2	£70,000 to £74,999	0
0	£75,000 to £79,999	1
1	£80,000 to £84,999	0
0	£85,000 to £89,999	2
1	£90,000 to £94,999	0
0	£95,000 to £99,999	0
0	£100,000 to £104,999	0
0	£105,000 to £109,999	0
0	£110,000 to £114,999	0
0	£115,000 to £119,999	0
0	£120,000 to £124,999	0
0	£125,000 to £129,999	0
1	£130,000 to £134,999	0
0	£135,000 to £139,999	1
<hr/> <b>9</b>		<hr/> <b>7</b>

**2014/15**

Key	Post title	Year	Basic Salary	Fees - Monitoring Officer, S151, Returning Officer Inc Elections Payments	Expenses Allowances	Compensation for loss of office	Total Remuneration excluding Pension Contribution	Pension Contributions	Total Remuneration including Pension conts
			£s	£s	£s	£s	£s	£s	£s
1	Chief Executive	2014/15	127,512	8,654	3,084	0	139,250	18,655	157,905
1	Director of Community & Environment	2014/15	89,769	223	1,093	0	91,085	12,298	103,383
2	Director of Resources	2014/15	89,769	2,500	324	0	92,593	11,810	104,403
2	Director of Development	2014/15	89,769	215	2,244	0	92,228	11,490	103,718
3	Director of Bicester	2014/15	87,554	318	1,183	0	89,055	0	89,055
5	Head of Community Services	2014/15	32,870	426	981	0	34,277	4,607	38,884
1	Head of Environmental Services	2014/15	72,427	215	2,495	0	75,137	9,923	85,060
4	Head of Finance and Procurement	2014/15	39,433	0	547	0	39,980	5,402	45,382
2	Head of Law and Governance	2014/15	74,467	2,948	2,498	0	79,913	9,852	89,765
2	Head of Transformation	2014/15	67,327	215	438	0	67,980	8,618	76,598
2	Head of Development Management	2014/15	74,467	0	457	0	74,924	9,532	84,456
2	Head of Strategic Planning and the Economy	2014/15	74,467	215	1,247	0	75,929	0	75,929
2	Head of Regeneration and Housing	2014/15	72,848	215	794	0	73,857	0	73,857

1 Joint Management Team Post employed by CDC. (SNC bear 50% of costs from 1st October 2011)

2 Joint Management Team Post employed by SNC. (CDC bear 50% of costs from 1st October 2011)

3 Joint Management Team Post employed by CDC only. Post started on 1st September 2013

4 Joint Management Team Post employed by CDC. Post holder started on the 15th September 2014

5 Joint Management Team Post employed by CDC. Post holder left on the 22nd September 2014

Other Officers over £50K								
	Year	Basic Salary £s	Fees - Monitoring Officer, S151, Returning Officer Inc Elections Payments £s	Expenses Allowances £s	Compensation for loss of office £s	Total Remuneration excluding Pension Contribution £s	Pension Contributions £s	Total Remuneration including Pension con'ts £s
Building Control Manager	2014/15	46,797	0	4,317	0	51,114	6,006	57,120
Interim Public Prot & Env Health Mgr	2014/15	53,082	0	2,799	0	55,881	6,853	62,734
Waste Resource Collection Manager	2014/15	49,477	0	3,611	0	53,088	6,792	59,880
Democratic & Elections Manager	2014/15	55,234	2,988	283	0	58,505	7,947	66,452

Comparative figures for 2013-14 are:

2013/14

Key	Post title	Year	Basic Salary £s	Fees - Monitoring Officer, S151, Returning Officer Inc Elections Payments £s	Expenses Allowances £s	Compensation for loss of office £s	Total Remuneration excluding Pension Contribution £s	Pension Contributions £s	Total Remuneration including Pension con'ts £s
		Year	£s	£s	£s	£s	£s	£s	£s
1	Chief Executive	2013/14	126,250	7,172	1,534	0	134,956	18,546	153,501
1	Director of Community & Environment	2013/14	88,520	210	1,459	0	90,189	12,354	102,543
2	Director of Resources	2013/14	88,880	2,680	800	0	92,360	11,697	104,057
2	Director of Development	2013/14	88,880	180	1,984	0	91,044	11,377	102,421
4	Director of Bicester	2013/14	49,178	0	475	0	49,653	0	49,653
1	Head of Community Services	2013/14	68,704	160	1,403	0	70,268	9,547	79,814
1	Head of Environmental Services	2013/14	70,700	180	3,010	0	73,890	9,827	83,718
3	Head of Finance and Procurement	2013/14	30,721	2,850	422	0	33,993	0	33,993
2	Head of Law and Governance	2013/14	73,730	5,479	1,498	0	80,707	10,080	90,786
2	Head of Transformation	2013/14	65,650	180	522	0	66,352	8,403	74,755
2	Head of Development Management	2013/14	72,723	180	488	0	73,390	9,437	82,828
2	Head of Strategic Planning and the Economy	2013/14	73,730	180	746	0	74,656	0	74,656
2	Head of Regeneration and Housing	2013/14	70,693	180	1,272	0	72,146	0	72,146

1 Joint Management Team Post employed by CDC. (SNC bear 50% of costs from 1st October 2011)

2 Joint Management Team Post employed by SNC. (CDC bear 50% of costs from 1st October 2011)

3 Joint Management Team Post employed by CDC. (SNC bear 50% of costs from 1st October 2011) Post ended on 31st August 2013

4 Joint Management Team Post employed by CDC only. Post started on 1st September 2013

Other Officers over £50K

	Year	Basic Salary £s	Fees - Monitoring Officer, S151, Returning Officer Inc Elections Payments £s	Expenses Allowances £s	Compensation for loss of office £s	Total Remuneration excluding Pension Contribution £s	Pension Contributions £s	Total Remuneration including Pension con'ts £s
Programme Manager	2013/14	49,859	200	26	0	50,085	6,903	56,988
Democratic and Elections Manager	2013/14	56,831	2,213	83	0	59,127	7,917	67,044
Oxon Waste Partnership Co-ordinator	2013/14	47,905	200	2,561	0	50,667	6,659	57,326
Corporate Finance Manager	2013/14	54,460	180	371	0	55,011	7,570	62,581
Interim Public Prot & Env Health Mgr	2013/14	50,389	0	937	0	51,325	6,472	57,797

### 8.31 Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below

#### CDC entirely responsible for these costs

[a] Exit package cost band (including special payments)	[b] Number of compulsory redundancies		[c] Number of other departures agreed		[d] total number of exit packages by cost band [b]+ [c]		[e] Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0-£80,000	0	0	1	1	1	1	£26,006	£5,209
£80,001-£120,000	0	0	0	0	0	0	£0	£0
£120,001-£200,000	0	0	0	0	0	0	£0	£0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>£26,006</b>	<b>£5,209</b>

#### CDC/SNC 50/50 responsible for these costs.

[a] Exit package cost band (including special payments)	[b] Number of compulsory redundancies		[c] Number of other departures agreed		[d] total number of exit packages by cost band [b] + [c]		[e] Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0-£80,000	0	0	6	3	6	3	£58,413	£37,296
£80,001-£120,000	0	0	0	0	0	0	£0	£0
£120,001-£200,000	0	0	0	0	0	0	£0	£0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>3</b>	<b>6</b>	<b>3</b>	<b>£58,413</b>	<b>£37,296</b>

### 8.32 External Audit Costs

In 2014-15 the council incurred the following fees relating to external audit and inspection:

31-Mar-14 £000		31-Mar-15 £000
69	Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor	69
13	Fees payable to the External Auditor for the certification of grant claims and returns	9
1	Fees payable to the External Auditor for questions answered regarding HS2.	0
<u>83</u>		<u>78</u>

### 8.33 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014-15:

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>		<b>£000</b>
	<b>Credited to Taxation and Non Specific Grant Income</b>	
17	Section 106 Developer Contributions	0
5,014	Non-ringfenced Government Grants	3,865
3,859	Non Domestic Rates	277
63	Council Tax Freeze Grant	64
<u><b>8,954</b></u>	<b>Total</b>	<u><b>4,206</b></u>
<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>		<b>£000</b>
	<b>Credited to Services</b>	
781	DWP Administration Subsidy Grant	689
37,028	DWP Rent Allowances	37,794
0	DWP Council Tax Benefits	0
109	Area Based Grant	64
45	Eco Town	65
90	Heat Network	0
26	Capitalisation Grant	0
162	Arts Grants	5
34	Developer Contributions	69
91	Department for Climate Change	0
25	Department for Work and Pensions	49
380	Disabled Facilities Grant	389
71	Home Improvement Agency Grant	75
0	Homelessness Grant	85
43	Brighter Futures	0
385	Section 31	441
462	Capacity Funding	738
30	Department for Communities and Local Government	78
219	NDR Cost of Collection Grant	220
1,368	New Homes Bonus	2,026
101	New Burdens	122
173	Other Grants & Contributions	96
22	Oxfordshire Business Enterprise	0
214	Oxfordshire Waste Partnership	143
0	Performance Reward Grant	0
0	Portas Grant	0
<u><b>41,859</b></u>	<b>Total</b>	<u><b>43,148</b></u>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

<b>31-Mar-14</b>		<b>31-Mar-15</b>
<b>£000</b>		<b>£000</b>
	<b>Capital Grants Received in Advance</b>	
10,891	Eco Town Grant	10,890
2,185	Section 106 Developer Contributions - Capital	3,784
4	DECC Green Deal	4
107	Oxfordshire Waste Partnership	0
8	DCLG Modelling	8
45	Other Contributions	45
<u>13,239</u>		<u>14,731</u>
	<b>Revenue Grants Received in Advance</b>	
<u>866</u>	Section 106 Developer Contributions - Revenue	<u>2,605</u>
<b>866</b>		<b>2,605</b>
<u>14,105</u>	<b>Total</b>	<u>17,336</u>

### 8.34 Related Parties

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

Central Government has effective control over the general operations of the Council, it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details of transactions with government departments are set out at 8.33.

Members of the Council have direct control over the Council's financial and operating policies. During 2014/15 works and services to the value of £x(TBC) (2013/14 £x(TBC)) were made to parties where Members had an interest. Contracts were entered into in full compliance with the Council's Standing Orders. All transactions are recorded in the Register of Members' Interests, open to public inspection at Bodicote House, Bodicote, Banbury, OX15 4AA.

Officers of the Council - no material disclosures.

Other Public Bodies - grants to Parish and Town Councils amounted to £236,139 in 2014/15 (2013/14 £532,708). The purpose of this disclosure is to provide assurance to readers of these statements that any material transaction between the organisation and those in a position to influence its decisions are properly disclosed.

## Entities controlled or significantly influenced by the Council

During 2014-15 £32,224 (2013/14 £33,013) was paid to Mill Arts Centre as grant funding. Additionally a loan of £35,000 was advanced to the centre during the year 2013-14. These transactions, although not material to the Council, are considered material to the operations of Mill Art Centre and have therefore been disclosed within this note. During the financial year Cllr Colin Clarke had involvements with the Mill Arts Centre.

The Council transferred the Banbury Museum operations to Banbury Museum Trust on 1 November 2013. During 2014/15 £387,000 (2013/14 £211,250) was paid to Banbury Museum Trust as grant funding. Cllr George Reynolds has a place on the Banbury Museum Trust board.

Graven Hill Holding Company and Graven Hill Development Company Accounts are set out in section 11 of these Statements.

### 8.35 Capital Expenditure & Financing

31-Mar-14 £000		31-Mar-15 £000
	<b>Capital Investment</b>	
1,143	Operational Assets (Note 8.9)	2,237
4,411	Non-operational Assets (Note 8.9)	14,324
303	Investment Properties (Note 8.11)	102
243	Intangible Assets (Note 8.12)	99
1,351	Revenue Expenditure Funded from Capital under Statute (REFCUS) (Note 8.14)	1,423
<u>7,451</u>		<u>18,185</u>
	<b>Sources of finance (Note 8.22.2)</b>	
6,585	Capital Receipts	17,762
539	Government Grants and Other Contributions	389
327	Funding from Earmarked reserve through Revenue	34
0	Direct Revenue Financing	0
<u>7,451</u>		<u>18,185</u>

### 8.36 Leases

#### 8.36.1 Council as a Lessee

##### Finance Leases

The Council had no finance leases as at 31st March 2014.

##### Operating Leases

The Council has acquired several small items of equipment by entering into operating leases, with typical lives of two years.



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

31-Mar-2014 £000		31-Mar-2015 £000
9	Not later than one year	0
9	Later than one year and not later than five years	0
<u>18</u>		<u>0</u>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0 (2013-14 £8,924).

### 8.36.2 Council as a Lessor

#### Finance Leases

The Council has leased out property at the

- Castle Quay Shopping Centre, Banbury to Scottish Widows with a remaining term of 235 years
- Town Hall, Banbury to National Westminster Bank Ltd with a remaining term of 61 years

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

31-Mar-14 £000		31-Mar-15 £000
	Finance lease liabilities (net present value of minimum lease payments)	
0	Current	0
2,856	Non-Current	2,883
0	Unearned finance income	0
0	Unguaranteed residual value of property	0
<u>2,856</u>	Gross Interest investment in the lease	<u>2,883</u>

Gross Investment in the Lease 31-Mar-14 £000	Minimum Lease Payments 31-Mar-15 £000		Gross Investment in the Lease 31-Mar-14 £000	Minimum Lease Payments 31-Mar-15 £000
		The gross investment in the lease and the minimum lease payments will be received over the following periods:		
0	100	Not later than one year	0	127
0	400	Later than one year and not later than five years	0	510
2,856	23,141	Later than five years	2,883	24,583
<u>2,856</u>	<u>23,641</u>		<u>2,883</u>	<u>25,220</u>

### Operating Leases

The Council also has 37 smaller operating leases with a total value of £4,292m.

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

<b>31 Mar-14</b>		<b>31 Mar-15</b>
<b>£000</b>		<b>£000</b>
587	Not later than one year	497
1,745	Later than one year and not later than five years	1,599
3,910	Later than five years	2,196
<u>6,242</u>		<u>4,292</u>

### 8.37 Contingent Liabilities

There are no contingent liabilities.

### 8.38 Contingent Assets

#### 8.38.1 VAT Share

When the Council sold their housing stock an agreement was put in place so that they would be party to any input VAT refund received by the third party responsible for repairs and maintenance work. These amounts relate to the refurbishment of the properties sold to bring them up to the required standard. It is expected that a flow of economic benefit will occur in the future, however the value and timing is less certain.

### 8.39 Non Adjusting Post Balance Sheet Event

There are no non-adjusting post-balance sheet events.

## 9. COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

This account shows the income received from Council Tax payers and Business Rate payers. It also shows how the income is distributed between Central Government, Cherwell District Council, Oxfordshire County Council and Police and Crime Commissioner.

2013-14 BUSINESS RATES £000	2013-14 COUNCIL TAX £000	2013-14 TOTAL £000		2014-15 BUSINESS RATES £000	2014-15 COUNCIL TAX £000	2014-15 TOTAL £000
<b>INCOME FOR THE YEAR:</b>						
0	(74,204)	<b>(74,204)</b>	Income From Council Tax	0	(76,468)	<b>(76,468)</b>
0	0	<b>0</b>	Council Tax Grant	0	(58)	<b>(58)</b>
0	0	<b>0</b>	Transitional Payments	0	(1)	<b>(1)</b>
(70,132)	0	<b>(70,132)</b>	Income From Non-Domestic Rates	(70,254)	0	<b>(70,254)</b>
<b>(70,132)</b>	<b>(74,204)</b>	<b>(144,336)</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>(70,254)</b>	<b>(76,527)</b>	<b>(146,781)</b>
<b>EXPENDITURE FOR THE YEAR:</b>						
<i>Apportionment of Previous Year's Surplus/Deficit</i>						
0	0	<b>0</b>	Central Government	386	0	<b>386</b>
0	215	<b>215</b>	Billing Authority	309	233	<b>542</b>
0	1,223	<b>1,223</b>	County Council	77	1,347	<b>1,424</b>
0	162	<b>162</b>	Police and Crime Commissioner	0	179	<b>179</b>
<b>0</b>	<b>1,600</b>	<b>1,600</b>		<b>772</b>	<b>1,759</b>	<b>2,531</b>
<i>Precepts, Demands and Shares</i>						
		<b>0</b>	Payment To National Pool (prior year comparator)			<b>0</b>
33,837	0	<b>33,837</b>	Central Government	35,065	0	<b>35,065</b>
27,070	9,553	<b>36,623</b>	Billing Authority	28,052	9,810	<b>37,862</b>
6,767	55,299	<b>62,066</b>	County Council	7,013	57,531	<b>64,544</b>
0	7,345	<b>7,345</b>	Police and Crime Commissioner	0	7,642	<b>7,642</b>
<b>67,674</b>	<b>72,197</b>	<b>139,871</b>		<b>70,130</b>	<b>74,983</b>	<b>145,113</b>
<i>Charges to Collection Fund</i>						
135	23	<b>158</b>	Write offs of uncollectable amounts	367	(314)	<b>53</b>
116	172	<b>288</b>	Increase / Decrease (-) in Bad Debts Provision	(82)	18	<b>(64)</b>
3,350	0	<b>3,350</b>	Increase / Decrease (-) in Provision for Appeals	3,352	0	<b>3,352</b>
219	0	<b>219</b>	Cost of Collection Allowance	220	0	<b>220</b>
20	0	<b>20</b>	Disregarded Amounts (E - zones)	178	0	<b>178</b>
<b>3,840</b>	<b>195</b>	<b>4,035</b>		<b>4,035</b>	<b>(296)</b>	<b>3,739</b>
<b>1,382</b>	<b>(212)</b>	<b>1,170</b>	<b>SURPLUS (-) / DEFICIT FOR THE YEAR</b>	<b>4,683</b>	<b>(81)</b>	<b>4,602</b>
0	(1,498)	(1,498)	<b>SURPLUS (-) / DEFICIT b/fwd 1st April</b>	1,382	(1,710)	(328)
<b>1,382</b>	<b>(1,710)</b>	<b>(328)</b>	<b>SURPLUS (-) / DEFICIT c/fwd 31st March</b>	<b>6,065</b>	<b>(1,791)</b>	<b>4,274</b>
<i>Apportionment of Surplus (-) / Deficit</i>						
691	0	<b>691</b>	Central Government	3,033	0	<b>3,033</b>
138	(1,311)	<b>(1,173)</b>	County Council	606	(1,375)	<b>(769)</b>
0	0	<b>0</b>		0	0	<b>0</b>
553	(225)	<b>328</b>	Billing Authority	2,426	(234)	<b>2,192</b>
0	(174)	<b>(174)</b>	Police and Crime Commissioner	0	(182)	<b>(182)</b>
<b>1,382</b>	<b>(1,710)</b>	<b>(328)</b>		<b>6,065</b>	<b>(1,791)</b>	<b>4,274</b>

There have been changes that affect the Council Tax and Business Rates; the additional Accounting Policy 13.5 provides further information on these changes.

## 10. NOTES TO THE COLLECTION FUND

### 10.1 Council Tax

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight valuation bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Oxfordshire County Council, Thames Valley Police Council and Cherwell District Council together with each parish requirement and dividing this by the Council Tax base i.e. the number of properties in each valuation band converted to an equivalent number of band D dwellings and adjusted for discounts. The basic amount of Council Tax for a band D property including an average parish charge is £1,574.96 (2013-14 £1,546.90) multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax base was calculated as follows:

Band	No. of Properties at 1 April 2014	Exemptions/ Discounts/ New properties	Effective No. of Properties	Ratio	Band D Equivalents
A*	0	0	0	5/9	0
A	5,313	1683	3,630	6/9	2,420
B	15,006	3291	11,715	7/9	9,112
C	16,338	2596	13,742	8/9	12,215
D	10,372	1704	8,668	9/9	8,668
E	7,183	810	6,373	11/9	7,789
F	3,290	361	2,929	13/9	4,231
G	2,359	236	2,123	15/9	3,538
H	237	58	179	18/9	358
TOTAL	60,098	10,739	49,359		48,331
Provision for Non-collection (2%)*					(967)
					47,364
Ministry of Defence properties					245
<b>COUNCIL TAX BASE</b>					<b>47,609</b>

### 10.2 Business Rates

Under the arrangements for Non-Domestic Rates, the Council collects rates for its area based upon local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2014-15 there are two multipliers, the National Non-Domestic Rate multiplier of 48.2p, with a reduction to 47.1p for small businesses. (In 2013-14, the multiplier was 47.1p for all properties with a reduction to 46.2p for small businesses). The total non-domestic rates due, less certain reliefs and deductions are collected by the Billing Authority and a certain amount of those rates are retained. The remainder is paid to Central Government and the County Council as fixed amounts over the year.

The total Non-Domestic Rateable Value at 31 March 2015 was £170.2 million (31 March 2014 £167.8 million).

### 10.3 Analysis of Collection Fund Balance

The surplus or deficit on the Collection Fund is available for financing the expenditure of Oxfordshire County Council, Thames Valley Police Council and Cherwell District Council and will be distributed in future financial years as follows.

2013-14 Business Rates £000	2013-14 Council Tax £000	2013-14 Total £000	Narrative	2014-15 Business Rates £000	2014-15 Council Tax £000	2014-15 Total £000
691	0	691	Central Government	3,033	0	3,033
138	(1,311)	(1,173)	Oxfordshire County Council	606	(1,375)	(769)
0	(174)	(174)	Thames Valley Police & Crime Commissioner	0	(182)	(182)
<b>829</b>	<b>(1,485)</b>	<b>(656)</b>	<b>Disclosed as creditors in the balance sheet</b>	<b>3,639</b>	<b>(1,557)</b>	<b>2,082</b>
553	(225)	328	Cherwell District Council	2,426	(234)	2,192
<b>1,382</b>	<b>(1,710)</b>	<b>(328)</b>		<b>6,065</b>	<b>(1,791)</b>	<b>4,274</b>

## 11. GROUP ACCOUNTS

Under the terms of the Code where the Council has an interest in any other entity, it is required to prepare a Group Income and Expenditure and Group Balance Sheet. On 25 June 2015 the company Graven Hill Village Holding Ltd and Graven Hill Village Development Company Ltd were created. Graven Hill Village Holding Ltd is a subsidiary of the council which holds 100% interest in this company. Graven Hill Village Development Ltd is a subsidiary of Graven Hill Village Holding Ltd which holds 99% and the council holds 1%. Cherwell District Council is the ultimate controlling party of Graven Hill Village Development Ltd

Group Accounts have been prepared as the Council has the 'control' as 100% shareholder of Graven Hill Village Holding Ltd. Per IFRS10, An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group accounts incorporate the Council's share of the net assets of Graven Hill Village Holding Ltd as a subsidiary and Graven Hill Village Development Co Ltd as the ultimate parent company, using the equity method.

The financial statements of Graven Hill Village Holdings Ltd and Graven Hill Village Development Ltd are for the period ended 31 March 2015. This matches the financial statements period of the council and enables consolidation of the statements. The Group Accounts are included in this document as separate Primary Statements, showing the extent of the Council's interest.

In addition to the Group Accounts the following significant judgements and assumptions have been disclosed to aid an understanding of the nature of the group relationship.

The registered name of the companies are	Graven Hill Village Holding Ltd	Graven Hill Village Development Co Ltd
Nature of the business	The company is a holding company and does not trade. It is intended that the company will continue as a holding company for the foreseeable future. The company borrows and lends funds from its parent company to its subsidiary company	The principal activity of the company during the period was that of a property development company
Undertaking	Subsidiary of Cherwell District Council	Subsidiary of Graven Hill Village Development Ltd
Controlling party	Cherwell District Council 100%	Graven Hill Village Holding Ltd 99% Cherwell District Council 1%
Ultimate parent	Cherwell District Council	Cherwell District Council
Deficit on provision of services (before consolidation)	£7,812	£160,450
Net Assets (before consolidation)	£1,955,685	£1,803,046

## 11.1 GROUP Comprehensive Income and Expenditure Statement

This statement includes the combined income and expenditure of the Council, its wholly owned subsidiary Graven Hill Village Holding Ltd and its subsidiary Graven Hill Village Development Ltd

	<b>Cherwell District Council Net Expenditure 31-Mar-15 £000</b>	<b>Group Accounts Net Expenditure 31-Mar-15 £000</b>	<b>Notes</b>
Central Services to the Public	235	235	
Cultural and Related Services	6,481	6,481	
Environment and Regulatory Services	5,467	5,467	
Planning Services	2,562	2,562	
Highways, Roads & Transport Services	(305)	(305)	
Other Housing Services (General Fund)	4,138	4,519	11.3.2
Corporate and Democratic Core	2,078	2,078	
Non Distributed Costs	1,333	1,333	
<b>Net Cost of Services</b>	<b>21,989</b>	<b>22,370</b>	
Other Operating Expenditure	3,070	3,070	
Financing and Investment Income & Expenditure	853	1,237	11.3.2
Taxation and Non-Specific Grant Income	(20,029)	(20,029)	
<b>(Surplus) / deficit on Provision of Service</b>	<b>5,883</b>	<b>6,648</b>	
(Surplus) / deficit on the revaluation of non-current assets	(2,216)	(2,216)	
Actuarial (gains) / losses on pension assets & liabilities	12,764	12,764	
(Surplus)/Deficit on Other items	0	0	
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>10,548</b>	<b>10,548</b>	
(Surplus)/ deficit on Total Comprehensive Income & Expenditure	<b>16,431</b>	<b>17,196</b>	

## 11.2 GROUP Balance Sheet

	<b>Cherwell District Council 31-Mar-15 £000</b>	<b>Group Accounts 31-Mar-15 £000</b>	<b>Notes</b>
Property, Plant & Equipment	117,411	146,944	11.3.3
Investment Property	15,701	15,701	
Intangible Assets	757	757	
Long Term Investments	3,741	1,778	11.3.3
Long Term Debtors	6,609	3,556	11.3.3
<b>Long Term Assets</b>	<b>144,219</b>	<b>168,736</b>	
Short Term Investments	42,032	42,032	
Inventories	147	148	
Short Term Debtors	13,859	12,995	11.3.3
Cash and Cash Equivalents	10,150	10,721	11.3.3
<b>Current Assets</b>	<b>66,188</b>	<b>65,895</b>	
Bank Overdraft	(1,936)	(1,936)	
Short Term Creditors	(12,954)	(13,443)	11.3.3
Receipts in Advance	(3,970)	(3,970)	
Provisions	(2,710)	(2,710)	
<b>Current Liabilities</b>	<b>(21,570)</b>	<b>(22,059)</b>	
Other Long Term Liabilities	(78,836)	(78,836)	
Long Term Creditors	0	(24,500)	11.3.3
Provisions	(709)	(709)	
Capital Grants Receipts in Advance	(17,336)	(17,336)	
<b>Long Term Liabilities</b>	<b>(96,881)</b>	<b>(121,381)</b>	
<b>Net Assets</b>	<b>91,956</b>	<b>91,191</b>	
Usable Reserves	(29,639)	(28,874)	11.3.3
Unusable Reserves	(62,317)	(62,317)	
<b>Total Reserves</b>	<b>(91,956)</b>	<b>(91,191)</b>	



## 11.3 NOTES TO THE GROUP ACCOUNTING STATEMENTS

### 11.3.1 Statement of Accounting Policies

Graven Hill Village Holdings Ltd and Graven Hill Village Development Company Ltd prepared their financial statements under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller entities (effective April 2008), whilst the Council has moved to preparing its financial statements on an IFRS basis. As far as can be ascertained, this gives rise to no material difference between the accounting principles of the companies and the Council.

### 11.3.2 Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement has been prepared incorporating the Graven Hill Village Holding Ltd and Graven Hill Village Development Ltd deficit on the provision of services.

#### Other Housing Services (General Fund) Group changes

		£000	£000
Cherwell District Council	Other Housing Services (GF)		4,138
Cherwell District Council	Commitment Fees receivable	213	
GHV Holdings Ltd	Administrative expenses	8	
GHV Development Co Ltd	Administrative expenses	160	
	Total Group Adjustment		381
	Other Housing Services (GF) Group Accounts		4,519

#### Financing & Investment Income & Expenditure Group changes

		£000	£000
Cherwell District Council	Financing & Investment Income & Expenditure		853
Cherwell District Council	GHV Holdings Ltd - Interest	96	
Cherwell District Council	GHV Holdings Ltd – Arrangement Fee	288	
	Total Group Adjustment		384
	Financing & Investment Income & Expenditure Group Accounts		1,237

### 11.3.3 Group Balance Sheet.

The Group Balance Sheet has been prepared incorporating the Graven Hill Village Holding Ltd and Graven Hill Village Development Ltd net assets under the heading of Group Accounts, which has been consolidated with the Cherwell District Council financial statement.

Property, Plant & Equipment Group changes

		£000	£000
Cherwell District Council	Property, Plant & Equipment		117,411
GHV Development Co Ltd	Development Property in progress	2,750	
	Accrual Land Purchase	24,500	
	Stamp Duty	1,090	
	Planning application fee	3	
	Ground investigation work for land	1	
	Reimburse operation costs	635	
	Reimburse legal cost	97	
	Accrued consultancy	457	
	Total Group Adjustment		29,533
	Property, Plant & Equipment Group Accounts		146,944

Long Term Investments Group changes

		£000	£000
Cherwell District Council	Long Term Investments		3,741
Cherwell District Council	Share Capital	(1,963)	
	Long Term Investments Group Accounts		1,778

Long Term Debtors Group changes

		£000	£000
Cherwell District Council	Long Term Debtors		6,609
Cherwell District Council	Loans GH Village Holding Ltd	(3,053)	
	Long Term Debtors Group Accounts		3,556

Short Term Debtors Group changes

		£000	£000
Cherwell District Council	Short Term Debtors		13,859
Cherwell District Council	Accrual for Services	(1,037)	
GHV Development Co Ltd	VAT, Other taxes & social security cost	173	
	Total Group Adjustment		(864)
	Short Term Debtors Group Accounts		12,995

Cash and Cash Equivalents Group changes

		£000	£000
Cherwell District Council	Cash and Cash Equivalents		10,150
GHV Holdings Ltd	Cash at bank and in hand	1	
GHV Development Co Ltd	Cash at bank and in hand	570	
	Total Group Adjustment		571
	Cash and Cash Equivalents Group Accounts		10,721

Short Term Creditors Group changes

		£000	£000
Cherwell District Council	Short Term Creditors		(12,954)
GHV Holdings Ltd	Accruals & deferred income	(2)	
GHV Development Co Ltd	Trade Creditors	(1)	
	Accruals & deferred income	(486)	
	Total Group Adjustments		(489)
	Short Term Creditors Group Accounts		(13,443)

#### Long Term Creditors Group changes

		£000	£000
Cherwell District Council	Long Term Creditors		0
GHV Development Co Ltd	Accruals & deferred income	(24,500)	
	Long Term Creditors Group Accounts		(24,500)

#### Usable Reserves

		£000	£000
Cherwell District Council			(29,638)
Cherwell District Council	Surplus on services	597	
GHV Holding s Ltd	Deficit on services	8	
GHV Development Co Ltd	Deficit on services	160	
	Total Group Adjustment		765
	Usable Reserves Group Accounts		(28,873)

#### 11.3.4 Significant Influence

The Council has a 100% shareholding of Graven Hill Village Holding Ltd, and as such the Council controls Graven Hill Village Holding Ltd. This assumption is also supported by representation on the Graven Hill Village Holding Ltd board.

The Council has a 1% shareholding of Graven Hill Village Development Ltd and Graven Hill Village Holding Ltd a 99% shareholding. Cherwell District Council is the ultimate parent company.

#### 11.3.5 Related party funding agreements

The parent, Cherwell District Council, has granted funding facilities to Graven Hill Village Holdings Ltd. The facilities drawn will be for the purpose of lending on to subsidiary Graven Hill Village Development Company Ltd on equal terms.

The financial components of the agreements are summarised as follows:

##### Senior debt

£28,790,148 can be borrowed under this arrangement, which is further split into 3 facilities. The debt is repayable in full by 10 August 2025. If funds are available the debt repayment will follow the repayment schedule agreed which commences on 30 June 2017 with a repayment of £1,820,832.

This debt carries a fixed annual interest rate of 5.5%.

The facilities based on the current business model are subcategorised as follows:

Facility A: £17,890,352 can be drawn in the period to 10 August 2020.

Facility B: £7,900,546 can be drawn between 1 June 2015 and 10 August 2020

Facility C: £2,999,250 can be drawn between 1 June 2015 and 10 August 2020.

Until 10 August 2020 interest accrued is added to the loan principal. Interest after this date is payable annually on 31 March.

A commitment fee of 2% is payable on undrawn, un-cancelled amounts.

Agency fees of £30,000 p.a. are payable quarterly in arrears.

Early repayment charges exist if the subsidiary repays senior debt within 3 years.

#### Unsecured loan notes

The subsidiary has the facility to draw on unsecured loan notes from the parent totalling £12,778,460. The facilities drawn will be for the purpose of lending on to subsidiary Graven Hill Village Development Company Ltd on equal terms.

Unsecured loan notes carry on annual interest charge of 12% payable, to the extent that funds are available, half yearly on 30 September and 31 March each year.

If funds are not available, interest is added to the principal and payable when the loan notes are redeemed.

The subsidiary, to the extent that funds are available, can redeem the loan notes at any time. If the loan notes are not redeemed in this way the subsidiary will follow a redemption schedule whereby the first redemption amount of £606,944 is payable on 30 June 2017.

At the balance sheet date the subsidiary had no unsecured loan notes in issue.

#### **11.3.6 Related party – equity arrangement**

The parent company, Cherwell District Council is committed to subscribe for shares in Graven Hill Village Holding Ltd ensuring that the debt to equity ratio is not higher than 60%. In the event that the equity ratio falls below 40% it will be rectified as soon as possible. Where possible it is intended that share subscriptions will be entered into on the dates facilities are drawn or increased by charges incurred.

Equally Graven Hill Village Holding Ltd is committed to subscribe for share in its subsidiary, Graven Hill Village Development Company Ltd, ensuring that the debt to equity ratio is no higher than 60%. Share subscriptions will be entered into on the dates facilities are drawn or increased by charges incurred.

## **12. THE PENSION FUND ACCOUNTS**

### **12.0 Background**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits through membership of the Local Government Pension Scheme. Cherwell District Council is a member of the Oxfordshire Local Government Pension Scheme and Oxfordshire County Council is the administering Council. The county council is responsible for maintaining, administering and paying out all benefits from the pension fund. The fund is valued by a professional Actuary and Barnett Waddingham is the appointed Actuary to the Fund.

Although these benefits will not actually become payable until after the employees retire, the council is required to disclose the cost of these at the time that the employees earn their future entitlement. The arrangement is a funded defined benefit final salary scheme. This means that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The retirement benefits are determined independently of the investments of the scheme and employers have an obligation to make contributions where assets are insufficient to meet employee benefits.

Cherwell District Council recognises the cost of retirement benefits in the Comprehensive Income and Expenditure Statement under Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash contributions payable in the year, so the future cost of retirement benefits is reversed out in the Movement in Reserves Statement so that it does not impact the charge to council tax.

### **12.1 Principal Actuarial Data Sources as at 31 March 2015**

In completing the Actuary's calculations for pension accounting purposes they have used the following items of data, which we received from Oxfordshire County Council:

- The results of the valuation as at 31 March 2013 which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2015;
- Fund investment returns for the period to 30 September 2014 and market returns (estimated where necessary) thereafter for the period to 31 March 2015;
- Estimated Fund income and expenditure in respect of the Employer for the period to 31 March 2015; and
- Details of any new early retirements for the period to 31 March 2015 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, they do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data.

### 12.1.1 Employer Membership Statistics

The table below summarises the membership data as at 31 March 2013 for members receiving funded benefits, and as at 31 March 2015 for any members receiving unfunded benefits.

<b>Member Data Summary</b>	<b>Number</b>	<b>Salaries / Pensions £000</b>	<b>Average Age</b>
Active members	375	9,356	45
Deferred pensioners	639	1,275	45
Pensioners	556	4,032	70
Unfunded Pensioners	103	255	77

The service cost for the year ending 31 March 2015 is calculated using an estimate of the average total pensionable payroll during the year. From the contribution information provided by the employer, the estimated average total pensionable payroll during the year is £10,810,000. The projected service cost for the year ending 31 March 2016 has been calculated assuming the payroll remains at this level over the year.

### 12.1.2 Early Retirements

The actuary requested data on any early retirements in respect of the Employer from the Administering Council for the year ending 31 March 2015.

It is the actuary's understanding that there were no new early retirements over the year which were not allowed for in the IAS19 assumptions.

### 12.1.3 Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2015 is estimated to be 12%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Cherwell District Council as at 31 March 2015 is as follows:

<b>Employer Asset Share - Bid Value</b>	<b>31-Mar-14</b>		<b>31-Mar-15</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Equities	49,970	68	54,811	67
Gilts	8,818	12	9,668	12
Other bonds	2,939	4	2,980	4
Property	3,674	5	5,011	6
Cash	3,674	5	2,211	3
LLPs	2,939	4	2,740	3
Hedge Funds	1,470	2	23	0
Diversified Growth Fund	0	0	3,763	5
<b>Employer Asset Share Total</b>	<b>73,484</b>	<b>100%</b>	<b>81,207</b>	<b>100%</b>

We have estimated the bid values where necessary. We have made no allowances for rounding in the figures presented. The final asset allocation of the Fund assets as at 31 March 2015 is likely to be different from that shown due to estimation techniques.

Based on the above, the Employer's share of the assets of the Fund is approximately 5%.

We received the following information from the administering authority regarding the detail of their assets as at 28 February 2015, representing the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not).

#### **12.1.4 Characteristics of Defined Benefit Plans and Associated Risks**

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2007/08, is contracted out of the State Second pension and currently provides benefits based on final salary and length of service on retirement. Changes to the LGPS will come into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

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

As Administering Authority to the Fund, Oxfordshire County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and the maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation.

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

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

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

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

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

## **12.2 Actuarial Methods and Assumptions**

### **12.2.1 Valuation Approach**

To assess the value of the Employer's liabilities at 31 March 2015, we have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2013, using financial assumptions that comply with IAS19.

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

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2015 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2015 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share we have rolled forward the assets allocated to the Employer at 31 March 2013 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

### **12.2.2 Valuation Method**

As required under IAS19 we have used the projected unit method of valuation to calculate the service cost.

### **12.2.3 Demographic / Statistical Assumptions**

The Actuary has adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2013. The post retirement mortality tables adopted were the S1PA Heavy tables with a multiplier of 95%. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.



The assumed life expectations from age 65 are:

Life expectancy from age 65		31-Mar-14	31-Mar-15
<b>Retiring today</b>			
	Males	23.2	23.3
	Females	25.5	25.7
<b>Retiring in 20 years</b>			
	Males	25.4	25.5
	Females	27.9	28.0

The following assumptions have also been made:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

#### 12.2.4 Financial Assumptions

The financial assumptions used for the purposes of the IAS19 calculations are as follows:

Assumptions as at	31-Mar-13		31-Mar-14		31-Mar-15	
	% pa	Real %	% pa	Real %	% pa	Real %
RPI Increases	3.3%	-	3.6%	-	3.2%	-
CPI Increases	2.5%	-0.8%	2.8%	-0.8%	2.4%	-0.8%
Salary Increases	4.7%	1.4%	4.6%	1.0%	4.2%	1.0%
Pension Increases	2.5%	-0.8%	2.8%	-0.8%	2.4%	-0.8%
Discount Rate	4.3%	1.0%	4.4%	0.8%	3.3%	0.1%

These assumptions are set with reference to market conditions at 31 March 2015.

The Actuary's estimate of the duration of the Employer's liabilities is 18 years.

The discount rate is the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 18 year point on the BoE spot inflation curve. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% p.a. below RPI i.e. 2.4% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to increase at 1.8% per annum above CPI in addition to a promotional scale.

#### **12.2.5 Past Service Costs**

Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost.

We are not aware of any additional benefits which were granted over the year ending 31 March 2015.

#### **12.2.6 Curtailments**

The Actuary have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. The Employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we have only calculated the cost of curtailments which affect the Employer's LGPS pension liabilities.

The Actuary calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, the Actuary understand no employees were permitted by the Employer to take unreduced early retirement that they would not otherwise have been entitled to.

#### **12.2.7 Settlements**

We are not aware of any liabilities being settled at a cost materially different to the accounting reserve during the year.

### **12.3 Results and Disclosures**

The Actuary estimate that the value of the net liability as at 31 March 2015 is a liability of £78,836,000.

The results of our calculations for the year ended 31 March 2015 are set out in the appendices below:

- 12.3.1 sets out the Statement of financial position as at 31 March 2015;
- 12.3.2 sets out the Statement of profit or loss for the year ended 31 March 2015;
- 12.3.3 details a reconciliation of assets and liabilities during the year;
- 12.3.4 shows a sensitivity analysis on the major assumptions;
- 12.3.5 shows the Re-measurements in other comprehensive income for the year;
- 12.3.6 contains our estimates of the projected profit and loss account costs for the year ending 31 March 2016. Please note that no allowance has been made for the costs of any early retirements or augmentations which may occur over the year and whose additional capitalised costs would be included in the value of liabilities. It is only an estimate so actual experience over the year is likely to differ. We have not provided balance sheet projections on the basis that they will depend upon market conditions and the asset value of the Fund at the end of the following year;

- Appendix 7 details a reconciliation of the unfunded benefits during the year.

### 12.3.1 Balance Sheet Disclosure

	31-Mar-13	31-Mar-14	31-Mar-15
	£000	£000	£000
<b>Net Pension Assets as at</b>			
Present value of funded liability	(122,457)	(133,675)	(156,085)
Fair value of Scheme assets (bid value)	72,567	73,484	81,207
<b>Net Liability</b>	<b>(49,890)</b>	<b>(60,191)</b>	<b>(74,878)</b>
Present value of unfunded liability	(3,458)	(3,716)	(3,958)
Unrecognised past service cost	0	0	0
<b>Net Liability in Balance Sheet</b>	<b>(53,348)</b>	<b>(63,907)</b>	<b>(78,836)</b>

### 12.3.2 Profit & Loss Account Costs

	31-Mar-14	31-Mar-15
	£000	£000
Service Cost	2,565	2,526
Net interest on the defined liability asset	2,229	2,229
Administration expenses	40	40
<b>Total</b>	<b>4,834</b>	<b>5,344</b>

### 12.3.3 Asset and Benefit Obligation Reconciliation

<b>Reconciliation of opening &amp; closing balances of the present value of the defined benefit liability</b>	31-Mar-14	31-Mar-15
	£000	£000
<b>Opening defined benefit liability</b>	<b>(125,915)</b>	<b>(137,391)</b>
Current Service cost	(2,804)	(2,526)
Interest cost	(5,318)	(5,958)
Change in financial assumptions	(3,219)	(18,111)
Change in demographic assumptions	(7,222)	0
Experience loss/(gain) on defined benefit liability	2,518	74
Liabilities assumed/(extinguished) on settlements	719	0
Estimated benefits paid (net of transfers in)	4,257	4,458
Contributions by Scheme participants	(652)	(690)
Unfunded pension payments	245	249
<b>Closing defined benefit liability</b>	<b>(137,391)</b>	<b>(160,043)</b>

<b>Reconciliation of opening &amp; closing balances of the fair value of scheme assets</b>	<b>31-Mar-14 £000</b>	<b>31-Mar-15 £000</b>
<b>Opening fair value of Scheme assets</b>	<b>72,567</b>	<b>73,484</b>
Expected return on Scheme assets	n/a	n/a
Interest on assets	3,089	3,215
Return on assets less interest	594	5,421
Other actuarial gains / (losses)	(1,246)	0
Total Actuarial gains/(losses)	n/a	n/a
Administration expenses	(40)	(75)
contributions by employer including unfunded	2,850	3,179
Contributions by Scheme participants	652	690
Estimated benefits paid plus unfunded net of transfers in	(4,502)	(4,707)
Settlement prices received/(paid)	(480)	0
<b>Fair value of Scheme assets at end of period</b>	<b>73,484</b>	<b>81,207</b>

#### 12.3.4 Sensitivity Analysis

<b>Sensitivity Analysis</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of defined benefit liability	157,337	160,043	162,798
Projected service cost	3,017	3,090	3,165
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present Value of Total Liability	160,289	160,043	159,798
Projected Service Cost	3,091	3,090	3,089
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Liability	162,574	160,043	157,555
Projected Service Cost	3,164	3,090	3,018
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of defined benefit liability	154,505	160,043	165,628
Projected service cost	2,986	3,090	3,195

### 12.3.5 Re-measurements in Other Comprehensive Income

	31-Mar-14	31-Mar-15
	£000	£000
<b>Re-measurements and Other Comprehensive income</b>		
Return on plan assets in excess of interest	594	5,421
Other actuarial gains/(losses) on assets	(1,246)	0
Change in financial assumptions	(3,219)	(18,111)
Change in demographic assumptions	(7,222)	0
Experience gain/(loss) on defined benefit liability	2,518	(74)
<b>Re-measurements</b>	<b>(8,575)</b>	<b>(12,764)</b>

### 12.3.6 Projected Pension Expense for the year to 31st March 2016

<b>Projections for the year to 31-Mar-16</b>	31-Mar-16
	£000
Service cost	3,090
Interest cost	2,553
Administration Expenses	83
<b>Total</b>	<b>5,726</b>
Employer contributions	3,007

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2015. These projections are based on the assumptions as at 31 March 2015, as described in the main body of this report.

The information included for all of the pension disclosures is provided by Barnett Waddingham, the Actuary for the Pension Fund. Further information can be found in the County Council's Pension Fund's Annual Report which is available on request from the Pensions Services Oxfordshire County Council, Unipart House, Garsington Road, Oxford OX4 2GQ.

## 13. ACCOUNTING POLICIES

### 13.1 General principles

The Statement of Accounts summarises the Council's transactions for the financial year 2013-14 and its position at the year end. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require 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 2014-15*, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the *Service Reporting Code of Practice 2014-15* also issued by CIPFA.

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.

### 13.2 Accruals of Income and Expenditure

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

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

### **13.3 Acquisitions and Discontinued Operations**

There have been no acquisitions or transfer of operations in CDC. Additional policy detail required where a Council has acquired operations (or transferred operations under machinery of government arrangements) during the financial year.

### **13.4 Cash and Cash Equivalents**

Cash and Cash Equivalents comprises of cash on hand and demand deposits which are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. They must be held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

They must be repayable without penalty on notice of not more than 24 hours. Investments must mature in three months or less from the date of acquisition.

### **13.5 Collection Fund Income and Expenditure Account**

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates.

#### **13.5.1 Council Tax**

Collection Fund surpluses/deficits declared by the Billing Authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. For Cherwell District Council, the Council Tax precepting bodies are Oxfordshire County Council and Police and Crime Commissioner.

#### **13.5.2 Council Tax Reduction scheme**

Prior to 2013/14 certain eligible taxpayers had some, or all, of their charge met by Council Tax Benefits. The amount of the benefit was credited to the Collection Fund and appeared as a charge in the billing authority's Central Services to the Public line in the Comprehensive Income and Expenditure Statement. This expenditure was financed by way of a Government grant. From 2013/14 Council Tax Benefits has been replaced by a Council Tax Reduction Scheme which is applied directly to the Council Tax base.

#### **13.5.3 NNDR**

In 2013/14, the Local Government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the district. It does, however, also increase the financial risk to the authority due to significant estimation uncertainties on non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The initial Cherwell District Council share is 40% with the remainder paid to precepting bodies. For Cherwell District Council, the NNDR precepting bodies are Central Government (50% share) and Oxfordshire County Council (10% share). The Cherwell District Council share is then subject to a tariff payment to Government, which was £23,300,337 in 2014/15. The residual amount is then compared to the assessment in the Local Government Finance Settlement and any growth above the Settlement level is subject to a levy payment to Government.

NNDR surpluses/deficits declared by the Billing Authority in relation to the Collection Fund are apportioned to the relevant precepting bodies and Government in the subsequent financial in their respective proportions.

Cherwell District Council participated in a pool with Oxfordshire County Council and West Oxfordshire District Council from 2014/15 to minimise the levy payment due and thereby maximise the retention of locally generated business rates.

### **13.6 Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

The Council has no Exceptional Items in 2014-15.

### **13.7 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Changes in accounting policy no longer need to be material to result in a Prior Period Adjustment.

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

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

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

No material errors have been made in prior year accounts that need to be amended in the 2014-15 accounts.

### **13.8 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 service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution



from revenue towards the reduction in its overall borrowing requirement but as CDC does not hold any debt this requirement is not applicable.

Depreciation, revaluation and impairment losses and amortisations are replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **13.9 Employee Benefits**

### **13.9.1 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 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 entitlements (or any form of leave e.g. time off in lieu, flex-leave) 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 the service account, but then reversed out through the Movement in Reserves Statement so that holiday benefits accrual has no impact on Council Tax and holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **13.9.2 Termination Benefits**

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

### **13.9.3 Post Employment Benefits**

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

The Local Government scheme is accounted for as a defined benefit scheme.

The pension fund liability is calculated every three years by the funds actuary, with annual updates in the intervening years. Methods and assumptions consistent with IAS19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 12. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

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

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond. The discount rates are based on the annualised yield on the iBoxx over 15 year AA rated corporate bond index.

The assets of the Oxfordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value and include quoted securities at current bid price and property at market value.

The change in the net pension's liability is analysed into seven components:

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- **Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **Expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **Gains or losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- **Actuarial gains and losses** – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; and
- **Contributions** paid to the Oxfordshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **13.9.4 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.

### **13.10 Events after the Balance Sheet Date**

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **13.11 Financial Instruments**

#### **13.11.1 Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

#### **13.11.2 Financial Assets**

Financial assets are classified into two types:

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

The Council has financial assets comprising of long-term and short-term investments, long-term debtors, short-term debtors (excluding statutory debts such as Council Tax, Non-Domestic Rates, rent allowances, precepts, etc) and cash & cash equivalents. These are assets that have fixed or determinable payments but are not quoted in an active market. They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

The Council has no available for sale financial assets.

### **13.12 Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **13.13 Government Grants and Contributions**

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, 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 credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund 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.

### **Area Based Grant**

Area Based Grant (ABG) is a general grant allocated by central government directly to local Council's as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

### **Business Improvement Districts**

CDC does not currently have any Business Improvement Districts.

### **Community Infrastructure Levy**

The Authority does not currently charge a Community Infrastructure Levy (CIL).

## **13.14 Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service area in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **13.15 Interests in Companies and Other Entities**

The Council has material interests in companies in 2014/15 for the first time. The companies are the Graven Hill Holding Company and the Graven Hill Development Company. The Council is therefore required to complete Group Accounts for the first time and these are set out in Section 11.

## **13.16 Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

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

## **13.17 Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the 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 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 and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **13.18 Jointly Controlled Operations and Jointly Controlled Assets**

The Council has carried out a comprehensive review and concludes that there are no jointly controlled operations of a material financial nature.

### **13.19 Leases**

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

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

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

#### **13.19.1 The Council as Lessee**

##### **Finance Leases**

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the 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**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## **13.19.2 The Council as Lessor**

### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The 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 in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent 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 and charged as an expense over the lease term on the same basis as rental income.

### **13.20 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014-15* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

The exceptions to the absorption costing principle are:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### **13.21 Property, Plant & 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.

#### **13.21.1 Recognition**

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

#### **13.21.2 Measurement**

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located if the cost is above the £5,000 de minimis threshold.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.



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

Assets are then carried in the Balance Sheet using the following measurement bases:

- Land and buildings – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- infrastructure, community assets and assets under construction – depreciated historical cost; and
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. At Cherwell District Council this applies to our sports centres.

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

Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits taken 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.

At Cherwell District Council, all property valuations are carried out by John Slack MRICS, Head of Regeneration and Estates. The bases of valuations are undertaken in accordance with the Statement of Asset Valuation Practice and Guidance Notes, published by the Royal Institute of Chartered Surveyors (RICS).

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- 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.

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

### **13.21.3 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 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.

#### 13.21.4 Depreciation

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

Depreciation is calculated on the following basis:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer and/or Responsible Officer for that asset; and
- infrastructure – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer, and/or Responsible Officer and/or valuer for that asset.

Newly acquired assets and capital enhancements are depreciated from the year after acquisition, unless the variation in change is considered material. In this respect only, the Council does not fully comply with the requirements of IAS16 Property, Plant & Equipment but this is not a material consideration for the Council.

Useful life of an asset is shown below for the relevant categories

- |                                |                    |
|--------------------------------|--------------------|
| • Infrastructure               | 10, 20 or 40 years |
| • Buildings                    | 10, 20 or 50 years |
| • Vehicles                     | 5, 6 or 7 years    |
| • Computer Equipment / systems | 3, 5 or 10 years   |
| • Other                        | 3, 5 or 7 years    |

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. All assets with a gross value over £50,000 are considered for componentisation. If on consideration a component is assessed to be greater than 20% of the total cost of the asset, it is componentised and the separate components depreciated using appropriate useful lives. Components that are individually less than 20% of the total cost of the asset are not treated as separate components for accounting purposes. They are valued and depreciated as part of the building structure.

The Council has a de minimis limit of £5,000 for capital expenditure purposes which results in the capitalisation of expenditure above that limit as an asset in the balance sheet. Items below this limit charged to revenue.

A materiality level of £50,000 for property assets has been determined by analysing the gross book values of building assets and assessing the impact of using different thresholds. Using a £50,000 limit means that 75% and £73.2m of the Councils £98.2m property portfolio will be assessed for componentisation (figures correct as at 31st March 2014).

The following five components have been identified:

- 1) Land;
- 2) Structure of Building;
- 3) Roof;
- 4) Electrical & Mechanical (inc. Plant & Equipment); and
- 5) Other / specialist.

Each component is considered to depreciate on a straight line basis. The useful life of a component will vary according to the type of property in which it is located and the amount of use to which it is put. The useful life of a component will be determined by the valuer when a component part is identified.

Where a component is replaced or restored, the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected at the cost or new carrying value.

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.

#### **13.21.5 Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, 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 and are kept under their original category.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the 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 (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings and 50% for land, net of statutory deductions and allowances) are payable to the Government. The balance of

receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **13.22 Heritage Assets**

### **13.22.1 Tangible and Intangible Heritage Assets**

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) 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. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis.

There is an annual programme of valuations and items are valued by an external valuer. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers and with reference to appropriate insurance values and commercial markets using the most relevant and recent information from sales at auctions.

### **13.22.2 Heritage Assets – General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, for example, 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 Council's general policies on impairment. The trustees of the Council's Museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council'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.

## **13.23 Private Finance Initiative (PFI) and Similar Contracts**

The Council has no PFI or similar contracts.

## **13.24 Provisions, Contingent Liabilities and Contingent Assets**

### **13.24.1 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 uncertainties.

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

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

#### **13.24.2 Provision for Back Pay Arising from Unequal Pay Claims**

The Authority has no claims for back pay arising from discriminatory payments incurred before the Authority implemented its equal pay strategy.

#### **13.24.3 Contingent Liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### **13.24.4 Contingent Assets**

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

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

#### **13.25 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated 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, retirement and employee benefits

and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

### **13.26 Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the 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 then reverses out the amounts charged so that there is no impact on the level of council tax.

### **13.27 VAT**

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

## 14. GLOSSARY OF TERMS USED IN FINANCIAL STATEMENTS

### **Accrual**

An amount included in the final accounts to cover income or spending during an accounting period for goods or work done, but for which we have not received or made a payment by the end of that accounting period.

### **Accumulated Absences Account**

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

### **Actuarial Gains and Losses**

Actuarial gains and losses, in respect of the pension fund, arise where actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains/losses) or the actuarial assumptions have changed. For example an unexpectedly high pay award may have been made during the year or employee turnover may have been greater than expected. Scheme assets will need to be revalued on the basis of the revised information.

### **Actuarial valuation**

This is when an actuary checks what the pension scheme's assets are worth and compares them with what the scheme owes. They then work out how much the contributions from employers must be so that there will be enough money in the scheme when people get their pensions.

### **Audit**

An independent examination of the Council's accounts to ensure that they comply with the necessary legislation and follow best accounting practice. The Council's accounts are audited by the external auditor. Ernst Young have been Appointed as the Council's external auditor.

### **Balances**

The revenue reserves of the Council, made up of the accumulated surplus of income over expenditure. Balances from part of our reserves.

### **Balance Sheet**

The Balance Sheet is a snapshot of the accounts as at the 31st March. It includes the assets and liabilities of all activities of the Council.

### **Business Rates or National Non-Domestic Rates (NNDR)**

The rates paid by businesses. The money is collected by the Council and administered through the Collection Fund.

### **Capital Adjustment Account**

Reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

### **Capital Charge**

A charge to reflect the cost of fixed assets used to provide services.

**Capital Expenditure**

Spending to buy significant fixed assets that we will use or benefit from for more than a year (for example, land and buildings).

**Capital Receipts**

Proceeds from the sale of assets which have a long term value.

**Cash and Cash Equivalents**

Cash and Cash Equivalents comprises of cash in hand and demand deposits which are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. They must be held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**Cash Flow Statement**

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

**Chartered Institute of Public Finance and Accountancy (CIPFA)**

The leading professional accountancy body for the public services. They set and monitor professional standards and provide education and training in accountancy and financial management. This is the main professional organisation for accountants working in the public service.

**Code of Practice on Local Council Accounting**

A guidance publication which interprets the requirements of International Financial Reporting Standards in the United Kingdom.

**Collection Fund**

This account reflects the statutory requirement to maintain a separate Fund, which shows the transactions of the billing Council in relation to National Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to preceptors and the Council's General Fund. The Collection Fund is consolidated with the other accounts of the Council.

**Collection Fund Adjustment Account**

The practical effect of the changes in the 2009 SORP is that the Collection Fund balance in the Balance Sheet will disappear. The surplus/deficit will be shared out in its entirety between the Council and its preceptors. The preceptors' share will be carried as creditors/debtors, but the Council's share will be credited to its Income and Expenditure Account. The Collection Fund Adjustment Account is then needed to reconcile the net credit made to the Income and Expenditure Account for council tax to the statutory amount in the Statement of Movement - i.e., the demand on the Collection Fund for the year, plus the statutory amount payable/receivable for the year in relation to past deficits/surpluses.

**Community Assets**

Assets that we plan to hold onto indefinitely, that have no set useful life and that may have restrictions on being sold.

**Commutated Sums**

Commutated Sums are negotiated contributions from developers, usually under section 106 Planning Agreements. The amenities provided by this funding are generally on-site play facilities; off-site sports facilities or 15 years open space grounds maintenance.



### **Comprehensive Income and Expenditure Account**

The Income and Expenditure Account reports the net cost of the functions for which the Council is responsible. It shows how the net cost has been financed from general government grants and income from taxpayers.

### **Contingency**

The money we set aside to pay for unexpected spending.

### **Contingent Assets and Liabilities**

An amount we could be owed and owe when we send the accounts for approval. We will include the amount in the balance sheet if we can estimate it reasonably accurately. Otherwise we would add the liability as a note to the accounts.

### **Corporate and Democratic Core**

Split under 2 headings:

Corporate Management: concerns those activities and costs that provide the “infrastructure” that allows services to be provided. Charges to this heading are strictly regulated. If costs can be identified within individual service areas, they cannot be charged here.

Democratic Representation and Management: includes all aspects of Members’ activities including corporate, programme and service policy making, governance and representation of local interests.

### **Council Tax**

The local tax that pays for a proportion of council services. It replaced the poll tax in April 1993.

### **Creditors**

Amounts we owe for work done, goods received or services provided which have not been paid for by the end of the financial year.

### **Current Assets**

An asset which will be used up during the next accounting period e.g. stocks.

### **Current Liabilities**

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

### **Current Service Cost**

Current service (pension) cost is an estimate of the true economic cost of employing staff in a financial year, earning years of service that will eventually entitle them to a lump sum and a pension. It measures the full liability estimated to have been generated in the year (at today’s prices) and is unaffected by whether the fund is in surplus or deficit.

### **Debtors**

Amounts we owe for work done, goods received or services provided which have not been paid for by the end of the financial year.

### **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time, or of obsolescence through technological or other changes.

**Derecognition**

The Code requires investment property to be de-recognised on disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

**Earmarked Reserves**

Reserves set aside for specific purposes.

**Exceptional Items**

Items of income and expense that are deemed to be exceptional based on their significance (material), their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

**Expected Return on Assets**

Under the provisions of IAS19 the expected return on assets is a measure of the return (income from dividends, interest etc.) on the assets held by the scheme for the year. It is not intended to reflect the actual returns, but a longer term measure, based on assets at the start of the year, any movements during the year and an expected return factor.

**Fair Value**

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

**Finance Lease**

A lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

**Financial Instrument Adjustment Account**

This technical guidance requires certain Financial Instruments such as loans and deposits to be valued on the Balance Sheet in accordance with the financial reporting requirements rather than being shown at their "nominal" value. This results in an impact on Service Cost and Interest in the Income and Expenditure Account. However, Accounting Regulations have been put in place to allow the impact of these new accounting requirements to be adjusted in the Statement of Movement in the General Fund Balance. This adjustment has resulted in creation of a Financial Instrument Adjustment Account on the Balance Sheet.

**Fixed Asset**

A tangible asset that yields benefit to the Council and the services it provides for a period of time in excess of one year.

**General Fund**

This account shows the expenditure and income relating to all the services provided by the Council and how the net cost of these services has been financed by the local taxpayers and government grants.

**Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local or national, or international, in the form of cash or transfers of assets to the Council in return for past or future compliance with certain conditions.

### **Heritage Assets**

A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. These are accounted for in accordance with FRS 30 Heritage Assets as adopted in the Code of Practice on Local Council Accounting, as there is no IFRS that deals with heritage assets. Heritage assets can be both tangible and intangible in nature.

### **Housing Benefit**

Payments to people on low incomes to assist them in meeting their housing costs.

### **Impairment**

Impairment occurs where the recoverable amount of the fixed asset is lower than the carrying value amount.

### **Infrastructure Assets**

Fixed assets that are immovable or not transferable, expenditure on which is recoverable only by the continued use of the asset created. Examples of infrastructure assets are the various Town Centre Improvement Schemes.

### **Intangible Assets**

Expenditure which has been capitalised but which does not always produce a fixed asset, e.g. software licences.

### **IFRS**

International financial reporting standards (IFRS) represent a set of generally accepted accounting principles (GAAP) used by companies to prepare financial statements.

International Financial Reporting Standards that have been developed by the International Accounting Standards Board (IASB). These are a set of accounting rules followed by, or being adopted by, more than 100 countries. All member states of the EU are required to use IFRS as adopted by the EU for listed companies since 2005.

### **International Accounting Standard 19 (Retirement Benefits)**

The objectives of IAS19 are to ensure that financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities. The financial statement should also reflect the assets and liabilities arising from an employer's retirement benefit obligations and any related funding at fair values. In addition the operating costs of providing retirement benefits should be recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities should be recognised in the accounting periods in which they arise.

### **Inventories**

These comprise the following:-

- a) goods or other assets purchased for resale;
- b) consumable stores;
- c) products and services in intermediate stages of completion; and
- d) finished goods for resale.

### **Investments**

A long-term investment is an investment for longer than twelve months. Investments which do not meet these criteria are classed as short term investments and shown in current assets.

### **Investment Properties**

Interest in land and / or buildings which is held for its investment potential, rather than its use in the provision of the Council's services to the public, any rental income being negotiated at arms length.

### **Leasing**

A way of paying for capital spending where we pay a rental charge for a certain period of time. There are two main types of leasing arrangements.

a) Finance leases, which transfer all the risks and rewards of owning a fixed asset to the person taking out the lease. These assets are included in the fixed assets in the balance sheet.

b) Operating leases, where the leasing company owns the asset and the yearly rental is charged direct to the income and expenditure account.

### **Local Government Pension Scheme (LGPS)**

Cherwell District Council participates in the LGPS, which is a defined benefit pension scheme based on final pensionable salary. The fund is administered by Oxfordshire County Council.

### **Minimum Revenue Provision**

The minimum amount of the Council's external debt that must be repaid in accordance with Government regulations, by the revenue account in the year of account.

### **Movement in Reserves Statement**

This statement brings together all the recognised gains and losses of the Council during the period and identifies those that have and have not been recognised in the Income and Expenditure account. The statement separates the movements between revenue and capital reserves

### **Net Book Value**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **Non Distributed Costs**

These tend to be costs which, because of their nature, cannot be allocated or apportioned to services. They may include the costs associated with the unused shares of IT facilities or other long-term unused but unrealisable assets. They may also include the costs of past service, settlement and curtailment pension contributions.

### **Non-Operational Assets**

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of its services. Examples of non-operational assets include investment properties and those assets which are surplus to requirements and which are being held pending sale or redevelopment.

### **Operational Assets**

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

### **Past Service Costs**

Under the provisions of IAS19 past service costs are non-periodic costs arising from decisions in the current year but whose financial effect is derived from years of service earned in earlier years. Most costs are likely to be discretionary benefits, including added year liabilities. Any new added years liabilities/past service costs will need to be recognised in non distributed costs.

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

**Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible officer and authorised for issue.

**Precepts**

The amount that the Council is required to collect from council tax payers to fund another, non tax collecting Council's expenditure. Precepts are issued by County, Parish and Town Councils and the local police Council.

**Prior Year Adjustments**

Those material adjustments which apply to previous years, which have arisen from changes in accounting policies or from the correction of fundamental errors. They do not include adjustments of accounting estimates made in prior years.

**Provision**

An amount we set aside to provide for something we will need to pay, but where we do not know the exact amount and the date on which it will arise.

**Related Party Transactions**

The Council is required to disclose any material transactions with related parties to ensure that stakeholders are aware when these transactions take place and the amount and implications of such transactions.

**Reserves**

Amounts of money put aside to meet certain categories of expenditure in order to avoid fluctuations in the charge to the General Fund.

**Revaluation Reserve**

Records the unrealised net gains from revaluations made after 1st April 2007.

**Revenue Expenditure**

The Council's day-to-day expenditure on items which include wages, stationery and interest charges.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Capital expenditure which does not result in, or remain matched with, tangible assets. Examples of this include expenditure on items such as private sector housing grants or expenses included in the promotion of a Private Act of Parliament.

**Revenue Support Grant**

The main non-service specific grant from Central Government to fund the Council's expenditure.

**Service Reporting Code of Practice (SeRCOP)**

This Code of Practice provides guidance on the reporting structure, to enable consistency and comparison of costs with other councils. The highest structure level shown in the statements are mandatory.

**Usable Capital Receipts**

The amount of capital receipts which the Council is able to use to finance capital spending.

**Useful Life**

The period over which the Council will derive benefits from the use of a fixed asset.

**Usable Reserves**

Reserves that can be applied to fund expenditure or to reduce council tax.

**Unusable Reserves**

Reserves that are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and do not represent usable resources for the Council.



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