



DISTRICT COUNCIL  
NORTH OXFORDSHIRE

**Final Draft**

**Statement of Accounts for  
the year 2018/19**

## Contents

Introduction .....	3
Statement of Responsibilities for the Statement of Accounts .....	19
Expenditure and Funding Analysis .....	20
Expenditure and funding analysis adjustments are explained in Note 7a .....	20
Comprehensive Income and Expenditure Statement .....	22
Movement in Reserves Statement.....	24
Balance Sheet.....	26
Cash Flow Statement .....	28
Note 1 - Accounting Policies .....	29
Note 2 - Accounting Standards Issued, Not Adopted .....	52
Note 3 - Critical Judgements in Applying Accounting Policies .....	53
Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty .....	55
Note 5 - Material Items of Income and Expense.....	58
Note 6 - Events after the Balance Sheet Date.....	58
Note 7a - Note to the Expenditure and Funding Analysis.....	59
Note 7b - Segmental Analysis of Income and Expenditure .....	62
Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations .....	63
Note 9 - Transfers to/from Earmarked Reserves .....	67
Note 10 - Other Operating Expenditure.....	71
Note 11 - Financing and Investment Income and Expenditure.....	71
Note 12 - Taxation and Non-Specific Grant Income.....	71
Note 13 - Expenditure and Income Analysed by Nature.....	72
Note 14 - Property, Plant and Equipment.....	74
Note 15 - Investment Properties .....	76
Note 16 - Intangible Assets .....	81
Note 17 - Financial Instruments.....	82
Note 18 - Inventories .....	88
Note 19a - Debtors.....	88
Note 19b Debtors for Local Taxation .....	89
Note 20 - Cash and Cash Equivalents.....	89
Note 21 - Assets Held for Sale.....	89
Note 22 - Creditors.....	90
Note 23 - Provisions .....	90
Note 24 - Usable Reserves .....	92

Note 25 - Unusable Reserves .....	93
Note 26 - Trading Operations .....	99
Note 27 - Agency Services.....	100
Note 28 - Members' Allowances.....	101
Note 29 - Officers' Remuneration.....	101
Note 30 - External Audit Costs .....	104
Note 31 - Grant Income .....	104
Note 32 - Related Parties .....	106
Note 33 - Capital Expenditure and Capital Financing.....	109
Note 34 - Leases.....	110
Note 35 - Impairment Losses .....	112
Note 36 - Termination Benefits.....	112
Note 37 - Defined Benefit Pension Scheme .....	113
Note 38 - Contingent Liabilities.....	122
Note 39 - Contingent Assets .....	122
Collection Fund .....	123
Notes to the Collection Fund .....	124
Note 1. General.....	124
Note 2. Business Rates.....	124
Note 3. Provision for Un-collectable Amounts.....	125
Note 4. Council tax Base .....	125
Group Accounts and Explanatory Notes .....	127
Note 1 Accounting Policies of for the Group .....	135
Note 2 Group Property Plant and Equipment.....	136

## **Introduction**

Welcome to Cherwell District Council's Statement of Accounts for the year ending 31st March 2019. 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).

Should you have any comments or wish to discuss this statement in further detail then please contact the finance team by email on [Finance@cherwellandsouthnorthants.gov.uk](mailto:Finance@cherwellandsouthnorthants.gov.uk) or contact the Finance Team direct on 0300 003 0103.

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

**Yvonne Rees**  
**Chief Executive**  
Cherwell District Council  
PO Box 27  
Banbury  
Oxfordshire  
OX15 4BH

## Narrative Report

### Cherwell District Council – overview of 2018/19

The financial year 2018/19 has been characterised by significant changes to the environment within which Cherwell District Council operates as well as a year of continuing innovation around how we deliver our services for our residents and businesses in partnership with others, a journey that we know will continue into the short, medium and long term. Like many other Local Authorities across the country we have continued to see Central Government funding reduce year on year and the uncertainty of future funding in addition to any Brexit impact on the Council will remain top of the agenda and under review. We know that for our Council owned companies, we are seeing a more direct impact from Brexit uncertainty than perhaps some other local government services so we continue to monitor and manage the impacts as they materialise, as do our companies.

Some of the opportunities and issues affecting us are unique to Cherwell and others are in line with the majority of Local Authorities across the country. We ensure that through our financial and performance management framework that we understand the impact of local, regional and national issues on our residents, businesses and visitors now and in the medium to long term.

Like other Local Authorities, there remains significant uncertainty around our future funding due to the changes to the structural way in which Local Authorities funding is due to change from 2020/21. There is a lack of information coming forward from Central Government around how the changes may impact councils and whilst our Medium-Term Financial strategy and plan identifies a reduction in funding there is a level of risk about how accurate we can predict our future financial model without more detailed information coming forwards. We do consider sensitivity analysis around our funding levels to mitigate any risks, but we are in the same position as all Local Authorities across the country. We have also ensured that we have an appropriate level of reserves to be able to mitigate any short-term impacts of funding reductions that are over and above those that we have modelled in our future projections.

At the same time, Cherwell is a rapidly growing District and we have to ensure that we fully understand the implications for our resources on being able to deliver services to our growing residential and business population. Having a robust and integrated business planning and budget setting process ensures that we understand the link between resource need and service design and delivery.

Local Government Reorganisation in Northamptonshire has meant that the very successful partnership between Cherwell and South Northamptonshire Councils is ending during 2018/19 and into 2019/20. We are in a transition period where we are redefining our services given our new strategic context. We are continuing to work hard to ensure minimal impact on residents. During this transition phase we are exploring options to partner with Oxfordshire County Council where it makes sense for our residents, starting in October 2018 with the shared post of Chief Executive across both authorities. We have also shared a small number of other key posts during 2018/19 where opportunities have arisen either through vacancies or where service alignment makes sense for our residents. We will continue to review opportunities into 2019/20 with Oxfordshire County Council and other partners as appropriate.

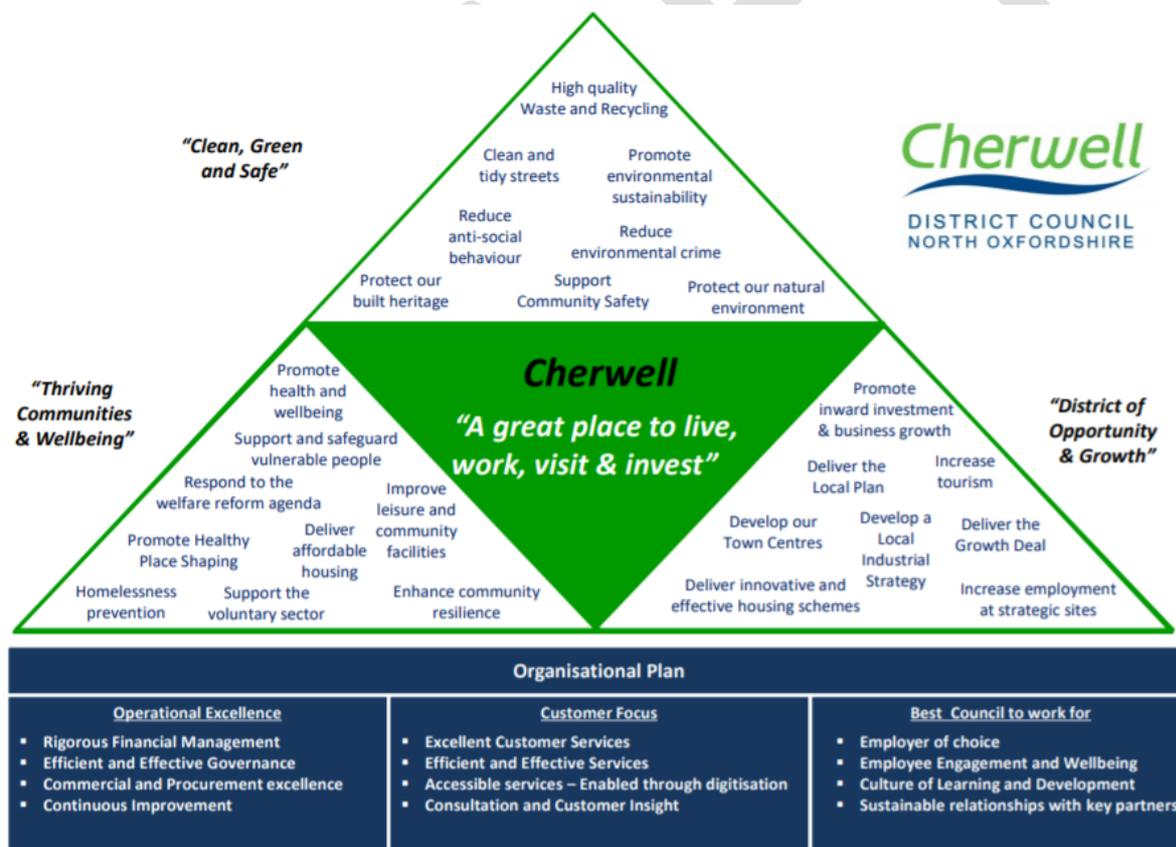
The Council continues to increase its commercial and investment as a way of increasing economic activity across the district for the benefit of all our residents and local businesses. This ensures that we are in a position to positively respond and influence the way in which our area grows in the future. We are part of the Oxfordshire Growth deal that will deliver accelerated housing within the region to meet the needs of our population including much needed affordable housing. As a key player in ensuring housing and economic activity delivery,

we have enhanced our project and programme management this year to ensure we are responding to whole place based issues and are able to exploit our strong internal and external networks to deliver improved outcomes for our local area.

This year has seen us investing in new assets as part of our regeneration plans for our towns as well as enhancing and improving the assets that we own to respond to our needs. The new part of the Castle Quay site in Banbury has started to be developed which should provide an enhanced offer within our town centre for the benefit of the whole town and is an opportunity to attract new visitors to our town centre. We are focussed on linking up assets throughout the town and improving connectivity to benefit the whole area and support our local businesses to thrive as part of that project.

We have also continued to invest in community services and assets across the whole District including The Sunshine Centre in Banbury, The Hill in Bretch Hill and a new ECO centre in Bicester that will provide space for small businesses to operate and grow. We have also continued to provide revenue funding to support community services and projects for the benefit of our residents.

The Council’s business plan describes our overarching priorities and is summarised as follows:



The 2018/19 Business Plan was a joint business plan covering Cherwell and South Northamptonshire Council. The 2019/20 Business Plan will cover Cherwell District Council only as the joint working arrangements between the two Councils come to an end.

New areas of focus for the plan this year include the Healthy Place Shaping agenda, the Industrial Strategy and the Oxfordshire Growth Deal. The vision for the district remains 'A great place to live, work, visit and invest'.

The three strategic priorities are:

- Clean, Green and Safe;
- Thriving Communities and Wellbeing;
- District of Opportunity and Growth.

The Business Plan is underpinned and enabled through an Organisational Plan, illustrated as three pillars, representing the basis upon which we continue to develop our organisation:

- Operational Excellence;
- Customer Focus;
- Best Council to work for.

The service plans currently in development will help shape the performance management framework for 2019/20, of which progress against will be reported to Executive through the monthly Performance, Risk and Finance report.

The Council has set a medium-term financial strategy and the results set out in the statements demonstrate that we as a council continue to be well managed.

### **Organisational Structure**

This year we have seen the joint working arrangements between Cherwell District Council and South Northamptonshire Council come to an end and we are in the process formally separating our services. Members of Cherwell's Executive committee and Cabinet members from Oxfordshire separately approved recommendations to pave the way for joint working between the two authorities.

The decisions follow the announcement that Cherwell was minded to end its current joint working with South Northamptonshire Council following proposals by the Secretary of State for Housing, Communities and Local Government regarding the structure of local government in Northamptonshire.

Councillors at each authority agreed to the principle of implementing joint working arrangements and the establishment of a member-led partnership working group which would include representatives from each council. The proposals also include establishing a joint chief executive for Cherwell District and Oxfordshire County Councils.

### **About the District**

Cherwell District in North Oxfordshire is a predominantly rural area providing an excellent environment in which to live and work. There are three urban centres – Banbury, Bicester and Kidlington – which together contain 63% of the population, with the remainder living in 70 smaller settlements. Cherwell continues to change, with a population currently totalling 148,100

(2017 [https://www.nomisweb.co.uk/reports/lmp/la/1946157323/report.aspx?pc=OX154AA#tabresp\\_op](https://www.nomisweb.co.uk/reports/lmp/la/1946157323/report.aspx?pc=OX154AA#tabresp_op) ) projected to increase to around 154,500 by 2031.



Within Cherwell District Council, like most others we have an ageing population which has an impact on our communities looking at the 2011 Census 2% of the population in Cherwell represented individuals aged 85 years and over. There are currently 65,222 houses that are subject to council tax (February 2019).

### **Political Structure**

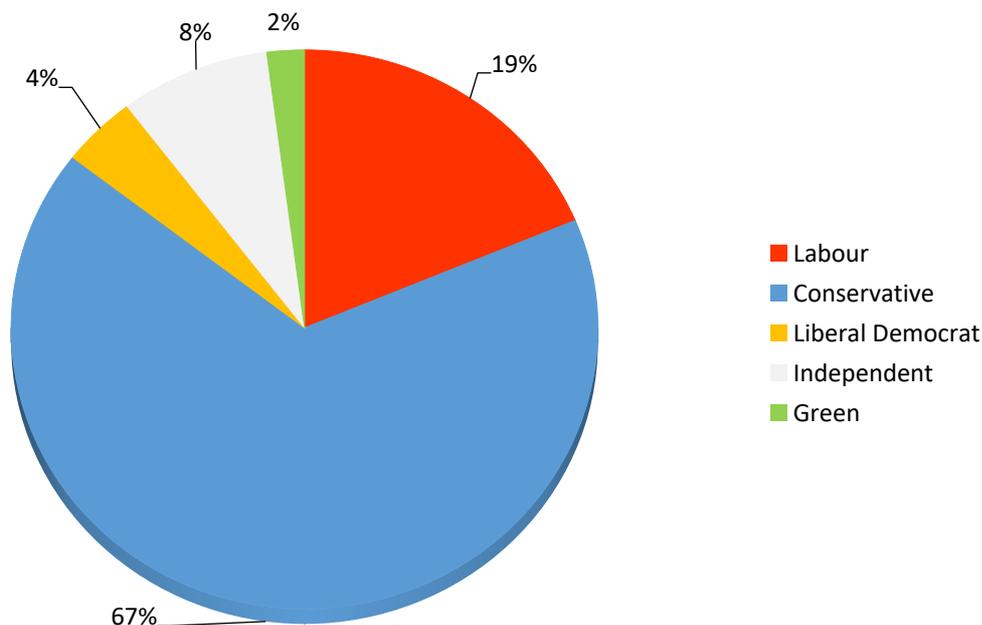
Local Councillors are elected by the community to decide how the council should carry out its various activities. They represent public interest as well as individuals living within the ward in which he or she has been elected to serve a term of office.

They have regular contact with the general public through council meetings, telephone calls or surgeries. Surgeries provide an opportunity for any ward resident to go and talk their councillor face to face and these take place on a regular basis.

Councillors are not paid a salary for their work, but they do receive allowances, the details of which are published annually. By law, all members of the Council are required to complete a declaration of interest form.

The Council has 48 elected councillors and the composition of those is set out in the pie chart

### Composition of the Council



below:

Councillor Maurice Billington was Mayor of the Council for the municipal year 2018/19.

#### Employees

Cherwell District Council operate a robust job evaluation process, which ensures that job grades continue to be determined through objective analysis and job evaluation to maintain the integrity of the pay and grading system.

#### Council's performance

The Council's performance is detailed within its annual performance report. Some highlights are set out below:-

510 new affordable homes delivered, comprising of 335 affordable rented and 175 shared ownership in 2018/19.	Approved Housing Strategy for 2019/20 shaping the housing delivery for the district, with particular emphasis on providing adapted living for the elderly, disabled and vulnerable.	Five conservation area reviews were completed in 2018/19.
Six Neighbourhood blitzes were held during 2018/19 helping our communities to keep areas clean, remove graffiti and provide recycling advice.	Three new electric vans have been purchased underpinning our cleaner greener agenda.	54% recycling rate in 2018/19. We collected 60,508 tonnes of rubbish and recycling which is equivalent to 6,185 lorry loads.

Holiday Hub  
Programmes  
Have seen over 3800  
participants so far this  
year, an increase of 12%  
from 2017.

Banbury and Bicester  
have won Silver Gilt  
awards for this year's  
Thames and Chiltern in  
Bloom Ceremony.

The Council has received  
the highest level of  
certification in Cyber  
Essential Plus which  
reduces the risk of the  
most common cyber  
security threats.

During the year we have continued to seek improvements and innovations in our existing services, as detailed above.

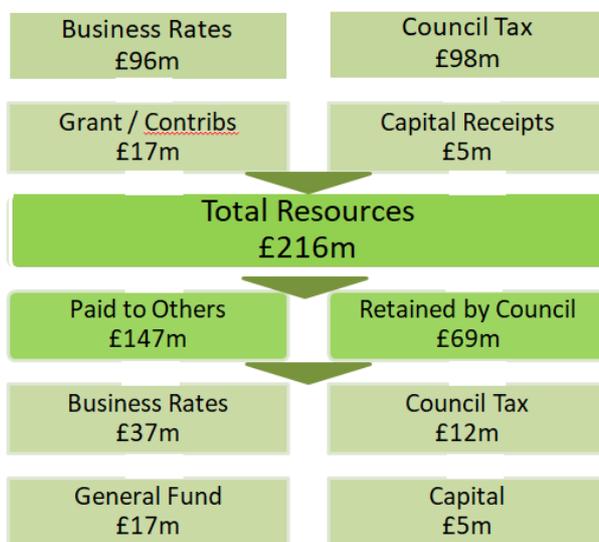
Robust financial management has ensured we have managed our budget well for the year. Although this report is an opportunity to look back at our achievements over the last year, we have robust plans in place to continue excellent performance into 2019/20 through our new business plan.

DRAFT

## Financial Performance

### Financial Overview

#### Revenue Flows



The Council Manages Assets of over £216m the Council collects £96m Business Rates, 50% of this is passed to central government and 10% to the county council, the remaining 40% is retained by the Council.

Council Tax of £98m is collected within the district. The district Council collects Council Tax on behalf of other bodies including Central Government, Oxfordshire County Council and Thames Valley Police and Crime Commissioner.

#### Pension Liabilities

The value of what the Council owes across future years is offset by the value of the assets invested in the pension fund. The value of the pension fund deficit for 2018/19 is £97m; this reflects an increase of £12m from the 2017/18 deficit position.

#### Contingencies

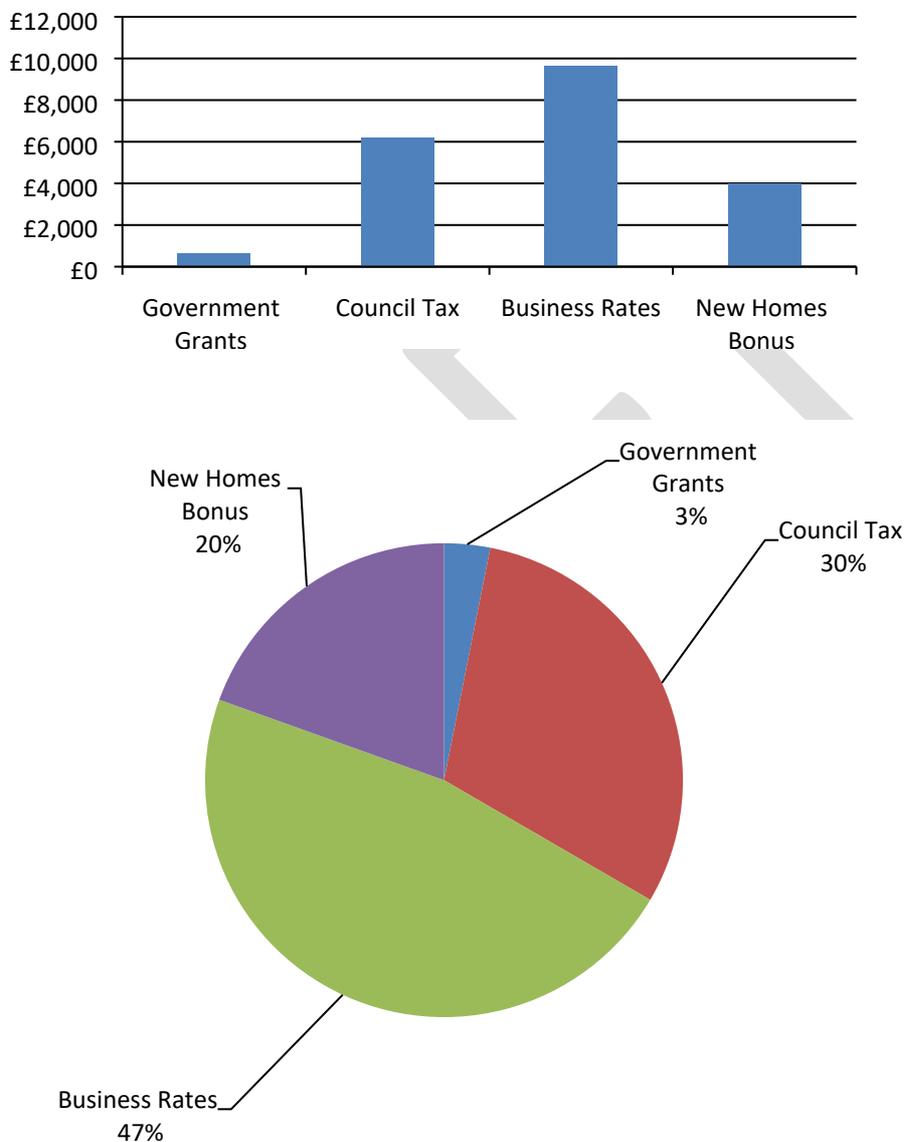
The Council has to set aside a provision for appeals which might arise against business rates valuations. The Council has a large amount of business rates income and therefore has a large appeals provision. The Council has made the provision as follows to ensure that it can meet any future costs arising from business rates appeals.

	<b>2018/19</b>	<b>2017/18</b>
Appeals Provision	£4.9m	£3.8m

The increase in appeals provisions is due to a large number of revaluations which took place towards the end of the financial year and end of year invoices raised.

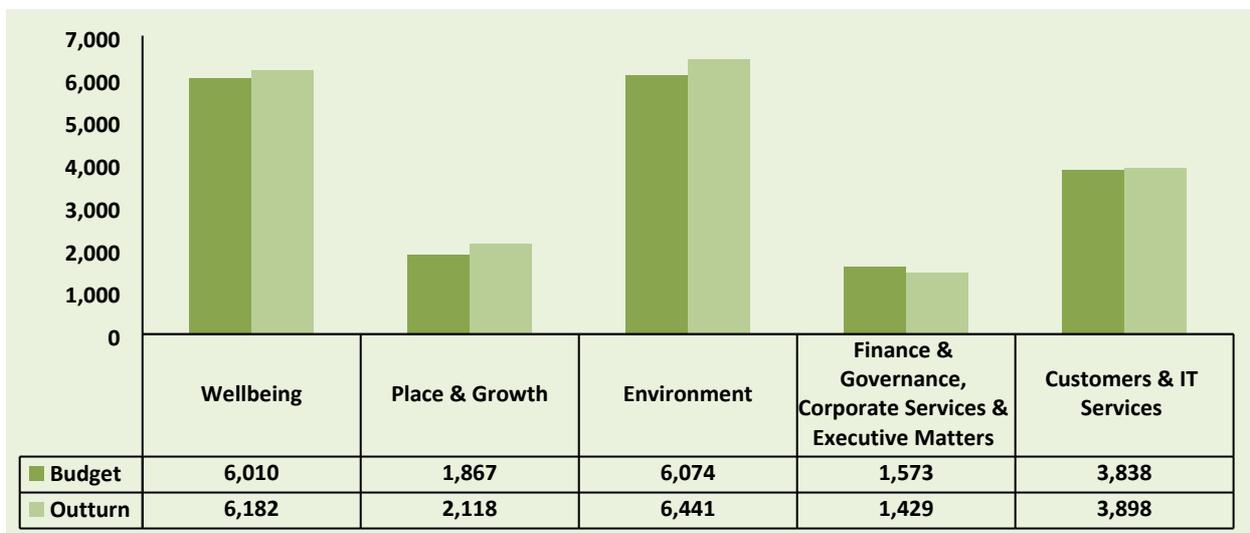
## Council Funding 2018/19

The Councils core funding from central government has been reducing and funding generated as a result of the economic growth development is increasing. Below the graph shows where the council funding has come from.



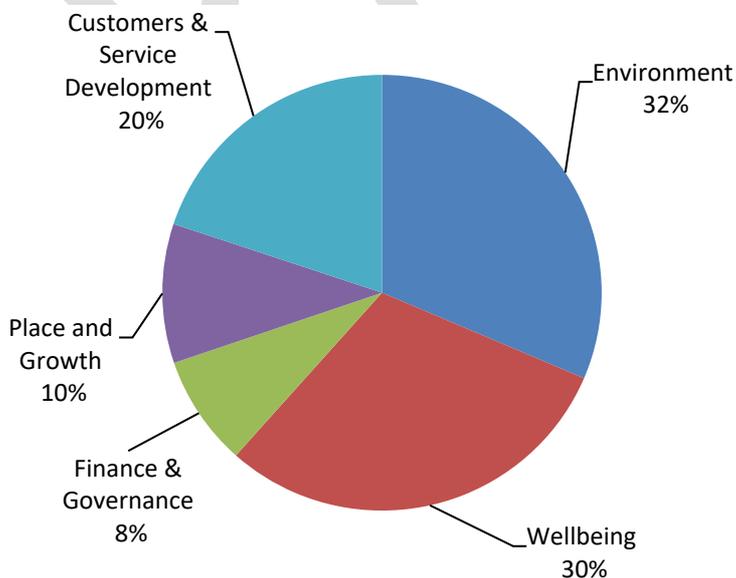
## Council Spending in 2018/19

The illustration below sets out where money has been spent £'000 up to and including March.



### Outturn variances explained

The overall overspend of £706k is related to restructuring and projects costs of £172k in the Wellbeing Directorate, £250k due to restructure costs and advice on the Growth Deal in Place and Growth Directorate and £367k due to the price increase in recycling and bulk handling charges within the Environment Directorate and an underspend on investment management.



### Financial Position

The Council maintains a strong financial position in the current financial climate.

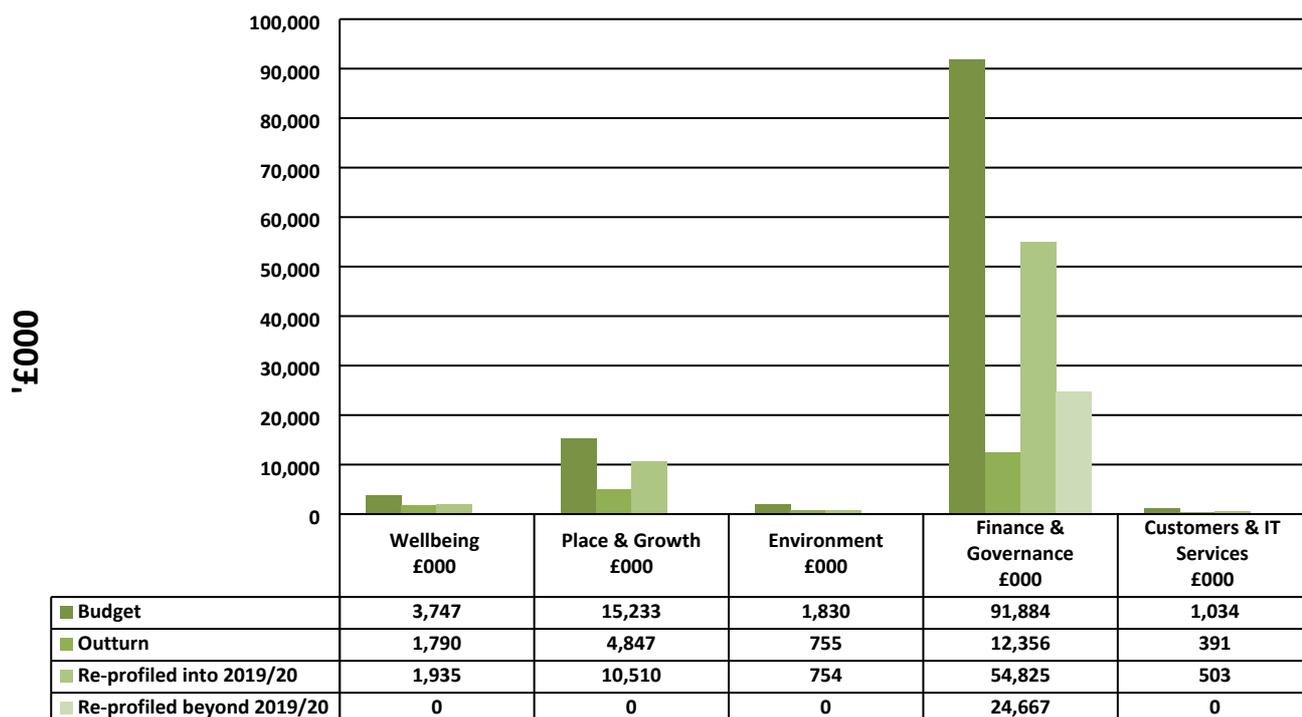
31 March 2019			31 March 2018		
Non current assets (Property and investments) £266m	Long term liabilities (pension and provisions) (£189m)	Funded by: Useable Reserves £22m	Non current assets (Property and investments) £264m	Long term liabilities (pension and provisions) (£129m)	Funded by: Useable Reserves £17m
Net current assets (debtors, creditors and cash) (£44m)		Unusable reserves £11m	Net current assets (debtors, creditors and cash) (£77m)		Unusable reserves £41m
Net Assets £33m			Net assets £58m		

## Capital Expenditure Capital Flows

Total Assets Brought Forward £210m				
Aquisitions £17m	Disposals (£3m)		Revaluations/Fair Value (£33m)	
Total Assets Carried Forward £196m				
Property, Plant & Equipment £123m	Investment Property £72m	Current Assets £27m	Other Long Term Assets £71m	Pension Fund Net Liability (£97m)

The council has an ambitious capital programme which supports its long term strategy of delivering a thriving and vibrant environment across the district as well as recognises the importance of investing in our assets for commercial gain to protect our core statutory functions.

### Capital Spend v Budget



### Capital budget variances explained

The Council has experienced a number of delays and slippage with its capital programme, with the following examples:

- £1.957m due to delays with the Sunshine Centre Project delay and Discretionary Grants Domestic Properties & Disabled Facilities Grant not being required
- £10.386m due to delays with the East West Railways, Admiral Holland and the Build Programme Phase 2 project delays/postponement
- £0.755m of parking equipment and vehicles not being required
- £79.528m due to a later start of Castle Quay Waterfront Town Centre Redevelopment project and
- £0.643m due to a delayed implementation of new a telephone system.

## Major Schemes

The information below describes our major schemes and projects and the outcomes that we will achieve. These major strands of our increasing commercial outlook on managing our resources for Cherwell.

### Castle Quay - Leisure complex



#### Castle Quay

Our existing Castle Quay shopping centre is in the heart of Banbury town centre. We have started construction on leisure facilities as part of Phase 2 to deliver a hotel, and barrage of outlets, a new cinema, supermarket. This will broaden our town centre offer and be a part of strengthening our town centre.

### North West Bicester Eco-Centre



#### North West Bicester Eco-Centre

This development in North West Bicester has been constructed to highly sustainable standards and has inspired a range of initiatives in the town including the construction of zero or low carbon buildings, improvements to the energy efficiency of existing buildings, improvements for cycling and walking, and support for recycling.

### Build Programme



#### Build Programme

The programme delivers affordable housing across the district in various forms, such as affordable rent, shared ownership and assisted living and on behalf of other stakeholders too.

## **Future Financial Outlook**

For the financial year 2020/21 onwards, the Council has an identified gap per annum of approximately £3m that grows to about £4.9m in 2023/24. The gap reflects the anticipated reduction in overall levels of funding that the Council are expecting but the Council to date.

This year the Council are undertaking a very detailed review of our budgets across all areas to ensure that we will be able to set a balanced budget in the future. The Council continues to transform the way we deliver services to both reduce cost whilst ensuring any negative impacts for our residents and businesses are minimised, and in fact in many cases improve performance for our community.

The council continues to review how we operate as an organisation now that our relationship with South Northamptonshire is coming to an end. We are increasingly working with Oxfordshire County Council and other partners to bring benefits for our services and there are also likely to be some financial benefits of doing so too.

The Council has also acquired some additional commercial sites in 2018/19 and there are financial benefits that will flow into 2019/20 and beyond which will support both the councils strategic objectives as well as a positive financial outlook.

The Council is aware of and monitors its risk profile across all of its activities and on a monthly basis monitors its performance, risk and financial outlook in one integrated report. This ensures that all officers, councillors and other stakeholders can understand the interrelationship between these areas. The leadership risk register highlights those strategic risks that the council is managing and covers areas such as financial sustainability, corporate capacity, management of corporate responsibilities such as safeguarding and health, safety and wellbeing as well as maximising the benefits of joint working.

Our largest capital scheme and commercial property centres around the Castle Quay site in Banbury and we closely monitor and manage the opportunities and risks around this site.

The existing centre was bought not only as an investment, with revenue returns returned to the council to cover all running costs as well as provide a financial return, but also to ensure that a valuable town centre asset was protected for our residents. The decision to purchase also ensured that the plans for the adjacent site that will be developed into leisure units would actually be delivered as this had been stalled by the original owners.

We regularly review tenant activity as well as ensure that we actively manage the existing asset to diversify the offer within the town centre. Market analysis shows that offering a broader, more experiential offer has a positive impact on the whole site. The new Castle Quay waterfront site includes a supermarket, hotel, cinema and food and beverage offer which will attract visitors and improve the night-time economy offer which should have an overall positive benefit and provide protection from the market conditions around retail risk.

In addition, the Council has recently announced a new and exciting venture within the existing retail site which includes food, beverage, community space and education space within what was a vacant department store site. Lock29 has been announced as well as our partnership with Happerley, a new venture which embraces and encourage the UK Food industry to validate provenance of food. They have chosen Banbury and specifically Lock 29 in Castle Quay as the national centre of food and drink provenance in England which is a major boost for the centre.

We actively engaging manage the site to ensure that the existing shopping centre is well used, well managed and diversifying the offer that we have on-site to ensure that the centre remains

a vibrant and attractive place for the town centre. All of this will help ensure that the site remains viable. We have very few vacant units within the centre and we actively manage the space. We are attracting new retailers into the centre including some exciting new opportunities that will be delivered in 2019/20 and have been remodelling units to maximise the opportunities to secure more varied tenants.

We have a cross-party advisory group made up of Members and Officers who consider the way in which this site as well as the new Castle Quay site is managed and to explore how to ensure the Centre is both commercially successful as well as contribute to the wider council's objectives.

DRAFT

## **The Financial Statements**

The Statement of Accounts sets out the Councils income levels and spending for the year and its financial position at 31<sup>st</sup> March 2019. The accounts include core and supplementary statements along with notes providing additional insight.

The format and context of the financial statements is set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and is underpinned by International Financial Reporting Standards.

### ***The Core Statements can be described as:***

Comprehensive Income and Expenditure Statement – this shows the cost of providing services across the district during 2018/19. The top half of the statement sets out spend by service area and the bottom half deals with corporate transactions and funding. The statement shows the accounting cost of services rather than the amount being funded by taxation.

Movement in Reserves Statement – this sets out the changes and use of reserves during 2018/19. The reserves are analysed into usable (used for service improvements or capital projects) and unusable (which are set aside for specific purposes).

Balance Sheet – this shows the position of the Councils assets, liabilities, cash, investments and reserves at the yearend date.

Cash Flow Statement – this shows how the Councils cash balances have changed during the year and explains what this is due to. Movements can be to investment, operating or financing activities such as borrowing.

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

Notes to the Accounts – these provide additional insight into the accounting policies and accounting transactions during the year.

Collection Fund – this shows a summary of the collection of Council Tax and Business Rates during the year as well as any redistribution of that money to other local authorities and central government.

Pension Fund Account – this shows the overall position of the investment in the Local Government Pension Fund on behalf of Council employees.

Group Accounts – these set out the consolidated position for the council and its subsidiary companies, namely Graven Hill companies, Crown House Banbury Limited and CSN limited. The Council also significantly funds Banbury Museum Trust which is not part of the group.

The Annual Governance Statement – this provides an overview of the governance arrangements and assessment of internal controls the Council has in place.

## **Statement of Responsibilities for the Statement of Accounts**

### **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 S151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### **The S151 Officer's responsibilities**

The S151 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 S151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code;

The S151 Officer has also:

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

### **S151 Officer's 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 2019.

**Adele Taylor FCPFA**  
**S151 Officer**

**Date:**

### **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:**

## Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the Comprehensive Income and Expenditure Statement and immediately precedes the Comprehensive Income and Expenditure Statement.

2017/18			2018/19			
Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
304	0	304	Chief Executive Services	168	64	232
7,707	0	7,707	Wellbeing	3,981	3,603	7,584
5,983	0	5,983	Place and Growth	1,917	4,296	6,213
5,102	0	5,102	Environment	4,542	2,910	7,452
5,418	0	5,418	Finance and Governance	(16,057)	29,131	13,074
4,685	0	4,685	Customers and Service Development	3,530	1,479	5,009
0	0	0	Non-Distributed Services	0	0	0
<b>29,199</b>	<b>0</b>	<b>29,199</b>	<b>Net Cost of Services</b>	<b>(1,919)</b>	<b>41,483</b>	<b>39,564</b>
(17,475)	(6,832)	(24,307)	Other Income and Expenditure	(8,184)	(691)	(8,875)
<b>11,724</b>	<b>(6,832)</b>	<b>4,892</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(10,103)</b>	<b>40,792</b>	<b>30,689</b>
(19,721)			Opening Combined General Fund Balance	<b>(16,849)</b>		
2,872			Plus / less (Surplus) or Deficit on the General Fund Balance for the Year (Statutory basis)	(10,103)		
<b>(16,849)</b>			<b>Closing Combined General Fund Balance</b>	<b>(26,952)</b>		

Expenditure and funding analysis adjustments are explained in Note 7a

## Comprehensive Income and Expenditure Statement

2017/18				2018/19		
Expenditure	Income	Net		Expenditure	Income	Net
£'000	£'000	£'000	Notes	£'000	£'000	£'000
304	0	304		249	(17)	232
10,148	(2,441)	7,707		10,683	(3,099)	7,584
8,821	(2,838)	5,983		10,268	(4,055)	6,213
10,221	(5,119)	5,102		12,974	(5,522)	7,452
43,766	(38,348)	5,418		48,239	(35,165)	13,074
5,138	(453)	4,685		5,267	(258)	5,009
<b>78,398</b>	<b>(49,199)</b>	<b>29,199</b>		<b>87,680</b>	<b>(48,116)</b>	<b>39,564</b>
5,050	(2,214)	2,836	10	5,259	(2,731)	2,528
9,977	(7,220)	2,757	11	28,801	(11,399)	17,402
0	(29,900)	(29,900)	12	0	(28,805)	(28,805)
<b>93,425</b>	<b>(88,533)</b>	<b>4,892</b>		<b>121,740</b>	<b>(91,051)</b>	<b>30,689</b>
		(3,401)	13			(7,795)
		0	24			0
		(8,263)	36			6,100
		<b>(11,664)</b>				<b>(1,695)</b>
		<b>(6,772)</b>				<b>28,994</b>

## Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2018</b>	(1,001)	(15,693)	0	(378)	<b>(17,072)</b>	(44,372)	<b>(61,444)</b>
<b>Movement in reserves during 2018/19</b>							
Surplus or deficit on the provision of services	<b>30,689</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,689</b>	<b>0</b>	<b>30,689</b>
Other Comprehensive Income / Expenditure	0	0	0	0	0	(1,695)	<b>(1,695)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>30,689</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,689</b>	<b>(1,695)</b>	<b>28,994</b>
Adjustments between accounting basis and funding basis under regulations - Note 08	(37,285)	0	0	233	<b>(37,052)</b>	37,052	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(6,596)</b>	<b>0</b>	<b>0</b>	<b>233</b>	<b>(6,363)</b>	<b>35,357</b>	<b>28,994</b>
Transfers to / from Earmarked Reserves - Note 09	4,672	(4,672)	0	0	<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2018/19</b>	<b>(1,924)</b>	<b>(4,672)</b>	<b>0</b>	<b>233</b>	<b>(6,363)</b>	<b>35,357</b>	<b>28,994</b>
<b>Balance at 31 December 2018</b>	<b>(2,925)</b>	<b>(20,365)</b>	<b>0</b>	<b>(145)</b>	<b>(23,435)</b>	<b>(9,015)</b>	<b>(32,450)</b>

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2017</b>	(2,514)	(17,207)	(2,945)	(165)	<b>(22,831)</b>	(31,841)	<b>(54,672)</b>
<b>Movement in reserves during 2017/18</b>							
Surplus or deficit on the provision of services	<b>4,892</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,892</b>	<b>0</b>	<b>4,892</b>
Other Comprehensive Income / Expenditure	0	0	0	0	0	(11,664)	<b>(11,664)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>4,892</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,892</b>	<b>(11,664)</b>	<b>(6,772)</b>
Adjustments between accounting basis and funding basis under regulations - Note 08	(1,865)	0	2,945	(213)	<b>867</b>	(867)	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>3,027</b>	<b>0</b>	<b>2,945</b>	<b>(213)</b>	<b>5,759</b>	<b>(12,531)</b>	<b>(6,772)</b>
Transfers to / from Earmarked Reserves - Note 09	(1,514)	1,514	0	0	<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2017/18</b>	<b>1,513</b>	<b>1,514</b>	<b>2,945</b>	<b>(213)</b>	<b>5,759</b>	<b>(12,531)</b>	<b>(6,772)</b>
<b>Balance at 31 March 2018</b>	<b>(1,001)</b>	<b>(15,693)</b>	<b>0</b>	<b>(378)</b>	<b>(17,072)</b>	<b>(44,372)</b>	<b>(61,444)</b>

## Balance Sheet

31 March 2018				31 March 2019	
£'000	Notes			£'000	
123,861	14	Property, Plant and Equipment		121,950	
80,871	15	Investment Property		72,240	
781	16	Intangible Assets		837	
22,538	17	Long Term Investments		22,828	
38,773	17	Long Term Debtors		48,190	
<b>266,824</b>		<b>Long Term Assets</b>		<b>266,045</b>	
7,001	17	Short-term Investments		6,008	
169	18	Inventories		220	
11,322	19	Short Term Debtors		11,201	
12,629	20	Cash and Cash Equivalents		9,313	
<b>31,121</b>		<b>Current Assets</b>		<b>26,742</b>	
(90,611)	17	Short-Term Borrowing		(43,128)	
(13,495)	22	Short-Term Creditors		(21,640)	
(2,172)	23	Provisions		(1,468)	
(2,330)	31	Grants Receipts in Advance - Revenue		(4,694)	
<b>(108,608)</b>		<b>Current Liabilities</b>		<b>(70,930)</b>	
(1,918)	23	Provisions		(3,717)	
(21,173)	17	Long Term Borrowing		(68,436)	
(85,247)	37	Pension Liabilities		(98,100)	
(1,588)	17	Long Term Creditors		(1,582)	
(17,967)	31	Grants Receipts in Advance - Capital		(17,572)	
<b>(127,893)</b>		<b>Long Term Liabilities</b>		<b>(189,407)</b>	
<b>61,444</b>		<b>Net Assets</b>		<b>32,450</b>	
(17,072)	24	Usable Reserves		(21,764)	
(44,372)	25	Unusable Reserves		(10,686)	
<b>(61,444)</b>		<b>Total Reserves</b>		<b>(32,450)</b>	

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2019 and its income and expenditure for the year to 31 March 2019.

Adele Taylor FCPFA  
S151 Officer

Date:

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period.

2017/18		2018/19
£'000		Note      £'000
<b>Cash Flows from Operating Activities</b>		
4,892	Net (Surplus)/Deficit on Provision of Services	30,689
(2,604)	Depreciation & Impairment	14      (2,779)
(1,119)	Changes in Market Value of Property, Plant & Equipment	14      (11,997)
(226)	Amortisation of Intangible Assets	16      (250)
(779)	Changes in Fair Value of Investment Properties	15      (19,280)
(1,861)	Disposal of Assets	14      2,394
35	Changes in Inventory	18      51
17,055	Changes in Debtors	19      (121)
2,005	Changes in Creditors	22      (8,145)
(1,662)	Changes in Provisions	23      (1,095)
2,856	Changes in Deferred Capital Receipts	25      0
7,203	Changes in Net Pension Liability	25      (12,853)
(612)	Remeasurement of Net Defined Benefit Liability	37      (3,024)
4	Changes in long term creditors	6
(3,706)	Capital Grants Recognised	31      (2,805)
4,088	Proceeds on Disposal of Property, Plant & Equipment	24      5,423
<b>25,569</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(23,786)</b>
<b>Cash Flows from Investing Activities</b>		
17,523	Purchase of Property, Plant & Equipment	14      7,962
66,014	Purchase of Investment Property	15      9,980
178	Purchase of Intangible Assets	16      306
(4,088)	Proceeds from the Disposal of Property, Plant and Equipment	24      (5,423)
5,168	Net Changes in Short-term and Long-term Investments	17      (703)
<b>84,795</b>	<b>Net Cash Flows from Investing Activities</b>	<b>12,122</b>
<b>Cash Flows from Financing Activities</b>		
4,524	Changes in Grants and Contributions	31      4,000
3,706	Capital Grants and Contributions Recognised	31      2,805
(111,784)	Cash Receipts of Short-term and Long-term Borrowing	17      220
(13)	Any other items for which the cash effects are investing or financing cash flows	1,114
(245)	Changes in Council Tax and Business Rates Collected for Third Parties	10      209
<b>(103,812)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>8,348</b>
<b>6,552</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents in the Period</b>	<b>(3,316)</b>
<b>6,077</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>12,629</b>
<b>12,629</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	<b>20      9,313</b>
<b>Items included in net cash flow from operating activities include:</b>		
(1,866)	Interest Receivable and similar income	17      (3,373)
688	Interest Payable (including Finance lease interest)	17      1,587
<b>(1,178)</b>		<b>(1,786)</b>

## **Note 1 - Accounting Policies**

### **General principles**

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices under Section 21 of the 2003 Act primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* and the *Service Reporting Code of Practice 2018/19*, supported by *International Financial Reporting Standards (IFRS)* and statutory guidance issued under section 12 of the 2003 Act.

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.

### **Going Concern**

The Accounts are prepared on a going concern basis, i.e. on the assumption that the Council will continue to operate for the foreseeable future.

### **Accruals of Income and Expenditure**

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

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- 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.
- 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.

- The de minimis level for manual accruals has been maintained at £20,000, which is reviewed annually. This removes small transactions at the end of the financial year that do not materially affect the accounts. The purchase orders processed automatically through the financial information system are all processed with no de minimis level for these transactions.
- For business rates, the levy or safety net payments owed to or from Central Government for the financial year are reported in the year they relate to on an accruals basis. Cherwell is the lead authority for the North Oxfordshire Pool and has accounted for the amounts owing to the Pool for levy payments and owed to the other pool members for the gain from the pool on an accruals basis.

### **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### **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 2017-18 accounts.

### **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;
- Amortisation of intangible fixed assets attributable to the service.

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

### **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.

### **Council Tax and Non-domestic Rates**

- Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.
- 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. For Cherwell District Council, the NNDR precepting bodies are Central Government (50% share) Cherwell District Council (40% share) and Oxfordshire County Council (10% share).

- Cherwell District Council participates in a Business Rates pool with Oxfordshire County Council and West Oxfordshire District Council to minimise the levy payment due and thereby maximise the retention of locally generated business rates.

### **Accounting for Council tax and NDR**

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

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### **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. From 2013/14 Council Tax Benefits has been replaced by a Council Tax Reduction Scheme which is applied directly to the Council Tax base.

### **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 2018-19.

### **Employee Benefits**

- **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave 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.

- **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

- **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 36. 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 the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the 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;
- Net interest on the net defined benefit liability (asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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.

- **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.

### **Events after the Reporting Period**

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.

### **Financial Instruments**

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

### **Financial Liabilities**

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

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and

Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

The fair value of Public Works Loan Board (PWLB) loans is calculated using the certainty rate published by the PWLB on 31 March 2019. For non-PWLB loans the fair value is deemed to be the standard new loan rate also published by the PWLB on 31 March 2019.

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

amortised cost

fair value through profit or loss

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. 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 (CIES) for interest receivable are based on the carrying amount of the

asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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 CIES.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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

### **Financial Assets Measured at Fair Value through Profit of Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

instruments with quoted market prices – the market price

other instruments with fixed and determinable payments – discounted cash flow analysis

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

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

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

Level 3 inputs – unobservable inputs for the asset.

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

### **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.

### **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.

## **Heritage Assets**

### **Heritage Assets—measurement and valuation**

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.

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.

## **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.

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

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses in 2018/19, the Graven Hill Development Company, Crown House Banbury Ltd, CSN Resources Ltd and CSN associates.

Group Accounts have prepared in accordance with paragraph 9.1.2.60 of the Code, using uniform accounting policies for like transactions and other events in similar circumstances.

### **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 consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

### **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. As a council we hold investment properties for regeneration purposes.

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. As a non-financial asset, investment properties are measured at highest and best use. 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.

## **Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly.
- its liabilities, including its share of any liabilities incurred jointly.
- its revenue from the sale of its share of the output arising from the joint operation.
- its share of the revenue from the sale of the output by the joint operation.
- its expenses, including its share of any expenses incurred jointly.

The council shares CSN Resources Ltd and CSN associates with South Northamptonshire Council but does not have overall control; therefore, as a party to a joint operation, Cherwell District Council will include its share of CSN Resources Ltd and CSN associates in its group accounts using the equity method.

## **Leases**

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

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

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

## **The Council as Lessee**

### **• Finance Leases**

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

- 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).

## **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.

### **Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When applying the definition of fair value, non-financial assets and, non-current assets held for sale shall be measured at highest and best use.

### **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.

### **Recognition**

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

## Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the 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 £10,000 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – (depreciated) historical cost.
- dwellings – Current value, determined using the basis of existing use value for social housing (EUV-SH).
- other land and buildings and operational assets where there is an active market – Current value determined as the amount that would be paid for the asset in its existing use (EUV).
- operational assets where there is an active market Operational assets where there is no market-based evidence of current value because of the specialist nature of the asset and/or the asset is rarely sold ( i.e. EUV cannot be determined), depreciated replacement cost (DRC) using the 'instant build' approach as an estimate of current value.
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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 current value are revalued regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits 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 currently carried out by Montagu Evans and Colliers. 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.

### **Impairment**

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the

relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

- 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 of acquisition.

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

- |                                |                    |
|--------------------------------|--------------------|
| • Infrastructure               | 10, 20 or 40 years |
| • Buildings                    | 10 to 60 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 £10,000 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.

The following two components have been identified:

- Land;
- Structure of Building;

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.

### **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.

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

### **Fair Value Measurement**

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

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

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

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

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

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

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

### **Minimum Revenue Provision**

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation on Non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

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

#### **Provisions**

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

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.

#### **Contingent Assets**

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

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

### **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.

### **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.

### **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.

### **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.

## **Note 2 - Accounting Standards Issued, Not Adopted**

Under The Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (the Code) the Council is required to disclose setting out the impact of accounting code changes required by new accounting standards that have been issued but not yet adopted by the code.

The statement of accounts for 2018/19 has been updated to highlight the impact of International Financial Reporting Standard 9 – Financial instruments and, which was introduced in 2018/19. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets. An initial review has indicated that whilst this may result in presentational changes and additional disclosures, there will be no impact on financial performance given the nature of current financial assets held.

The following are the accounting policies that have been issued but as yet have not been adopted by the Council as at the Balance Sheet date.

- IFRS16 Leases will require Local Authorities that are lessees to recognise most leases on their balance sheet as right-of use-assets with corresponding Lease liabilities. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.
- *Amendments to IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as an investment property.*
- *Annual Improvements to IFRS Standards 2014 - 2016 Cycle*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration. This will have no material impact as the council does not have material foreign currency transactions.*
- *IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. Will have no impact on single entity accounts and minimal impact on group accounts.*
- *Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.*

The above amendments are not expected to have a material impact on the information provided in local authority financial statements in 2019/20.

### **Note 3 - Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the authority 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 as follows.

#### **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. The Council regularly reviews its strategic risks at senior management and Member level. The Council has identified the potential impact of the funding uncertainty on its resources and future service delivery. The Council has identified this within our overall Leadership risk register and continues to review the impact of this ongoing review and will review any impact that this may have on future years funding and identify this in our Medium-Term Financial Plan as the impact becomes more certain.

#### **Lease Accounting**

- Judgement is required in the initial classification of leases as either operating leases or finance leases. Where a lease is taken out for land and buildings combined, the lease may be capitalised as a finance lease if it meets the criteria for a finance lease, but will be classed as an operating lease by the Council unless title transfers at the end of the lease. The accounting policy for leases is set out in Note 1.
- The Council's Leisure centres and Leisure service is operated by Parkwood Leisure, an organisation that leases and operates the leisure centres previously run by the Council. It has been determined that the council does not have control of Parkwood Leisure and it is not a subsidiary of the authority and the assets are leased from the council as operating leases which means the council retains ownership of these assets and the type of contract between the Council and Parkwood Leisure is a service operating agreement.

#### **Provision for Outstanding Business Rates Appeals**

- On 1 April 2013, Local Authorities assumed the liability for refunding ratepayers who have successfully appealed against the Business Rates rateable value of their properties. The provision is charged to the Collection Fund.

- In relation to Business Rate Retention, the council has estimated a provision for NNDR rate appeals. We have analysed information from the valuation office and consulted with other Oxfordshire Authorities and used information from the valuation office agency (VOA) revaluation to arrive at the figure in the accounts. The top-up and tariff equalisation mechanism in the business rates retention scheme was adjusted for 2018/19 to ensure that authorities were no better or worse off as a result of the revaluation of rateable values that took effect from 1 April 2017.
- The introduction of the new 2017 rating list on 1<sup>st</sup> April 2017 and the new methodology of businesses making appeals to the VOA of 'Check, Challenge and Appeal' required us to change the method of calculating potential losses on appeals and is now based upon a % of net rates payable.
- For all outstanding appeals on the 2010 rating list, the methodology has not changed and is based upon the past success of appeals that have been lodged and is updated with the information provided by the VOA on a monthly basis relating to settled appeals.

#### Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

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 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.	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 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 £122,787k
Impairment of Property, Plant & Equipment & Intangible Assets	<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> </ul>	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.

	<ul style="list-style-type: none"> <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>	
Fair Value Measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for <i>similar</i> assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 15 below.</p>	<p>The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets).</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.</p>
Impairment allowance for doubtful debt	<p>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.</p>	<p>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.</p>
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</p>	<p>The assumptions used by the Council are set out in note 37 and are estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in</p>

	<p>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>	<p>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 37.</p>
<p>Provision for Business Rates Appeals</p>	<p>Following the changes in accounting for Business Rates, the Council has set up a provision for Business Rates appeals. The provision has been calculated based upon the latest appeals list from the Valuation Office. Business Rates Pool has used its local knowledge to calculate their provisions, for Cherwell this equated to 13.4% of Net Rates Payable.</p>	<p>If the provision for appeals was increased by 1% the resulting increase would be £922,733 shared across Central Government (50%), the county council (10%) and Cherwell District Council (40%)</p>

## **Note 5 - Material Items of Income and Expense Pensions**

The actuary carried out a valuation as at 31 March 2019. This has resulted in pension assets increasing from £105m 31 March 18 to £110m 31 March 19. Liabilities have increased from £190m 31 March 18 to £208m 31 March 19, which resulted in a net increase in liability of £12m.

## **Note 6 - Events after the Balance Sheet Date**

The Statement of Accounts will be authorised for issue by the S151 Officer on 29th May 2019. 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, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## **Northamptonshire Local Government Reorganisation**

In May 2018 it was decided that Cherwell District Council will formally part company with South Northamptonshire Council. The decision for South Northants to be part of a Unitary Council has now been extended to April 2021. The costs associated with this decision are ongoing at the time of production of the Statement of Accounts and the finer details are being worked on. It is expected that the impact will be minimal due to the majority of services already being separated or in the process of being separated.

## Note 7a - Note to the Expenditure and Funding Analysis

2018/19

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000	£'000
Chief Executive Services	0	79	0	0	79
Wellbeing	2,862	909	0	0	3,771
Place and Growth	3,184	1,426	0	0	4,610
Environment	1,081	2,252	0	0	3,333
Finance and Governance	28,189	1,083	0	0	29,272
Customers and Service Development	308	1,442	0	0	1,750
Non-Distributed Services	0	0	0	0	0
<b>Net Cost of Services</b>	<b>35,624</b>	<b>7,191</b>	<b>0</b>	<b>0</b>	<b>42,815</b>
Other Income and Expenditure	(3,177)	2,273	(241)	0	(1,145)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>32,447</b>	<b>9,464</b>	<b>(241)</b>	<b>0</b>	<b>41,670</b>

2017/18

	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Chief Executive Services	0	63	0	0	63
Wellbeing	1,917	606	0	0	2,523
Place and Growth	2,202	720	0	0	2,922
Environment	580	953	0	0	1,533
Finance and Governance	332	503	0	0	835
Customers and Service Development	310	666	0	0	976
Non-Distributed Services	0	0	0	0	0
<b>Net Cost of Services</b>	<b>5,341</b>	<b>3,511</b>	<b>0</b>	<b>0</b>	<b>8,852</b>
Other Income and Expenditure	(2,082)	(2,272)	(2,478)	0	(6,832)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>3,259</b>	<b>1,239</b>	<b>(2,478)</b>	<b>0</b>	<b>2,020</b>

### **Adjustments for Capital purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the service line.

- For other operating expenditure, it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- For financing and investment income and expenditure, it adjusts for the statutory charges for capital financing and investment i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- For taxation and non-specific grant income and expenditure, capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### **Net change for the pensions adjustments**

This column adjusts for the net change for the renewal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income.

- For services, this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income and expenditure, this adjusts for the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

### **Other Statutory Adjustments**

- Other statutory adjustments between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statute. For financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts and financial instruments.
- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Non-Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## Other Non-statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- For financing and investment income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g. for interest income and expenditure and changes in the fair values of investment properties.
- For taxation and non-specific grant income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g. for unringfenced government grants.

## Note 7b - Segmental Analysis of Income and Expenditure

	2018/19				
	Revenues from External Customers	Revenues from Other Segments	Interest Revenue	Interest Expense	Depreciation and Amortisation
	£'000	£'000	£'000	£'000	£'000
Chief Executive Services	0	(17)	0	0	0
Wellbeing	(1,020)	(2,079)	0	0	1,098
Place and Growth	(3,452)	(603)	0	0	234
Environment	(4,648)	(874)	0	0	847
Finance and Governance	(3,673)	(31,493)	0	0	541
Customers and Service Development	(250)	(8)	0	0	308
Non-Distributed Services	(5,655)	(17,152)	(3,366)	2,222	0
<b>Total Managed by Segments</b>	<b>(18,698)</b>	<b>(52,226)</b>	<b>(3,366)</b>	<b>2,222</b>	<b>3,028</b>

	2017/18				
	Revenues from External Customers	Revenues from Other Segments	Interest Revenue	Interest Expense	Depreciation and Amortisation
	£'000	£'000	£'000	£'000	£'000
Chief Executive Services	0	0	0	0	0
Wellbeing	(949)	(1,492)	0	0	1,167
Place and Growth	(3,595)	758	0	0	93
Environment	(4,295)	(907)	0	0	773
Finance and Governance	(4,475)	(36,705)	0	0	471
Customers and Service Development	(141)	(29)	0	0	325
Non-Distributed Services	0	(18,750)	688	(1,866)	0
<b>Total Managed by Segments</b>	<b>(13,455)</b>	<b>(57,125)</b>	<b>688</b>	<b>(1,866)</b>	<b>2,829</b>

## **Note 8 - 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 authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

### **General Fund Balance**

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

### **Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

**Note 8 continued.**

2018/2019	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>				
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>				
Pension cost (transferred to (or from) the Pensions Reserve)	(6,753)	0	0	6,753
Council tax and NDR (transfers to or from the Collection Fund)	143	0	0	(143)
Holiday pay (transferred to the Accumulated Absences reserve)	12	0	0	(12)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(37,162)	0	(1,136)	38,298
<b>Total Adjustments to Revenue Resources</b>	<b>(43,760)</b>	<b>0</b>	<b>(1,136)</b>	<b>44,896</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5,423	(5,423)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,052	0	0	(1,052)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>6,475</b>	<b>(5,423)</b>	<b>0</b>	<b>(1,052)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	5,423	0	(5,423)
Application of capital grants to finance capital expenditure	0	0	1,369	(1,369)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>5,423</b>	<b>1,369</b>	<b>(6,792)</b>
<b>Total Adjustments</b>	<b>(37,285)</b>	<b>0</b>	<b>233</b>	<b>37,052</b>

**Note 8 continued.**

2017/18	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>				
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>				
Pension cost (transferred to (or from) the Pensions Reserve)	(1,060)	0	0	1,060
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	0	0	0	0
Council tax and NDR (transfers to or from the Collection Fund)	2,407	0	0	(2,407)
Holiday pay (transferred to the Accumulated Absences reserve)	(24)	0	0	24
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(4,572)	0	(1,028)	5,600
<b>Total Adjustments to Revenue Resources</b>	<b>(3,249)</b>	<b>0</b>	<b>(1,028)</b>	<b>4,277</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4,088	(4,088)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	115	0	0	(115)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	37	0	0	(37)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>4,240</b>	<b>(4,088)</b>	<b>0</b>	<b>(152)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	7,033	0	(7,033)
Application of capital grants to finance capital expenditure	0	0	815	(815)
Cash payments in relation to deferred capital receipts	(2,856)	0	0	2,856
<b>Total Adjustments to Capital Resources</b>	<b>(2,857)</b>	<b>7,033</b>	<b>815</b>	<b>(4,992)</b>
<b>Total Adjustments</b>	<b>(1,865)</b>	<b>2,945</b>	<b>(213)</b>	<b>(867)</b>

## Note 9 - Transfers to/from 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.

	Balance at 1 April 2017	Transfers In 2017/18	Transfers Out 2017/18	Balance at 31 March 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund Reserves:</b>							
General Fund Reserves - Other	(13,885)	(5,186)	6,020	(13,051)	(7,074)	2,645	(17,480)
Area Based Grant	(83)	0	0	(83)	0	0	(83)
Bicester Fields Main Park	(97)	0	0	(97)	0	0	(97)
Brighter Futures - Skills Reward Grant	(66)	0	0	(66)	0	49	(17)
Bicester Garden Town	(1,197)	(387)	629	(955)	(483)	433	(1,005)
Bicester Youth Bus	(65)	0	0	(65)	0	0	(65)
Courtyard Youth Arts	(39)	0	0	(39)	0	0	(39)
Dovecote Milcombe	(56)	0	0	(56)	0	0	(56)
Eco Town Revenue	(472)	0	442	(30)	0	0	(30)
Flood Recovery Grant	(40)	0	0	(40)	0	0	(40)
Green Deal Pioneer Places Home	(67)	0	0	(67)	0	0	(67)
Improvement Agency	(234)	(47)	20	(261)	0	40	(221)
Homelessness Prevention	(70)	0	0	(70)	(384)	65	(389)
New Burdens Grant	(248)	0	0	(248)	0	0	(248)
Elections Reserve	(21)	0	0	(21)	0	0	(21)
Police & Crime Commissioner	(64)	0	0	(64)	0	0	(64)
Thames Valley Police	(65)	0	0	(65)	0	37	(28)
Sportivate Grant	(33)	0	0	(33)	0	0	(33)
Active Women	(22)	0	0	(22)	0	0	(22)
Credit Union Development Officer	(23)	0	23	0	0	0	0
Housing and Planning Initiatives	(322)	0	0	(322)	0	0	(322)
Laburnham Cres Ambrosden	(38)	0	0	(38)	0	0	(38)
<b>Total General Fund</b>	<b>(17,207)</b>	<b>(5,620)</b>	<b>7,134</b>	<b>(15,693)</b>	<b>(7,941)</b>	<b>3,269</b>	<b>(20,365)</b>

<b>General Fund Reserves:</b>	<b>Purpose of the reserve</b>
Building Control	To manage the trading account for Building Control
Country Park Reserve	This reserve is used to fund major improvement works at the County Parks
Elections	The reserve has been set up to recognise that standalone district elections are now annual in all wards.
Environmental Warranties	The reserve is in place to protect the council against potential asbestos claims in Sanctuary Homes.
Hanwell Fields Open Space	This reserve has been created from S106 monies and will be used towards the cost of the maintenance on Hanwell Fields open space as required
Housing Reserve	The reserve is to be used to support the delivery of a Single Person's Housing Strategy including the development and management of single person's housing units in Cherwell.
Work in Default reserve	This reserve has been set up to cover the cost of emergency enforcement as required.
Local Plan Charges	The reserve has been created to fund the one-off costs associated with the provision of the Local Plan
NHB - Affordable Housing	The reserve has been created from New Homes Bonus grant income and will be used on the strategic housing projects.
NHB - Economic Development	The reserve has been created from New Homes Bonus grant income and will be used to fund the costs of Economic Growth projects across the district.
NHB - Superfast Broadband	The reserve has been created from New Homes Bonus grant income and will be used to fund the costs associated with the Better Broadband for Oxfordshire programme
Planning Control	This reserve will be used to fund the costs associated with major planning applications where the costs fall over more than one financial year.
Business Rates and Risk reserve	This reserve is to mitigate risks arising from business rates volatility and general risks facing the organisation.
Sainsbury's Primary Authority	This reserve is to fund the commercial projects within public protection
Self-Insurance	This reserve holds self-insurance for small items that are otherwise not insured.
Transformation and Commercial	This reserve will be used to cover the costs of transformation projects across the council.
VAT Deminimus	This reserve has been set up to protect the council against the risk of breaching the VAT deminimus level of 5%.
Welfare Reform	The reserve is to fund potential repayments of overpaid benefit subsidy and to cover any potential costs associated with Welfare reform and Benefits.
Sportivate Initiatives	The reserve has been created for Sportivate activities to research and pilot projects to engage inactive residents.
Horton General Towns	The reserve will be used to fund the cost of the Horton Hospital review.
Pensions Deficit	To mitigate the cost of the pension deficit at the next review.
Graven Hill	Equalisation reserve for Graven Hill.
Art Development	Art development reserve.
CCTV	The reserve will be used to fund the potential cost of CCTV.
Broadfield Road Yarnton Sports	The reserve will be used to fund sports at Yarnton.
Castle Quay	The reserve is to manage the volatility of income and for reinvestment into Castle Quay.
Bicester reserve	To assist the Council with funding Bicester projects.
Corporate and Commercial Reserve	To assist the council with funding the costs associated with corporate transformation and commercial investment projects.

<b>Earmarked Reserves from Grants &amp; Contributions:</b>	
Area Based Grant	This reserve supports the work in community consultation and engagement.
Bicester Fields Main Park	The reserve has been generated from S106 monies and will be used as maintenance funds to be used on an ongoing basis.
Brighter Futures - Skills Reward Grant	Projects for early years, employment support and skills, family support & young people, financial inclusion & housing, health & well-being, safer & stronger communities.
Bicester Garden Town	The reserve is for initiatives and studies pertaining to the development of Bicester as a Garden Town.
Oxfordshire Youth Arts Partnership and Bicester Arts	Supporting the cultural development of the town over the medium term.
Dovecote Milcombe	The reserve has been generated from S106 monies and will be used as maintenance funds to be used on an ongoing basis.
Eco Town Revenue	The reserve is used to fund Eco Town project as monitored by Place Programme and Project Board.
Flood Recovery Grant	The reserve has been created to cover the cost of emergency planning contingencies.
Green Deal Pioneer Places	The reserve has been created from a ring fenced grant which is used on projects relating to the Government's Green Deal initiative.
Home Improvement Agency	This reserve is for covering the costs of Home Improvement Agency Projects as required.
Homelessness Prevention	The reserve has been created from ring fenced grant to be spent in conjunction with Service Level Agreements with partnerships in conjunction with Cherwell's Homeless Action Plan.
New Burdens Grant	The reserve has been created from various government grants awarded to fund any additional costs associated with administering new government initiatives.
Performance Reward Grant ABG	This is CSP money that is not to be spent without the permission of the CSP.
Police & Crime Commissioner	The reserve is created from ring-fenced grant to be spent on specific projects to be approved by the Community Safety Partnership.
Thames Valley Police	This reserve is being used to fund the cost of CCTV replacement.
Housing and Planning Initiatives	This reserve supports work within Housing and Planning to support one-off costs associated with growth within the District.
Laburnham Cres Ambrosden	The reserve has been generated from S106 monies and will be used as maintenance funds to be used on an ongoing basis.

## Note 10 - Other Operating Expenditure

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
5,050	Precepts	5,259
(2,214)	Gains/losses on the Disposal of Non-Current Assets	(2,731)
<b>2,836</b>	<b>Total Other Operating Expenditure</b>	<b>2,528</b>

## Note 11 - Financing and Investment Income and Expenditure

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
688	Interest payable and similar charges	2,222
2,477	Net interest on the net defined benefit liability (asset)	2,273
(1,866)	Interest receivable and similar income	(3,366)
3,635	Income and expenditure in relation to investment properties and changes in their fair value	19,281
(2,177)	Other investment income and expenditure	(3,008)
<b>2,757</b>	<b>Total</b>	<b>17,402</b>

## Note 12 - Taxation and Non-Specific Grant Income

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
(11,150)	Council tax income	(11,667)
(16,071)	Non-ringfenced government grants	(14,333)
(2,678)	Capital grants and contributions	(2,805)
<b>(29,899)</b>	<b>Total</b>	<b>(28,806)</b>

## Note 13 - Expenditure and Income Analysed by Nature

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

2017/18		2018/19
£'000	Nature of Expenditure or Income	£'000
	<b>Expenditure</b>	
22,326	Employee benefits expenses	23,984
53,697	Other expenditure	82,742
3,165	Interest payments	7,197
5,050	Precepts and levies	5,259
2,830	Depreciation, amortisation and impairment	3,028
87,068	<b>Total Expenditure</b>	122,210
	<b>Income</b>	
(9,819)	Fees, charges and other service income	(18,696)
(1,867)	Interest and investment income	(6,068)
(11,150)	Income from local taxation	(11,800)
(57,126)	Government grants and contributions	(52,226)
(2,214)	Gain or loss on disposal of non-current assets	(2,731)
(82,176)	<b>Total Income</b>	(91,521)
<b>4,892</b>	<b>Surplus or Deficit for Year</b>	<b>30,689</b>
2017/18		2018/19
£'000	Nature of Expenditure or Income	£'000
	<b>Expenditure</b>	
22,326	Employee benefits expenses	23,984
53,697	Other expenditure	82,742
3,165	Interest payments	7,197
5,050	Precepts and levies	5,259
2,830	Depreciation, amortisation and impairment	3,028
87,068	<b>Total Expenditure</b>	122,210
	<b>Income</b>	
(9,819)	Fees, charges and other service income	(18,696)
(1,867)	Interest and investment income	(6,068)
(11,150)	Income from local taxation	(11,800)
(57,126)	Government grants and contributions	(52,226)
(2,214)	Gain or loss on disposal of non-current assets	(2,731)
(82,176)	<b>Total Income</b>	(91,521)
<b>4,892</b>	<b>Surplus or Deficit for Year</b>	<b>30,689</b>

**Note 14 - Property, Plant and Equipment  
Movements to 31  
March 2019**

	Land and Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Surplus Assets	Community Assets	Assets under Construction	Total Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>at 1 April 2018</b>	89,866	12,586	5,443	10	24	28,637	<b>136,566</b>
Additions	5,073	834	0	0	0	2,055	<b>7,962</b>
Acc Dep & Imp WO to GCA	(1,166)	0	0	0	0	0	<b>(1,166)</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,795	0	0	0	0	0	<b>7,795</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,997)	0	0	0	0	0	<b>(11,997)</b>
Derecognition – disposals	(2,224)	(170)	0	0	0	0	<b>(2,394)</b>
Reclassifications and transfer	0	0	0	0	0	0	<b>0</b>
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(669)	<b>(669)</b>
Other movements in cost or valuation	17,264	0	0	0	0	(17,264)	<b>0</b>
<b>at 31 March 2019</b>	<b>104,612</b>	<b>13,250</b>	<b>5,443</b>	<b>10</b>	<b>24</b>	<b>12,759</b>	<b>136,098</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>at 1 April 2018</b>	(1,813)	(8,367)	(2,524)	0	0	0	<b>(12,705)</b>
							<b>0</b>
Depreciation charge	(1,700)	(900)	(159)	0	0	(20)	<b>(2,779)</b>
Acc. Depreciation WO to GCA	1,166	0	0	0	0	0	<b>1,166</b>
Derecognition – disposals	0	170	0	0	0	0	<b>170</b>
Other movements in depreciation and impairment	(20)	0	0	0	0	20	<b>0</b>
<b>at 31 March 2019</b>	<b>(2,367)</b>	<b>(9,098)</b>	<b>(2,683)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(14,148)</b>
<b>Net Book Value</b>							
<b>at 31 March 2019</b>	<b>102,245</b>	<b>4,152</b>	<b>2,760</b>	<b>10</b>	<b>24</b>	<b>12,759</b>	<b>121,950</b>
<b>at 31 March 2018</b>	<b>88,053</b>	<b>4,218</b>	<b>2,919</b>	<b>10</b>	<b>24</b>	<b>28,637</b>	<b>123,861</b>

## Movements to 31 March 2018

	Land and Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Surplus Assets	Community Assets	Assets under Construction	Total Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>at 1 April 2017</b>	85,482	12,202	5,443	0	24	18,134	<b>121,285</b>
Adjustments to cost/value & depreciation/impairment	(1,259)	(448)	0	0	0	0	<b>(1,707)</b>
Adjusted Opening Balance as at 1 April 2017	84,223	11,754	5,443	0	24	18,134	<b>119,578</b>
Additions	1,162	1,335	0	0	0	15,026	<b>17,523</b>
Acc Dep & Imp WO to GCA	(681)	0	0	0	0	0	<b>(681)</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,450	0	0	10	0	0	<b>3,460</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,119)	0	0	0	0	0	<b>(1,119)</b>
Derecognition – disposals	(1,480)	(503)	0	0	0	(212)	<b>(2,195)</b>
Reclassifications and transfer Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	<b>0</b>
Other movements in cost or valuation	4,311	0	0	0	0	(4,311)	<b>0</b>
<b>at 31 March 2018</b>	<b>89,866</b>	<b>12,586</b>	<b>5,443</b>	<b>10</b>	<b>24</b>	<b>28,637</b>	<b>136,566</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>at 1 April 2017</b>	(2,110)	(8,483)	(2,351)	0	0	0	<b>(12,944)</b>
Adjustments to cost/value & depreciation/impairment	1,210	437	0	0	0	0	<b>1,647</b>
Adjusted Opening Balance as at 1 April 2017	(900)	(8,046)	(2,351)	0	0	0	<b>(11,297)</b>
Depreciation charge	(1,606)	(825)	(173)	0	0	0	<b>(2,604)</b>
Acc. Depreciation WO to GCA	681	0	0	0	0	0	<b>681</b>
Derecognition – disposals	12	503	0	0	0	0	<b>515</b>
Other movements in depreciation and impairment	0	0	0	0	0	0	<b>0</b>
<b>at 31 March 2018</b>	<b>(1,813)</b>	<b>(8,368)</b>	<b>(2,524)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,705)</b>
<b>Net Book Value</b>							
<b>at 31 March 2018</b>	<b>88,053</b>	<b>4,218</b>	<b>2,919</b>	<b>10</b>	<b>24</b>	<b>28,637</b>	<b>123,861</b>
<b>at 31 March 2017</b>	<b>83,372</b>	<b>3,718</b>	<b>3,092</b>	<b>0</b>	<b>24</b>	<b>18,134</b>	<b>108,340</b>

## Property, Plant and Equipment Revaluations

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	7,385	13,250	24	0	20,659
Valued at current value as at:					
<b>31/03/2019</b>	65,478	0	0	0	65,478
<b>31/03/2018</b>	27,691	0	0	10	27,701
<b>31/03/2017</b>	11,059	0	0	0	11,059
<b>31/03/2016</b>	0	0	0	0	0
<b>31/03/2015</b>	0	0	0	0	0
<b>Total Cost or Valuation</b>	<b>111,613</b>	<b>13,250</b>	<b>24</b>	<b>10</b>	<b>124,897</b>

## Note 15 - 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:

31-Mar-18	Investment Property Income and Expenditure	31-Mar-19
£'000		£'000
(3,477)	Rental income from investment property	(5,060)
2,410	Direct operating expenses from investment property	2,662
<b>(1,067)</b>	<b>Net (gain)/loss</b>	<b>(2,398)</b>

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 authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

### Movement in the fair value of investment properties over the year:

31-Mar-18	Investment Property Movements in Year		31-Mar-19
Non-Current			Non-Current
£'000			£'000
18,500	Balance at start of year		80,871
(7)	Adjustments to cost/value		0
18,493	Opening Balance as at 1 April 2018		80,871
63,157	Additions: Purchases		9,980
0	Disposals		0
(779)	Net gains/losses from fair value adjustments		(19,280)
0	Transfers: to/from Property Plant and Equipment		669
<b>80,871</b>	<b>Balance at the end of the year</b>		<b>72,240</b>

### Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2019 are as follows:

#### Fair Value Hierarchy

Recurring fair value measuring usage	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2019
	£'000	£'000	£'000	£'000
Residential (market rental) properties	0	0	0	0
Office Units	0	1,735	0	1,735
Commercial Units	0	70,505	0	70,505
	<b>0</b>	<b>72,240</b>	<b>0</b>	<b>72,240</b>

### Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2018 are as follows:

#### Fair Value Hierarchy

Recurring fair value measuring usage	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2018
	£'000	£'000	£'000	£'000
Residential (market rental) properties	0	0	0	0
Office Units	0	1,105	0	1,105
Commercial Units	0	78,385	0	78,385
	<b>0</b>	<b>79,490</b>	<b>0</b>	<b>79,490</b>

### **Transfers between Levels of the Fair Value Hierarchy**

There were no transfers between Levels 1 and 2 during the year.

### **Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties:**

#### **Significant Observable Inputs – Level 2**

The fair value for the commercial properties (let at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

#### **Highest and Best Use of Investment Properties**

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

#### **Valuation Techniques**

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

#### **Valuation Process for Investment Properties**

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

#### **Castle Quay Valuation**

In 2018/19 we have seen a downward movement in the valuation of the Castle Quay shopping centre by £18.7m although this is not on a like for like basis given structural changes to the site itself in year. Part of the site has been demolished to make way for works to the new facilities and some retail space is now being used as facilities for the main contractor during the build process. This alone reduces the value of the site during this interim period. We already anticipated that there would be a reduction in value of the site from both the market conditions for the retail sector at a national level and also changes within the centre itself. During the financial year we were impacted by two major retailers (New Look and Toys R Us) completing. We have also seen rental guarantees which were part of the original purchase deal come to an end as expected, these will have all had an impact on the value of the property at this time.

The valuation of our property has been undertaken independently and takes into account not only the specific financial returns within the centre but also market sentiment which at a national level is pessimistic. It should also be noted that valuations usually take into account prices that were actually achieved in year from sales of similar property which help to gauge purchaser's view of value. For the first time in a significant period of time, no such transactions have taken place in year so valuations are not able to take this into account.

It should be noted that the Council is not anticipating selling the shopping centre and therefore at this stage valuation of the asset whilst important, does not have a direct financial impact on the Council. The centre was bought not only as an investment, with revenue returns returned to the council to cover all running costs as well as provide a financial return, but also to ensure that a valuable town centre asset was protected for

our residents. The decision to purchase also ensured that the plans for the adjacent site that will be developed into leisure units would actually be delivered as this had been stalled by the original owners. We regularly review tenant activity as well as ensure that we actively manage the existing asset to diversify the offer within the town centre. Market analysis shows that offering a broader, more experiential offer has a positive impact on the whole site. The new Castle Quay waterfront site includes a supermarket, hotel, cinema and food and beverage offer which will attract visitors and improve the night-time economy offer which should have an overall positive benefit and provide protection from the market conditions around retail risk. As the new build is undertaken this will create greater value for the whole site in the medium to long term but it was always highlighted that there may be some short-term impact on the value of the existing site whilst that work was carried out. Works have now commenced on-site and estimated to be completed by 2021.

In addition, the Council has recently announced a new and exciting venture within the existing retail site which includes food, beverage, community space and education space within what was a vacant department store site. Lock29 has been announced as well as our partnership with Happerley, a new venture which embraces and encourage the UK Food industry to validate provenance of food. They have chosen Banbury and specifically Lock 29 in Castle Quay as the national centre of food and drink provenance in England which is a major boost for the centre,

In the meantime, we are still receiving rental income from the site and this is not impacted by the valuation of the site. We have also been actively engaging in activity to ensure that the existing shopping centre is well used, well managed and diversifying the offer that we have on-site to ensure that the centre remains a vibrant and attractive place for the town centre. All of this will help ensure that the site remains viable and sustainable and ensure that the value of the site is maximised. We have very few vacant units within the centre and we actively manage the space. We are attracting new retailers into the centre including some exciting new opportunities that will be delivered in 2019/20 and have been remodelling units to maximise the opportunities to secure more varied tenants.

We have a cross-party advisory group made up of Members and Officers who consider the way in which this site as well as the new Castle Quay site is managed and to explore how to ensure the Centre is both commercially successful as well as contribute to the wider council's objectives.

## Note 16 - Intangible Assets

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and internally generally 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 authority. The useful lives assigned to the major software suites used by the authority are:

31st March 2018			31st March 2019	
Other Assets	Total		Other Assets	Total
£'000	£'000		£'000	£'000
		Balance at start of year:		
5,055	5,055	Gross carrying amounts	5,123	5,123
(110)	(110)	Adjustments to cost/value	0	0
4,945	4,945	Opening Balance as at 1 April 2018	5,123	5,123
(4,235)	(4,235)	Accumulated amortisation	(4,342)	(4,342)
119	119	Adjustments to depreciation/impairment	0	0
(4,116)	(4,116)	Opening Balance as at 1 April 2018	(4,342)	(4,342)
<b>829</b>	<b>829</b>	<b>Net carrying amount at start of year</b>	<b>781</b>	<b>781</b>
178	178	Additions: Purchases	306	306
(226)	(226)	Amortisation for the period	(250)	(250)
<b>781</b>	<b>781</b>	<b>Net carrying amount at end of year</b>	<b>837</b>	<b>837</b>
		Comprising:		
5,123	5,123	Gross carrying amounts	5,429	5,429
(4,342)	(4,342)	Accumulated amortisation	(4,592)	(4,592)
<b>781</b>	<b>781</b>		<b>837</b>	<b>837</b>

Useful Life (Years)	Internally Generated Assets	Other Assets
1 Year	None	Software and Licences
3 Years	None	Software and Licences
4 Years	None	Software and Licences
5 Years	None	Software and Licences

## Note 17 - Financial Instruments

### Balance Sheet items

The Council is obliged to analyse any Financial Instruments that it holds (whether liabilities such as borrowings or assets such as investments) into certain categories.

The Investments and Debtors disclosed in the Balance Sheet, as set out below (adjusted to exclude statutory debtors), are all categorised as Loans and Receivables, and are carried in the Balance Sheet at amortised cost.

### Financial Instruments – Balances Liabilities

Financial Liabilities	Long Term		Short Term	
	31-Mar-19 £'000	31-Mar-18 £'000	31-Mar-19 £'000	31-Mar-18 £'000
Loans at amortised cost:				
- Principal sum borrowed	(68,000)	(29,000)	(43,000)	(82,500)
- Accrued interest	-	-	(564)	(284)
<b>Total Borrowing</b>	<b>(68,000)</b>	<b>(29,000)</b>	<b>(43,564)</b>	<b>(82,784)</b>
Liabilities at amortised cost:				
- Finance leases	(1,582)	(1,588)	0	0
<b>Total Other Long-term Liabilities</b>	<b>(1,582)</b>	<b>(1,588)</b>	<b>0</b>	<b>0</b>
Liabilities at amortised cost:				
- Trade payables	0	0	(13,534)	(9,826)
<b>Included in Creditors</b>	<b>0</b>	<b>0</b>	<b>(13,534)</b>	<b>(9,826)</b>
<b>Total Financial Liabilities</b>	<b>(69,582)</b>	<b>(30,588)</b>	<b>(57,098)</b>	<b>(92,610)</b>

The total short-term borrowing includes accrued interest due within 12 months on long-term borrowing.

The creditors lines on the Balance Sheet include £8,106k (2018 £3,669k) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

## Financial Instruments – Balances Assets

Financial Assets	Long Term		Short Term	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	£'000	£'000	£'000	£'000
<i>At amortised cost:</i>				
- Principal	0	0	6,000	7,000
- Accrued interest	-	-	8	1
<i>At fair value through profit &amp; loss:</i>				
- Fair value	22,828	22,538	0	0
<b>Total Investments</b>	<b>22,828</b>	<b>22,538</b>	<b>6,008</b>	<b>7,001</b>
<i>At amortised cost:</i>				
- Principal	-	-	523	3,141
<i>At fair value through profit &amp; loss:</i>				
- Fair value	-	-	8,785	9,485
- Accrued interest	-	-	5	3
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>9,313</b>	<b>12,629</b>
<i>At amortised cost:</i>				
- Trade receivables	0	0	2,321	3,418
- Loans made for service purposes	37,626	34,337	3,500	0
- Accrued interest	6,886	3,710	95	0
- Loss allowance	(642)	0	0	0
<b>Included in Debtors</b>	<b>43,870</b>	<b>38,047</b>	<b>5,916</b>	<b>3,418</b>
<b>Total Financial Assets</b>	<b>66,698</b>	<b>60,585</b>	<b>21,237</b>	<b>23,048</b>

The debtors lines on the Balance Sheet include £8,880 (2018: £7,194) short-term and £725k (2018: £726k) long-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

### Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet.

#### Offsetting Financial Assets and Liabilities

	31 March 2019	31 March 2018
	£'000	£'000
Bank accounts in credit	134	2,838
Bank overdrafts	(86)	(2,317)
<b>Net position of offset accounts</b>	<b>48</b>	<b>521</b>
Other bank accounts	475	2,620
<b>Net position on balance sheet</b>	<b>523</b>	<b>3,141</b>

## Financial Instruments - Gains and Losses

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

	Financial Liabilities		Financial Assets		2018/19 Total	2017/18 Total
	Amortised Cost	Fair Value through Profit & Loss	Amortised Cost	Fair Value through Profit & Loss		
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	1,514	-	-	-	1,514	637
Fees paid	73	-	0	-	73	51
<b>Interest payable and similar charges **</b>	<b>1,587</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,587</b>	<b>688</b>
Interest income	-	-	(3,324)	(49)	(3,373)	(1,866)
<b>Interest and investment income **</b>	<b>0</b>	<b>0</b>	<b>(3,324)</b>	<b>(49)</b>	<b>(3,373)</b>	<b>(1,866)</b>
<b>Net impact on surplus/deficit on provision of services</b>	<b>1,587</b>	<b>0</b>	<b>(3,324)</b>	<b>(49)</b>	<b>(1,786)</b>	<b>(1,178)</b>
<b>Net Gain/(Loss) for the Year</b>	<b>1,587</b>	<b>0</b>	<b>(3,324)</b>	<b>(49)</b>	<b>(1,786)</b>	<b>(1,178)</b>

## Financial Instruments - Fair Value

Liabilities	Fair Value Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31-Mar-19	31-Mar-19	31-Mar-18	31-Mar-18
		£'000	£'000	£'000	£'000
<b>Financial liabilities held at amortised cost:</b>					
Long-term loans from PWLB	2	(41,325)	(42,549)	(21,173)	(21,271)
Other long-term loans	2	(27,111)	(27,265)	0	0
Short-term loans	2	(43,128)	(43,228)	(90,611)	(90,219)
Lease payables and PFI liabilities	2	(1,582)	(1,582)	(1,588)	(1,588)
<b>TOTAL</b>		<b>(113,146)</b>	<b>(114,624)</b>	<b>(113,372)</b>	<b>(113,078)</b>
Liabilities for which fair value is not disclosed		(26,824)		(17,585)	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>(139,970)</b>		<b>(130,957)</b>	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		(21,640)		(13,495)	
Short-term borrowing		(43,128)		(90,611)	
Short-term provisions		(1,467)		(2,172)	
Long-term creditors		(1,582)		(1,588)	
Long-term borrowing		(68,436)		(21,173)	
Long-term provisions		(3,717)		(1,918)	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>(139,970)</b>		<b>(130,957)</b>	

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is lower than the current rates available for similar loans as at the Balance Sheet date.

## Financial Instruments - Fair Value Assets

		Balance Sheet 31-Mar-19	Fair Value 31-Mar-19	Balance Sheet 31-Mar-18	Fair Value 31-Mar-18
	Fair Value Level	£'000	£'000	£'000	£'000
<b>Financial assets held at fair value:</b>					
Money market funds	1	8,791	8,791	9,487	9,487
Shares in unlisted companies	3	22,828	22,828	22,538	22,538
<i>Financial assets held at amortised cost:</i>					
Bank deposits & repos	2	6,531	6,527	10,143	10,143
Loans to companies	3	47,465	47,465	38,047	38,047
<b>TOTAL</b>		<b>85,615</b>	<b>85,611</b>	<b>80,215</b>	<b>80,215</b>
Assets for which fair value is not disclosed		11,926		12,048	
<b>TOTAL FINANCIAL ASSETS</b>		<b>97,541</b>		<b>92,263</b>	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		44,595		38,773	
Long-term investments		22,828		22,538	
Short-term debtors		14,797		11,322	
Short-term investments		6,008		7,001	
Cash and cash equivalents		9,313		12,629	
<b>TOTAL FINANCIAL ASSETS</b>		<b>97,541</b>		<b>92,263</b>	

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is lower than their balance sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made.

### 17.1 - Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- 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
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

## Credit Risk: Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy (TMS) . These include commercial entities with a minimum long-term credit rating of A-, the UK government and other local authorities. The TMS also restricts lending to a prudent maximum amount for each institution.

The table below summarises the credit risk exposures of the Council's investment portfolio:

Long Term Credit Rating (Fitch)	Amount 31-Mar-19 £'000	Amount 31-Mar-18 £'000
AAA	0	9,488
AA	3,000	9,605
AA-	1,002	0
A+	2,006	0
	<u>6,008</u>	<u>19,093</u>

Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

## Credit Risk: Debtors

The Council generally allows 30 days credit for its trade debtors. Outstanding debt overdue for payment can be analysed by age as follows:

Duration outstanding	31-Mar-19 £'000	31-Mar-18 £'000
One months	602	122
Two months	18	21
Three months	204	78
More than three months	254	348
	<u>1,078</u>	<u>569</u>

## Credit Risk: Loan Commitments and Financial Guarantees

In furtherance of the Council's service objectives, it has committed to lend money to the following organisations, should it be requested to do so:

	Total facility	Balance 31/03/2019
Graven Hill Village Holdings Ltd	£78.6m	£32m
Crown House Banbury Ltd	£9.2m	£7.5m
Banbury BID Ltd	£50k	£20k

## Liquidity Risk

The Council manages its liquidity position through the risk management processes set out in its annual TMS and Prudential Indicators, as well as through the active management of the cash flow position. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board, other local authorities, and at higher rates from banks and building societies to cover any short term cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient funds are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments.

The maturity analysis of current loans is as follows:

Time to maturity	31 March 2019	31 March 2018
	£000	£000
Less than 1 year	43,128	85,500
1 – 2 years	27,110	5,000
2 – 5 years	0	0
More than 5 years	41,325	21,000
	<hr/>	<hr/>
	111,563	111,500

## Market Risk: Interest Rates

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments.

At times of low interest rates, the Council will only be able to obtain low percentages of return on its investments at fixed rates in any new investments placed. Other than short term funds held for liquidity purpose e.g. money market funds and call accounts, the Council currently does not have any investments at variable rates.

Although the council is currently able to borrow at low interest rates, it is exposed to the risk that it may need to refinance some of its borrowing at higher interest rates in the future.

The Council has a number of strategies for managing interest rate risks. The Treasury Management team, in consultation with its advisors, has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the forecasted out-turn during the year. This allows for any adverse changes to be accommodated.

## Market Risk: Other

**Price Risk** - The Council holds shares in Graven Hill Village Holdings Ltd, but these are not listed and are valued at cost price. The Council therefore has no exposure to loss arising from movement in the prices of shares.

**Foreign Exchange Risk** - The Council has no financial assets or liabilities denominated in foreign currencies and as a result has no exposure to loss arising from movements in exchange rates.

## Note 18 - Inventories

The table below provides details on the level of inventories balances set out in the Balance sheet.

31-Mar-18 £'000	General Stock	31-Mar-19 £'000
134	Balance outstanding at start of year	169
603	Purchases	695
(568)	Recognised as an expense in the year	(644)
<b>169</b>	<b>Balance Outstanding at Year End</b>	<b>220</b>

## Note 19a - Debtors

An analysis of the debtors balance is shown below

31-Mar-18 £'000		31-Mar-19 £'000
3,418	Trade receivables	2,321
68	Prepayments	474
7,836	Other receivable amounts	8,406
<b>11,322</b>	<b>Total Debtors</b>	<b>11,201</b>

## Note 19b Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows;

31-Mar-18 £'000		31-Mar-19 £'000
0	Less than three months	0
0	Three to six months	0
2,283	Six months to one year	758
604	More than one year	606
<b>2,887</b>	<b>Total Debtors</b>	<b>1,364</b>

## Note 20 - Cash and Cash Equivalents

Cash and cash equivalents include cash at bank, short-term bank deposits and money market investments of three months or less from the start of the investment.

The balance of Cash and Cash Equivalents is made up of the following elements

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£000</b>		<b>£000</b>
	(3) Cash and Bank Balances/(Overdraft)	523
12,632	Short Term Investments	8,791
<b>12,629</b>	<b>Total Cash and Cash Equivalents</b>	<b>9,313</b>

## Note 21 - Assets Held for Sale

<b>Non-current</b>		<b>Non-current</b>
<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£'000</b>		<b>£'000</b>
181	Balance at start of year	0
	Assets Sold:	
(181)	Property Plant and Equipment	0
<b>0</b>	<b>Balance Outstanding year end</b>	<b>0</b>

## Note 22 - Creditors

The table below provides details on the level of creditor balances set out in the Balance Sheet.

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£'000</b>		<b>£'000</b>
(9,826)	Trade payables	(13,534)
(3,669)	Other payables	(8,106)
<b>(13,495)</b>	<b>Total Creditors</b>	<b>(21,640)</b>

## Note 23 - Provisions

The main provisions during 2018-19 are for NNDR appeals following the change in accounting arrangements for the collection fund from 1 April 2013. As a result of implementing the changes to the business rates legislation, the council is required to set up a provision for the potential cost of successful appeals with the Valuation Office.

### Current Provisions

2018/19	Sports and Leisure Provision £'000	Health Walks Training Provision £'000	NNDR Appeals Provision £'000	Total £'000
Opening Balance	(52)	(4)	(2,116)	(2,172)
Increase in provision during year	0	0	(225)	(225)
Utilised during year	52	0	877	929
<b>Closing Balance</b>	<b>0</b>	<b>(4)</b>	<b>(1,464)</b>	<b>(1,468)</b>

2017/18	Sports and Leisure Provision £'000	Health Walks Training Provision £'000	NNDR Appeals Provision £'000	Total £'000
Opening Balance	0	(4)	(1,518)	(1,522)
Increase in provision during year	(52)	0	(1,280)	(1,332)
Utilised during year	0	0	682	682
<b>Closing Balance</b>	<b>(52)</b>	<b>(4)</b>	<b>(2,116)</b>	<b>(2,172)</b>

### Long Term Provisions

2018/19	NNDR Appeals £'000	Landlord Rent Guarantee £'000	Restructure £'000	Landlord Rent Ex-Charter £'000	Banbury Bowls Club £'000	58 Bridge Street - Repair & Renewals £'000	Total £'000
Opening Balance	(1,681)	(107)	0	(18)	(47)	(63)	(1,916)
Increase in provision during year	(1,837)	(13)	0	0	0	(10)	(1,860)
Utilised during year	48	11	0	0	0	0	59
<b>Closing Balance</b>	<b>(3,470)</b>	<b>(109)</b>	<b>0</b>	<b>(18)</b>	<b>(47)</b>	<b>(73)</b>	<b>(3,717)</b>

2017/18	58 Bridge Street - Repair & Renewals						Total
	NDR Appeals	Landlord Rent Guarantee	Restructure	Landlord Rent Ex-Charter	Banbury Bowls Club		
	£'000	£'000	£'000	£'000	£'000	£'000	
Opening Balance	(393)	(109)	(275)	(18)	(47)	(63)	(906)
Increase in provision during year	(1,288)	0	0	0	0	0	(1,288)
Utilised during year	0	2	275	0	0	0	277
<b>Closing Balance</b>	<b>(1,681)</b>	<b>(107)</b>	<b>0</b>	<b>(18)</b>	<b>(47)</b>	<b>(63)</b>	<b>(1,918)</b>

2017/18	Total Provisions	2018/19
£'000		£'000
(2,428) Opening Balance		(4,089)
(2,620) Increase in provision during year		(2,085)
959 Utilised during year		989
<b>(4,089) Closing Balance</b>		<b>(5,185)</b>

## Note 24 - 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.

### Capital Receipts Reserve

31-Mar-18		31-Mar-19
£'000		£'000
(2,945) Balance 1 April		0
(4,088) Capital Receipts in year		(5,423)
7,033 Capital Receipts used for financing		5,423
<b>0 Balance 31 March</b>		<b>0</b>

### Capital Grants Unapplied

31-Mar-18		31-Mar-19
£'000		£'000
(165) Balance 1 April		(378)
(1,028) Capital grants recognised in year		(1,136)
815 Capital grants and contributions applied		1,369

## Note 25 - 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 usable reserve is cross referenced to supporting notes.

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£'000</b>		<b>£'000</b>
(27,111)	Revaluation Reserve	(34,206)
(101,006)	Capital Adjustment Account	(72,924)
85,247	Pension Reserve	98,100
(740)	Deferred Capital Receipts Reserve	(739)
(976)	Collection Fund Adjustment Account	(1,119)
214	Accumulated Absences Account	202
<b>(44,372)</b>	<b>Total</b>	<b>(10,686)</b>

### Revaluation Reserve

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

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

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

Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

DRAFT

## Revaluation Reserve

31-Mar-18		31-Mar-19
£'000		£'000
(25,267)	<b>Balance 1 April</b>	(27,111)
492	Adjustments to cost/value	0
(24,775)	Opening Balance as at 1 April 2018	(27,111)
(4,000)	Upward revaluation of assets	(8,749)
541	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	954
<b>(3,459)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>(7,795)</b>
481	Difference between fair value depreciation and historical cost depreciation	472
642	Accumulated gains on assets sold or scrapped	228
<b>1,123</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>700</b>
<b>(27,111)</b>	<b>Balance 31 March</b>	<b>(34,206)</b>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the 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 13 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:

31-Mar-18		31-Mar-19
£'000		£'000
(97,048)	<b>Balance 1 April</b>	(101,006)
(432)	Adjustments to cost/value	0
(97,480)	Opening Balance as at 1 April 2018	(101,006)
2,604	Charges for depreciation and impairment of non-current assets	2,779
1,120	Revaluation losses on non-current assets	11,997
226	Amortisation of intangible assets	250
1,687	Revenue expenditure funded from capital under statute	1,890
1,860	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,222
7,497	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	19,138
1,123	Adjusting Amounts written out of the Revaluation Reserve	700
<b>6,374</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>18,438</b>
(7,033)	Use of Capital Receipts Reserve to finance new capital expenditure	(5,423)
(3,494)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,162)
(115)	Statutory provision for the financing of capital investment charged against the General Fund	(1,052)
(37)	Capital expenditure charged against the General Fund	0
<b>(10,679)</b>	<b>Capital financing applied in year:</b>	<b>(9,637)</b>
779	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	19,281
<b>(101,006)</b>	<b>Balance 31 March</b>	<b>(72,924)</b>

## 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-18</b>		<b>31-Mar-19</b>
<b>£'000</b>		<b>£'000</b>
92,450	Balance 1 April	85,247
(8,263)	Re-measurements of the net defined benefit (liability)/asset	6,100
8,082	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	9,176
(7,022)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,423)
<b>85,247</b>	<b>Balance 31 March</b>	<b>98,100</b>

### Deferred Capital Receipts Reserve

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

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£'000</b>		<b>£'000</b>
(3,596)	Balance 1 April	(740)
2,856	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
<b>(740)</b>	<b>Balance 31 March</b>	<b>(740)</b>

### 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.

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£'000</b>		<b>£'000</b>
1,430	Balance 1 April	(976)
(2,406)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(143)
<b>(976)</b>	<b>Balance 31 March</b>	<b>(1,119)</b>

## 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.

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
190	<b>Balance 1 April</b>	214
24	Settlement or cancellation of accrual made at the end of the preceding year	(12)
0	Amounts accrued at the end of the current year	0
24	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(12)
<b>214</b>	<b>Balance 31 March</b>	<b>202</b>

## Note 26 - Trading Operations

The authority has established 3 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of those units are as follows;

2017/18 £'000	Building Control	2018/19 £'000
(345)	Income	(417)
(295)	Expenditure	388
<b>(50)</b>	<b>Net (Surplus) / Deficit for Year</b>	<b>(29)</b>

2017/18 £'000	Corporate Properties & Industrial Estates	2018/19 £'000
(2,549)	Income	(4,208)
(325)	Expenditure	1,000
<b>(2,224)</b>	<b>Net Surplus / Deficit for Year</b>	<b>(3,208)</b>

2017/18 £'000	Markets	2018/19 £'000
(83)	Income	(93)
130	Expenditure	76
<b>47</b>	<b>Net Surplus / Deficit for Year</b>	<b>(17)</b>

2017/18 £'000	Trading Operations Total Income and Expenditure:	2018/19 £'000
(2,977)	Income	(4,718)
750	Expenditure	1,464
<b>(2,227)</b>	<b>Net Surplus / Deficit for Year</b>	<b>(3,254)</b>

2017/18 £'000	Analysis of Inclusion in The Comprehensive Income and Expenditure Statement:	2018/19 £'000
(2,227)	Net surplus on trading operations	(3,254)
0	Services to the public included in Expenditure of Continuing Operations	0
0	Support services recharged to Expenditure of Continuing Operations	0
<b>(2,227)</b>	<b>Net surplus / deficit included in Financing and Investment Income and Expenditure</b>	<b>(3,254)</b>

## Note 27 - Agency Services

<b>Bicester Town Council</b>		
<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
(277)	Income	(250)
230	Expenditure	309
<b>(47)</b>	<b>Net Surplus/Deficit on the Agency Arrangement</b>	<b>59</b>

<b>Oxfordshire County Council</b>		
<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
(129)	Income	(100)
172	Expenditure	206
<b>44</b>	<b>Net Surplus/Deficit on the Agency Arrangement</b>	<b>106</b>

<b>Kidlington Parish Council</b>		
<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
(79)	Income	(117)
65	Expenditure	143
<b>(14)</b>	<b>Net Surplus/Deficit on the Agency Arrangement</b>	<b>26</b>

<b>South Northants Council</b>		
<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
(55)	Income	(46)
64	Expenditure	65
<b>8</b>	<b>Net Surplus/Deficit on the Agency Arrangement</b>	<b>19</b>

<b>Brackley Town Council</b>		
<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
(73)	Income	(54)
59	Expenditure	74
<b>(14)</b>	<b>Net Surplus/Deficit on the Agency Arrangement</b>	<b>20</b>

## Note 28 - Members' Allowances

The total of Members' Allowances paid in the year amounted to £312K. This compares to £307K in 2017-18. 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 2018-19 were as follows:

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£'000</b>		<b>£'000</b>
298	Allowances	303
9	Expenses	9
<b>307</b>	<b>Total Members' Allowances</b>	<b>312</b>

## Note 29 - 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 does not include 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

<b>Officers' Remuneration</b>		
<b>Number of employees</b>		<b>Number of employees</b>
<b>2017/18</b>	<b>Remuneration Band</b>	<b>2018/19</b>
4	£50,001 to £54,000	12
3	£55,001 to £59,000	2
1	£60,001 to £64,000	1
2	£65,001 to £69,000	2
<b>10</b>		<b>17</b>

**The remuneration paid to senior employees in Cherwell District Council 2018/19 is as follows:**

<b>Post title</b>	<b>Salary (Including Fees &amp; Allowances)</b>	<b>Expenses Reimbursed</b>	<b>Compensation for loss of office</b>	<b>Total Remuneration excluding Pension Contribution</b>	<b>Pension Contributions</b>	<b>Total Remuneration</b>	<b>Date in post in 2018/19</b>	<b>Yearly Salary in this Organisation</b>
Joint Chief Executive - Yvonne Rees	£76,843	£1,461		<b>£78,304</b>	£10,981	<b>£89,285</b>	01 April 2018	£137,919
Executive Director Place & Growth	£24,075		£13,443	<b>£37,518</b>	£3,863	<b>£41,381</b>	Left Oct 18	£92,629
Director - Customers and Service Development	£40,361	£211		<b>£40,572</b>	£6,014	<b>£46,586</b>	01 April 2018	£86,666
Assistant Director Environmental Services	£39,155	£3,240		<b>£42,395</b>	£5,810	<b>£48,205</b>	01 April 2018	£77,983
Assistant Director - Customer Strategy and IT services	£18,828			<b>£18,828</b>	£2,805	<b>£21,634</b>	Left Dec 18	£67,301
Assistant Director- Housing & Social Care Commissioning	£30,508	£1,394		<b>£31,902</b>	£4,443	<b>£36,344</b>	01 June 2018	£73,710
Chief Operating Officer	£58,176	£5,980		<b>£64,156</b>	£8,641	<b>£72,797</b>	01 May 2018	£102,381
Assistant Director - Law & Governance	£25,301	£717		<b>£26,019</b>	£3,770	<b>£29,789</b>	Left Dec 18	£73,710
Assistant Director- Planning Policy & Development	£23,368	£93		<b>£23,461</b>	£3,482	<b>£26,943</b>	Left Dec 18	£73,710
Executive Director Wellbeing	£24,811	£484		<b>£25,295</b>	£0	<b>£25,295</b>	Left Dec 18	£92,629
Assistant Director - HR, OD & Payroll	£41,555			<b>£41,555</b>	£6,168	<b>£47,723</b>	01 April 2018	£66,233
Assistant Director - Finance & Procurement	£29,735	£366		<b>£30,102</b>	£4,431	<b>£34,532</b>	Left Dec 18	£73,710
Assistant Director - Performance & Transformation	£46,393	£59		<b>£46,452</b>	£7,872	<b>£54,324</b>	01 April 2018	£73,264
Assistant Director Wellbeing	£40,995	£1,887		<b>£42,882</b>	£6,108	<b>£48,990</b>	01 April 2018	£65,164
Assistant Director Property, Investment and Contract Management	£33,830	£5,487		<b>£39,318</b>	£4,974	<b>£44,292</b>	01 August 2018	£73,710
Assistant Director Planning and Economy	£36,618	£945		<b>£37,563</b>	£5,367	<b>£42,929</b>	01 July 2018	£73,710
Assistant Director Leisure and Sport	£22,495	£176	£25,017	<b>£47,688</b>	£3,335	<b>£51,023</b>	Left Nov 18	£65,164

The Chief Executive, Director Customers and Service Development, Assistant Director Housing & Social Care Commissioning provide services for both Cherwell District Council and Oxford County Council. They are formally employed by Cherwell District Council and Oxford County Council is recharged for part of their salary and other remuneration.

**The remuneration paid to senior employees in Cherwell District Council 2017/18 is as follows:**

<b>Post title</b>	<b>Salary (Including Fees &amp; Allowances)</b>	<b>Expenses Reimbursed</b>	<b>Benefits in Kind (i.e. Lease Car)</b>	<b>Compensation for loss of office</b>	<b>Total Remuneration excluding Pension Contribution</b>	<b>Pension Contributions</b>	<b>Total Remuneration</b>	<b>Date Started in post in 2018/19</b>	<b>Yearly Salary in this Organisation</b>
	£	£	£	£	£	£	£		
Joint Chief Executive - Yvonne Rees	54,881	440	0	0	55,321	8,888	64,209	Employed from 01/07/2017	71,578
Executive Director of Place & Growth	13,340	90	0	0	13,430	2,256	15,686	Employed from January 2018	46,314
Executive Director of Finance & Procurement	16,921	0	0	39,353	56,274	1,907	58,181	Employed from January 2018	47,343
Director of Strategy & Commissioning	55,089	291	0	0	55,380	5,779	61,159	Employed to December 2017	48,887
Director of Operational Delivery	57,776	763	0	0	58,539	9,078	67,617		51,191
Assistant Director of Performance & Transformation	27,315	0	0	0	27,315	3,163	30,478	Employed from 18/03/2018	32,583
Assistant Director of Bicester	58,539	192	0	0	58,731	9,287	68,018		49,751
Assistant Director of Environmental Services	11,217	145	0	0	11,362	1,573	12,935	Employed from January 2018	38,992
Assistant Director of Communities	28,248	0	0	0	28,248	4,423	32,671	Employed from 15/01/2018	32,582
Assistant Director of Leisure and Sport	27,266	0	0	0	27,266	4,382	31,648	Employed from 15/01/2018	32,582
Assistant Director of Transformational Governance	33,768	31	0	0	33,799	5,099	38,898	Employed to December 2017	24,570
Assistant Director of Law & Governance	1,097	0	0	0	1,097	166	1,263	Employed from January 2018	36,855
Assistant Director – Commercial and In	39,987	38	0	0	40,025	6,446	46,471	Employed from January 2018	40,833
Chief Finance Officer	35,413	136	0	0	35,549	5,721	41,270	Employed to December 2017	47,343
Head of Development Management	35,977	116	0	31,434	67,526	4,708	72,234	Employed to December 2017	38,992
Head of Strategic Planning and the Economy	30,150	1,242	0	0	31,392	5,059	36,451	Employed to December 2017	38,992
Head of Environmental Services	29,597	935	0	0	30,532	4,720	35,252	Employed to December 2017	38,992

The Annual salaries have been adjusted to reflect the annual pay costs incurred by Cherwell District Council, as senior officers work across two organisations i.e. Cherwell District Council and South Northamptonshire Council.

### Note 30 - External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
52	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	40
9	Fees payable in respect of other services provided by external auditors during the year	16
<b>61</b>	<b>Total</b>	<b>56</b>

### Note 31 - Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

#### Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£'000</b>		<b>£'000</b>
(1,105)	Revenue Support Grant	(637)
(9,509)	Non-Domestic Rates (incl. Section 31 grant)	(9,702)
(4,429)	New Homes Bonus	(4,009)
(1,028)	Disabled Facilities Grant	(1,013)
(2,678)	Other Capital Grants and Contributions	(1,792)
<b>(18,749)</b>	<b>Total</b>	<b>(17,153)</b>

## Credited to Services

31-Mar-18	31-Mar-19
£'000	£'000
(362) Housing Benefit Administration Subsidy Grant	(324)
(35,080) Rent Allowances	(30,268)
(24) Individual Election Registration	(19)
(125) LCTS Administration Subsidy Grant	(116)
(228) NDR Cost of Collection Grant	(227)
(32) Universal Credit	(59)
(50) Developer contributions (S106)	(203)
(14) New Burdens	(30)
(379) Discretionary Housing Payments	(260)
(290) Other Grants & Contributions	(1,448)
(1,047) Contributions from other Local Authorities	(1,619)
(317) Bicester Healthy New Towns	(321)
(138) Home Office - Syrian Refugees	(139)
(207) Home Office - Parliamentary Election	0
(20) Neighbourhood Planning	(40)
(64) European Election	0
<b>(38,377) Total</b>	<b>(35,072)</b>

## Grants Receipts in Advance (Revenue Grants) - Current Liabilities

31-Mar-18	31-Dec-18
£'000	£'000
(1,698) Section 106 developer contributions	(3,160)
(632) Other Grants and contributions	(1,534)
<b>(2,330) Total</b>	<b>(4,694)</b>

The Council has received several 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:

## Grants Receipts in Advance (Capital Grants) - Long Term Liabilities

31-Mar-18		31-Dec-18
£'000		£'000
(11,909)	Section 106 Developer Contributions - Capital	(13,259)
(45)	Other Contributions	(45)
(4)	DECC Green Deal	(4)
(8)	DEFRA Monitoring and Modelling	(8)
(4,250)	NW Bicester Bridge	(4,250)
(1,746)	Eco Town Grant	(0)
(5)	Community Build Banbury	(5)
<b>(17,967)</b>	<b>Total</b>	<b>(17,571)</b>

### Note 32 - 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

Central Government has significant influence 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).

#### Members

Members of the Council have direct control over the Council's financial and operating policies. During 2018/19 works and services to the value of £2,220k (2017/18 £11,953k) were made to parties where Members had declared 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

Cherwell District Council shares a number of Senior officers with South Northamptonshire and Oxford County Council under a joint working relationship. The senior officers working in a shared capacity as at 31st March 2019 were:

<b>Shared Post</b>	<b>Officer Employed by</b>
<b>Chief Executive Officer</b>	Cherwell District Council
<b>Executive Director Wellbeing</b>	Cherwell District Council
<b>Executive Director Finance and Governance</b>	Interim
<b>Executive Director Environment</b>	Cherwell District Council
<b>Executive Director Place and Growth</b>	Cherwell District Council
<b>Director Customers and Development</b>	Cherwell District Council

Officers of the Council made no other material disclosures.

The Council works closely with South Northamptonshire Council and the cost of the joint working arrangements in 2018/19 was £395k.

#### **Other Public Bodies**

Grants to Parish and Town Councils amounted to £5,259k in 2018/19 (2017/18 £5,050k). 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.

#### **Subsidiaries and Joint Operations**

The following subsidiaries and joint operations are set out in a separate section at the end of these Statements.

A number of Officers and Councillors are directors of these companies:

#### **Graven Hill Village Holdings Ltd:**

Councillor Timothy Hallchurch MBE	Withdrawn Dec 2018
Councillor David Hughes	Withdrawn Dec 2018
Councillor Nicholas Turner	Withdrawn Dec 2018
Councillor Nigel Morris	Resigned May 2018
Councillor Ian Corkin	Appointed Dec 2018
Councillor Daniel Sames	Appointed Dec 2018
Mr Hedd Vaughan-Evans	

#### **Graven Hill Village Development Company Ltd:**

Councillor Ian Corkin	
Councillor Dan Sames	
Mr Hedd Vaughan-Evans	

#### **Crown House Banbury Ltd:**

Councillor Nicholas Turner	
Councillor Simon Holland	
Councillor Sean Gaul	
Mrs Karen Edwards	Appointed May 2018
Mr Graeme Kane	Appointed May 2018, Resigned Feb 2019
Ms Gillian Douglas	Appointed Feb 2018

**Crown Apartments Banbury Ltd:**

Councillor Nicholas Turner	
Councillor Simon Holland	
Councillor Sean Gaul	
Mrs Karen Edwards	Appointed May 2018
Mr Graeme Kane	Appointed May 2018, Resigned Feb 2019
Ms Gillian Douglas	Appointed Feb 2018

**CSN Resources Ltd:**

Councillor Debbie Pickford	
Councillor Jason Slaymaker	
Ms Claire Taylor	

**Entities Controlled or Significantly Influenced by the Authority**

During 2018/19 grant funding payment of £377,000 (2017/18 £389,000) was made to the Banbury Museum Trust. This transaction represents a significant part of the funding for this organisation.

## Note 33 - Capital Expenditure and Capital Financing

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

### Capital Expenditure and Capital Financing

31-Mar-18 £'000		31-Mar-19 £'000
5,528	Opening Capital Financing Requirement	126,638
27,828	Adjustment to opening balance	0
33,356	Opening balance	126,638
	<b>Capital Investment:</b>	
17,523	Property Plant and Equipment	7,962
63,157	Investment Property	9,980
178	Intangible Assets	306
1,687	Revenue Expenditure Funded from Capital Under Statute	1,890
8,575	Long Term investments	290
12,841	Long Term debtors	9,444
103,961	<b>Total Capital Spending</b>	29,872
	<b>Sources of Finance:</b>	
(7,033)	Capital receipts	(5,423)
(3,494)	Government Grants and other contributions	(3,161)
	<b>Sums set aside from revenue:</b>	
(37)	- Direct revenue contributions	0
	Debt Repayment:	
(115)	Minimum revenue Provision	(1,694)
(10,679)	<b>Total Sources of Finance</b>	(10,278)
<b>126,638</b>	<b>Closing Capital Financing Requirement</b>	<b>146,232</b>

### Explanation of movements in year

31-Mar-18 £'000		31-Mar-19 £'000
93,397	Increase in underlying need to borrow (unsupported by government financial assistance)	21,288
0	Assets acquired under finance leases	0
(115)	Statutory provision for repayment of debt (minimum Revenue Provision)	(1,694)

## Note 34 - Leases

### Authority as Lessee - Finance Leases

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31-Mar-18		31-Mar-19
£'000		£'000
2,255	Other Land and Buildings	2,380
0	Vehicles, Plant, Furniture, Equipment and Other	0
<b>2,255</b>	<b>Total</b>	<b>2,380</b>

The minimum lease payments are made up of the following amounts:

31-Mar-18		31-Mar-19
£'000		£'000
<b>Finance lease liabilities (net present value of minimum lease payments):</b>		
4	- current	5
1,593	- non-current	1,588
0	Finance costs payable in future years	0
<b>1,597</b>	<b>Minimum lease payments</b>	<b>1,593</b>

The minimum lease payments will be payable over the following periods:

Minimum Lease payments		Finance Lease Liabilities	
31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
£'000	£'000	£'000	£'000
5	5	(191)	(191)
26	29	(765)	(765)

1,554	1,544	Later than five years	(5,426)	(5,210)
<b>1,585</b>	<b>1,578</b>	<b>Total</b>	<b>(6,382)</b>	<b>(6,166)</b>

### Authority as Lessee - Operating Leases

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

31-Mar-18		31-Mar-19
£'000		£'000
15	Not later than one year	26
5	Later than one year and not later than five years	102
0	Later than five years	36
<b>20</b>	<b>Total</b>	<b>164</b>

The expenditure charged to services in the CIES during the year in relation to these leases was:

31-Mar-18		31-Mar-19
£'000		£'000
26	Minimum lease payments	29
<b>26</b>	<b>Total</b>	<b>29</b>

### Authority as Lessor - Finance Leases

31-Mar-18		31-Mar-19
£'000		£'000
<b>Finance lease debtor (net present value of minimum lease payments):</b>		
0	- current	0
725	- non-current	725
0	Unearned finance income	0
0	Unguaranteed residual value of property	0
<b>725</b>	<b>Gross investment in the lease</b>	<b>725</b>

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

<b>Gross Investment in the Lease</b>			<b>Minimum Lease Payments</b>	
<b>31-Mar-18</b>	<b>31-Mar-19</b>		<b>31-Mar-18</b>	<b>31-Mar-19</b>
<b>£'000</b>	<b>£'000</b>			<b>£'000</b>
0	0	Not later than one year	0	0
0	0	Later than one year and not later than five years	0	0
725	725	Later than five years	725	725
<b>725</b>	<b>725</b>	<b>Total</b>	<b>725</b>	<b>725</b>

**Authority as Lessor - Operating Leases**

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

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£'000</b>		<b>£'000</b>
6,346	Not later than one year	5,739
19,688	Later than one year and not later than five years	19,246
56,653	Later than five years	21,373
<b>82,687</b>	<b>Total</b>	<b>46,357</b>

**Note 35 - Impairment Losses**

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

There are no impairment losses or impairment reversal in 2018/19.

**Note 36 - Termination Benefits**

The authority terminated the contracts of a number of employees in 2018/19, incurring liabilities of £72k (£233k in 2017/18).

**CDC entirely responsible for these costs**

[a]	[b]		[c]		[d]		[e]	
Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		total number of exit packages by cost band [(b) + (c)]		Total cost of exit packages in each band £'000	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£0-£20,000	0	0	1	2	1	2	12	0
£20,001-£100,000	0	0	0	2	0	2	0	29
£100,001-£140,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>12</b>	<b>29</b>

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

[a]	[b]		[c]		[d]		[e]	
Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		total number of exit packages by cost band [(b) + (c)]		Total cost of exit packages in each band £'000	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£0-£20,000	0	0	0	3	0	3	0	51
£20,001-£100,000	2	2	1	4	3	6	119	283
£100,001-£240,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>7</b>	<b>3</b>	<b>9</b>	<b>119</b>	<b>334</b>

**Note 37 - Defined Benefit Pension Scheme**

**37.1 Participation in Pension Schemes**

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

The Cherwell District Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Oxfordshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the scheme (i.e. large-

scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

### 37.2 Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	2018/19	2017/18
<b>Comprehensive Income &amp; Expenditure Statement</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost of Services:</b>		
Current Service Cost	5,490	5,550
Past Service Cost/(Gain) – Including Curtailments	1,355	0
Administration Expense	58	55
<b>Financing and Investment Income and Expenditure:</b>		
Net Interest Expense	2,273	2,477
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>9,176</b>	<b>8,082</b>
<b>Other Comprehensive Income &amp; Expenditure:</b>		
Return on Plan Assets (excluding amounts included in net interest expense)	4,332	1,262
Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions	0	0
Actuarial Gains & Losses Arising on Changes in Financial Assumptions	(10,387)	7,358
Experience (Gain)/loss on defined benefit obligation	0	0
Other actuarial (Gains) & Losses on assets	(45)	(357)
<b>Total Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(6,100)</b>	<b>8,263</b>

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post-employment Benefits in accordance with the Code	(9,176)	(8,082)
Employer's Contributions Payable to the Pension Scheme	2,423	7,022
<b>Total</b>	<b>(6,753)</b>	<b>(1,060)</b>

### 37.3 Pension Assets and Liabilities Recognised in the Balance Sheet

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

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Pension Assets &amp; Liabilities Recognised in the Balance Sheet</b>		
Present value of the defined benefit obligation	(204,500)	(186,143)
Fair value of plan assets	110,240	104,772
<b>Sub-total</b>	<b>(94,260)</b>	<b>(81,371)</b>
Other movements in the liability	(3,840)	(3,876)
<b>Net liability arising from defined benefit obligation</b>	<b>(98,100)</b>	<b>(85,247)</b>

### 37.4 Assets and Liabilities in relation to Retirement Benefits

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of Present Value of Scheme Liabilities</b>		
Liabilities as of the Beginning of the Period	(190,019)	(190,328)
Current Service Cost	(5,548)	(5,605)
Interest Cost	(4,975)	(5,159)
Contributions by Scheme Participants	(1,009)	(950)
Change in financial assumptions	(10,387)	7,358
Change in demographic assumptions	0	0
Experience (Losses)/Gains on defined benefit obligation	(45)	(357)
Losses on Curtailments	0	
Benefits Paid	4,998	5,022
Past Service Costs	(1,355)	0
<b>Liabilities as of the End of the Period</b>	<b>(208,340)</b>	<b>(190,019)</b>

	2018/19	2017/18
<b>Reconciliation of Fair Value of Scheme Assets</b>	<b>£'000</b>	<b>£'000</b>
Assets as of the Beginning of the Period	104,772	97,878
Interest on Assets	2,702	2,682
Return assets less interest	4,332	1,262
Actuarial Gains/(Losses)	0	0
Administration expenses	0	0
Employer Contributions	2,423	7,022
Contributions by Scheme Participants	1,009	950
Benefits Paid	(4,998)	(5,022)
<b>Assets as of the End of the Period</b>	<b>110,240</b>	<b>104,772</b>

### **Impact on the Council's cash Flow**

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total liability of £207m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £97m.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary,
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the authority in the year to 31 March 2020 is £3,914k.

The weighted average duration of the defined benefit obligation is 16.0 years.

### **Sensitivity Analysis**

Funding levels are monitored on an annual basis, with the last triennial review and valuation completed at 31 March 2016. The fund liability may go up and down depending on assumptions applied.

### **Measurement of Pension Liability**

The present value of the pension liability depends on a number of factors that are determined on an actuarial basis and the value of the underlying assets. The actual liability of the Council will continue to be subject to volatility, as a result of a number of factors.

The estimated effects of the changes in the key individual assumptions in determining the net pension liability would increase the Council's pension liability as of 31 March 2019 as follows:

	<b>2018/19</b>	<b>2017/18</b>
<b>Sensitivity analysis</b>	<b>£'000</b>	<b>£'000</b>
0.5% decrease in the real discount rate	18,196	15,870
0.5% increase in the salary increase rate	1,943	1,781
0.5% increase in the pension increase rate	15,981	13,895
1-year increase in member life expectancy	8,334	7,601

The above table presents the changes in key assumptions in isolation. The information is only indicative of the estimated impact as the assumptions interact in complex ways

### **37.5 Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for Oxfordshire County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary in the calculations are:

	<b>2018/19</b>	<b>2017/18</b>
<b>Principal Assumptions</b>	<b>%</b>	<b>%</b>
Rate of inflation: RPI	3.5	3.4
Rate of inflation: CPI	2.5	2.4
Rate of increase in salaries	3.8	3.6
Rate of increase in pensions	2.5	2.4
Rate of discounting scheme liabilities	2.4	2.6

These assumptions are set with reference to market conditions as at 31 March 2019.

The estimated duration of Employer's liabilities is 16.0 years.

The discount rate is the annualised yield at the 16.0 year point on the iBoxx AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities.

The Retail Prices Index (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 16.0 year point on the BoE market implied inflation curve.

Future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI.

Salaries are assumed to increase by CPI until 31 March 2020 then CPI+1.5% per annum thereafter.

<b>Mortality Assumptions</b>	<b>2018/19 Years</b>	<b>2017/18 Years</b>
Longevity at 65 for current pensioners		
Men	23.4	23.4
Women	25.5	25.5
Longevity at 65 for future pensioners		
Men	25.6	25.6
Women	27.8	27.8

The following assumptions have been made:

- Members will elect to take 50% 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.
- Members opted-in to the 50:50 section at the previous valuation date will continue in this section.

The Local Government Pension Scheme's estimated asset allocation for Cherwell District Council consists of the following categories, by proportion of the total assets held:

<b>Estimated Asset Allocation</b>	<b>2018/19 %</b>	<b>2017/18 %</b>
Equity Securities	10	59
Debt Securities	12	12
Private Equity	4	4
Real Estate	0	0
Investment Funds and Unit Trusts	70	21
Derivatives	0	0
Cash & Cash Equivalents	4	4
<b>Total</b>	<b>100</b>	<b>100</b>

### **37.6 Impact of McCloud Judgement on Accounts**

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Oxfordshire County Council Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Cherwell District Council is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.63% higher as at 31 March 2019, an increase of approximately £1.3m.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

## **Note 38 - Contingent Liabilities**

### **NHS Trust**

Cherwell District Council is part of an on-going legal case involving other councils, regarding NHS Trust organisations being treated as charitable organisations in terms of being eligible for 80% relief from business rates.

Should the outcome of the litigation be in favour of the NHS Trust then this would mean a refund of business rates relating to previous years and an ongoing reduction in the business rates for NHS Trust properties in Cherwell.

### **Insurance Claim**

Cherwell District Council received an insurance claim in April 2019 relating to events in the 1960/70's. As the claim is still at an early stage it is uncertain what the outcome of this claim will be, we have noted this in our accounts and will update the current position as it progresses.

## **Note 39 - Contingent Assets**

### **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.

## Collection Fund

31-Mar-18			31-Mar-19			
Business Rates	Council Tax	Total	Collection Fund	Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
<b>INCOME:</b>						
0	(90,432)	(90,432)	Council Tax Receivable		(98,267)	(98,267)
(89,403)	0	(89,403)	Business Rates Receivable	(92,273)	0	(92,273)
(6,863)	0	(6,863)	Transitional Protection Payments Receivable	(4,121)	0	(4,121)
<b>(96,266)</b>	<b>(90,432)</b>	<b>(186,698)</b>		<b>(96,394)</b>	<b>(98,267)</b>	<b>(194,661)</b>
<b>EXPENDITURE:</b>						
<b>Contribution to Previous Year's estimated Surplus/Deficit:</b>						
(786)		(786)	Central Government	279		279
(628)	246	(382)	Cherwell District Council	223	58	281
(157)	1,485	1,328	Oxfordshire County Council	56	364	420
0	193	193	Thames Valley Police and Crime Commissioner		46	46
<b>Precepts, demands and shares:</b>						
42,597	0	42,597	Central Government	46,286		46,286
34,078	11,078	45,156	Cherwell District Council	37,029	11,416	48,445
8,519	69,486	78,005	Oxfordshire County Council	9,257	75,134	84,391
0	8,793	8,793	Thames Valley Police and Crime Commissioner		9,603	9,603
<b>Charges to Collection Fund:</b>						
181	71	252	Write-offs of uncollectable amounts	159	(302)	(143)
605	413	1,018	Increase/(decrease) in allowance for impairment	(558)	296	(262)
4,712	0	4,712	Increase/(decrease) in allowance for appeals	2,843	0	2,843
228		228	Charge to General Fund for allowable collection costs for non-domestic rates	227		227
<b>Other transfers to General Fund in accordance with non-domestic rates regulations</b>						
531		531	Renewable Energy	500		500
<b>89,880</b>	<b>91,765</b>	<b>181,645</b>	<b>Total Expenditure</b>	<b>96,301</b>	<b>96,615</b>	<b>192,916</b>
<b>(6,385)</b>	<b>1,332</b>	<b>(5,053)</b>	<b>Movement on Fund Balance</b>	<b>(93)</b>	<b>(1,652)</b>	<b>(1,745)</b>
<b>4,383</b>	<b>(1,970)</b>	<b>2,413</b>	<b>Balance at the beginning of the Year</b>	<b>(2,003)</b>	<b>(638)</b>	<b>(2,641)</b>
<b>(2,002)</b>	<b>(638)</b>	<b>(2,640)</b>	<b>Balance at the end of the Year</b>	<b>(2,096)</b>	<b>(2,290)</b>	<b>(4,386)</b>
<b>Shares of Balance</b>						
(1,001)		(1,001)	Central Government	(1,048)		(1,048)
(801)	(78)	(879)	Cherwell District Council	(838)	(271)	(1,109)
(200)	(497)	(697)	Oxfordshire County Council	(210)	(1,784)	(1,994)
	(63)	(63)	Thames Valley Police and Crime Commissioner		(236)	(236)
<b>(2,002)</b>	<b>(638)</b>	<b>(2,640)</b>		<b>(2,096)</b>	<b>(2,291)</b>	<b>(4,387)</b>

## **Notes to the Collection Fund**

### **Note 1. General**

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates, council tax and the distribution to the major preceptors and the General Fund. The account is consolidated with other accounts of the Council.

In 2013/14 there was a change to the method for distributing and accounting for business rates income. Prior to 1<sup>st</sup> April 2013 Non-Domestic Rates were collected by the Council and then completed paid over to the Government, who then redistributed these sums across the country in the form of the Non-Domestic rates grant.

From 1<sup>st</sup> April 2013 Business Rates Retention applies, whereby local authorities Cherwell District Council (40%) and Oxfordshire County Council (10%) retain 50% of the business rates collected for the area and pay the remaining 50% to central government. In addition the government has set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up (if business rates collected are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding).

With the introduction of business rates retention if a local authority increases its business rates base, and thereby increases its business rate income, it is allowed to retain a proportion of this increased income, whilst paying up to a maximum of 50% across to central government. This payment where it occurs is known as a levy payment. However, as Cherwell District Council is part of a business rates pool, the levy is distributed to the members as per the pooling arrangements with 0.72% paid to central government as a levy payment.

### **Note 2. Business Rates**

Business Rates is a local tax that is paid by the occupiers of all non-domestic/business property.

Business rates are calculated and collected by the Council. The Government specifies an amount (49.3p in 2018/19; 48.0p for small businesses) and, subject to the effects of transitional arrangements, local businesses pay NNDR calculated by multiplying their rateable value by that amount. The income raised in Cherwell is distributed between Cherwell District Council, Oxfordshire County Council and Central Government in line with the distribution rules set out in Business Rates legislation.

NNDR income was £96.4m in 2018/19. The rateable value for the Council's area was £228.6m at 31 March 2019 VOA valuation (2017/18: £226.3m).

### Note 3. Provision for Un-collectable Amounts

Provision has been made within the accounts for un-collectable amounts based on guidelines. At the end of 2018/19 the accumulated provision for bad debts stood at £2.068m (£2.330m for 2017/18) made up as follows:

	2018/19	2017/18
	£'000	£'000
<b>Provision for Uncollectable Amounts</b>		
Non Domestic Rates	279	837
Council tax	1,789	1,493
<b>Total Provision</b>	<b>2,068</b>	<b>2,330</b>

### Note 4. Council tax Base

The Council tax Base, for tax setting purposes, is calculated by reference to the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply and adjustments made for exempt properties and anticipated amendments. This is then converted to an equivalent number of band D dwellings which is the amount the authority estimates would actually be collected if a tax of £1 is set. The figures for 2018/19 are:

Band	Estimated equivalent no. of taxable properties after effect of discounts	Ratio	Band D Equivalent Dwellings
A	4,194	6/9ths	2,796
B	12,636	7/9ths	9,828
C	15,143	8/9ths	13,460
D	9,750	9/9ths	9,750
E	7,046	11/9ths	8,612
F	3,346	13/9ths	4,833
G	2,297	15/9ths	3,829
H	197	18/9ths	394
<b>Totals</b>	<b>54,609</b>		<b>53,502</b>
			Adjustment for non- collection (-2.0%) (1,070.1)
			Contribution from MOD Properties 249.7
			<b>Council Tax Base 2018/19 52,681.6</b>
			<b>Council Tax Base 2017/18 51,639.5</b>

The Council tax payable at each band is shown below. This does not include parishes.

<b>Band</b>	<b>Multiplier</b>	<b>Cherwell Council</b>	<b>Oxfordshire County Council</b>	<b>Thames Valley Police and Crime Commissioner</b>	<b>Total</b>
A	6/9ths	82.33	950.79	121.52	1,154.64
B	7/9ths	96.06	1,109.26	141.77	1,347.09
C	8/9ths	109.78	1,267.72	162.03	1,539.53
D	9/9ths	123.50	1,426.19	182.28	1,731.97
E	11/9ths	150.94	1,743.12	222.79	2,116.85
F	13/9ths	178.39	2,060.05	263.29	2,501.73
G	15/9ths	205.83	2,376.98	303.80	2,886.61
H	18/9ths	247.00	2,852.38	364.56	3,463.94

## **Group Accounts and Explanatory Notes**

### **Introduction**

The purpose of the Group Accounts is to provide a picture of Cherwell District Council' and the group of companies and other entities, which are either controlled or are significantly influenced by the Council. The Group Accounts show the full extent of the Authority's wider assets and liabilities. While the Group Accounts are not primary statement, they provide transparency and enable comparison with other entities that have different corporate entities.

The Group Accounts include the following:

- Group Comprehensive Income and Expenditure Statement – summarises the resources that have been generated and consumed in providing services and managing the Group during the year. It includes all day-to-day expenses and related income on an accruals basis.
- Group Movement in Reserves – shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group expenses.
- Group Balance Sheet – reports the Council Group financial position at the year-end.
- Group Cash Flow Statement – shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.
- Notes to the Group Accounts where the balances are materially different to those in the single entity accounts.

### **Results of the Subsidiaries**

The following notes provide additional details about the Authority's involvement in the entities consolidated to form the group accounts.

#### **Graven Hill Village Holding Company Ltd**

The company is a holding company and does not trade. The council holds 100% of the shares in the company. The council has dominant control of the company by virtue of guaranteed majority voting rights on the board. The board consists of Councilors and Officers who are appointed by the council. 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.

For 2018/19, the company's results showed a loss of £0.059m (£0.035m loss in 2017/18), and net assets of £21.599m (£21.368m at 31 March 2018). Loans outstanding from the Council to the company total £11.642m (£32,171m at 31 March 2018). The reduction relates to the novation of some loans from this company to Graven Hill Village Development Company Ltd following the review of the funding agreements, not repayment.

A full copy of the company's accounts can be obtained from the Directors, Graven Hill Village Holding Company Ltd, The Plot Shop, Pioneer Square, Bicester, OX26 6JU.

### **Graven Hill Village Development Company Ltd**

The company is a subsidiary of Graven Hill Village Holding Company Ltd. The holding company holds 99% of the shares and the council holds 1%. The council has dominant control of the company by virtue of its control of the holding company. The board consists of the same Councilors and Officers as the holding company. The principal activity of the company during the period was that of a property development company. The development company has a subsidiary, Graven Hill Village Management Company Ltd for resident's property management, which has not begun trading and so is not included in these group accounts.

For 2018/19, the company's results showed a surplus of £0.344m (£0.791m loss in 2017/18), and net assets of £19.449m (£18.821m at 31 March 2018). Loans outstanding from the group to the company total £35.085m (£32.115m at 31 March 2018).

A full copy of the company's accounts can be obtained from the Directors, Graven Hill Village Development Company Ltd, The Plot Shop, Pioneer Square, Bicester, OX26 6JU.

### **Crown House Banbury Ltd**

The company was purchased in Aug 2017. The principal activity of the company during the period was that of a property development company. The council holds 100% of the shares in the company. The council has dominant control of the company by virtue of guaranteed majority voting rights on the board. The board consists of Councilors and Officers who are appointed by the council.

For 2018/19, the company's results showed a loss of £0.371m (£0.324m loss in 2017/18), and net liabilities of £1.225m (£0.951m at 31 March 2018). Loans outstanding from the council total £8.014m (£6.755m at 31 March 2018).

A full copy of the company's accounts can be obtained from the Directors, Crown House Banbury Ltd, Bodicote House, White Post Lane, Bodicote OX15 4AA.

## Other entities within the Group

The other entities within the Group in which the council has an interest are:

- CSN Resources Ltd, which provides Revenues and Benefits services council. The company is a Teckal company limited by guarantee. Liability is shared equally with South Northamptonshire District Council. The company started trading in 2017/18 and broke even that year. The company showed a surplus of £0.086m in 2018/19 and has been included in the group, according to IFRS 11:23, at 50%.
- CSN Associates Ltd, which is intended to trade the services of CSN Resources with third parties, has not begun trading.
- Graven Hill Village Management Company Ltd is a subsidiary of Graven Hill Village Development Company to manage the property retained within the group. The only activity for the company in this financial year relates to service charges resulting in offsetting Debtor and Creditor balances of £3,000.

## Summary of Group

<b>Company Name</b>	<b>Date of Incorporation/Acquisition</b>
Graven Hill Village Holding Company Ltd	25 Jun 2014
Graven Hill Village Development Company Ltd	25 Jun 2014
CSN Resources Ltd	25 April 2017
CSN Associates Ltd	25 April 2017
Crown House Banbury Ltd	4 Aug 2017
Graven Hill Village Management Company Ltd	26 Feb 2018

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

Group Accounts Net Expenditure 31-Mar-18 £000		Group Accounts Net Expenditure 31-Mar-19 £000
450	Chief Executive	232
7,257	Wellbeing	6,707
5,970	Place & Growth	6,300
5,106	Environment	7,453
5,543	Finance & Governance	13,422
4,776	Customers and Service Development	5,583
0	Non-Distributed Services	0
<b>29,102</b>	<b>Net Cost of Services</b>	<b>39,696</b>
4,148	Other Operating Expenditure	3,102
4,818	Financing and Investment Income & Expenditure	20,526
(30,077)	Taxation and Non-Specific Grant Income	(28,718)
<b>7,991</b>	<b>(Surplus) / deficit on Provision of Service</b>	<b>34,605</b>
(3,401)	(Surplus) / deficit on the revaluation of non-current assets	(7,795)
(8,263)	Actuarial (gains) / losses on pension assets & liabilities	6,100
0	(Surplus)/Deficit on Other items	0
<b>(11,664)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>	<b>(1,695)</b>
<b>(3,673)</b>	<b>(Surplus)/ deficit on Total Comprehensive Income &amp; Expenditure</b>	<b>32,910</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

<b>Group Accounts 31/03/2019</b>	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Receipts Un-applied Account	<b>Total Usable Reserves £000</b>	Unusable Reserves	<b>Total Reserves £000</b>
<b>Balance at 31 March 2018</b>	8,936	(16,989)	(0)	(378)	<b>(8,432)</b>	(45,206)	<b>(53,638)</b>
<b>Movement in Reserves during 2018/19</b>							0
Surplus or deficit on the provision of services	34,605	0	0	0	34,605	0	34,605
Other Comprehensive Income / Expenditure		0	0	0	0	(1,695)	(1,695)
<b>Total Comprehensive Income and Expenditure</b>	<b>34,605</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,605</b>	<b>(1,695)</b>	<b>32,910</b>
Adjustments between accounting basis and funding basis under regulations	(37,285)		0	233	(37,052)	37,052	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(2,680)</b>	<b>0</b>	<b>0</b>	<b>233</b>	<b>(2,447)</b>	<b>35,357</b>	<b>32,910</b>
Transfers to / from Earmarked Reserves	3,310	(4,672)	0	0	(1,362)	907	(455)
<b>Increase or Decrease in 2018/19</b>	<b>630</b>	<b>(4,672)</b>	<b>0</b>	<b>233</b>	<b>(3,809)</b>	<b>36,264</b>	<b>32,455</b>
<b>Balance at 31 March 2019</b>	<b>9,566</b>	<b>(21,661)</b>	<b>(0)</b>	<b>(145)</b>	<b>(12,241)</b>	<b>(8,942)</b>	<b>(21,183)</b>

<b>Group Accounts 31/03/2018</b>	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Receipts Un-applied Account	<b>Total Usable Reserves £000</b>	Unusable Reserves	<b>Total Reserves £000</b>
<b>Balance at 31 March 2017</b>	2,864	(18,503)	(2,945)	(165)	<b>(18,750)</b>	(31,841)	<b>(50,591)</b>
Adjustment to opening balance to recognise the acquisition of Crown House Banbury Ltd	1,460				1,460	(834)	625
<b>Restated Balance at 31 March 2017</b>	<b>4,324</b>	<b>(18,503)</b>	<b>(2,945)</b>	<b>(165)</b>	<b>(17,290)</b>	<b>(32,675)</b>	<b>(49,966)</b>
<b>Movement in Reserves during 2016/17</b>							0
Surplus or deficit on the provision of services	7,991	0	0	0	7,991	0	7,991
Other Comprehensive Income / Expenditure	0	0	0	0	0	(11,664)	(11,664)
<b>Total Comprehensive Income and Expenditure</b>	<b>7,991</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,991</b>	<b>(11,664)</b>	<b>(3,673)</b>
Adjustments between accounting basis and funding basis under regulations	(1,865)		2,945	(213)	867	(867)	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>6,126</b>	<b>0</b>	<b>2,945</b>	<b>(213)</b>	<b>8,858</b>	<b>(12,531)</b>	<b>(3,673)</b>
Transfers to / from Earmarked Reserves	(1,514)	1,514	0	0	0	0	0
<b>Increase or Decrease in 2017/18</b>	<b>4,612</b>	<b>1,514</b>	<b>2,945</b>	<b>(213)</b>	<b>8,858</b>	<b>(12,531)</b>	<b>(3,673)</b>
<b>Balance at 31 March 2018</b>	<b>8,936</b>	<b>(16,989)</b>	<b>(0)</b>	<b>(378)</b>	<b>(8,432)</b>	<b>(45,206)</b>	<b>(53,638)</b>

## GROUP BALANCE SHEET

Group Accounts 31-Mar-18 £000		Group Accounts 31-Mar-19 £000
129,784	Property, Plant & Equipment	129,141
80,871	Investment Property	72,066
781	Intangible Assets	837
0	Assets held for sale	0
0	Long Term Investments	0
958	Long Term Debtors	5,694
<b>212,394</b>	<b>Long Term Assets</b>	<b>207,738</b>
7,001	Short Term Investments	6,008
64,981	Inventories	70,662
11,012	Short Term Debtors	8,795
19,609	Cash and Cash Equivalents	14,932
<b>102,602</b>	<b>Current Assets</b>	<b>100,397</b>
(90,611)	Short Term Borrowing	(43,128)
(24,214)	Short Term Creditors	(47,147)
(2,330)	Receipts in Advance	(1,468)
(2,172)	Provisions	(4,694)
<b>(119,327)</b>	<b>Current Liabilities</b>	<b>(96,437)</b>
(85,247)	Other Long Term Liabilities	(68,436)
(36,702)	Long Term Creditors	(100,790)
(2,114)	Provisions	(3,717)
(17,967)	Capital Grants Receipts in Advance	(17,572)
<b>(142,030)</b>	<b>Long Term Liabilities</b>	<b>(190,515)</b>
<b>53,639</b>	<b>Net Assets</b>	<b>21,183</b>
(8,432)	Useable Reserves	(12,240)
(45,206)	Unusable Reserves	(8,943)
<b>(53,639)</b>	<b>Total Reserves</b>	<b>(21,183)</b>

## GROUP CASHFLOW

2017/18 GROUP £'000		2018/19 CDC £'000	GHH £'000	GHD £'000	CHB £'000	CSN £'000	GROUP £'000
	Note						
<b>Cash Flows from Operating Activities</b>							
3,741		30,689	(59)	344	(371)	43	30,645
(2,564)	14	(2,779)	0	0	0	0	(2,779)
(1,119)	14	(11,997)	0	0	0	0	(11,997)
(226)	16	(250)	0	0	0	0	(250)
(779)	15	(19,280)	0	0	0	0	(19,280)
(1,861)	14	2,394	0	0	0	0	2,394
(26,201)	18	51	0	(9,177)	0	0	(9,126)
4,507	19	(121)	20,589	(893)	(22)	(105)	19,448
13,405	22	(8,145)	0	18,687	(1,693)	359	9,209
(1,662)	23	(1,095)	0	0	0	0	(1,095)
2,856	25	0	0	0	0	0	0
7,203	25	(12,853)	0	0	0	0	(12,853)
(612)	37	(3,024)	0	0	0	0	(3,024)
26,189		6	(20,529)	(9,767)	1,996	0	(28,294)
(3,706)	31	(2,805)	0	0	0	0	(2,805)
4,088	24	5,423	0	0	0	0	5,423
<b>23,260</b>		<b>(23,786)</b>	<b>1</b>	<b>(805)</b>	<b>(90)</b>	<b>296</b>	<b>(24,383)</b>
<b>Cash Flows from Investing Activities</b>							
17,271	14	7,962	0	39	0	0	8,001
63,772	15	9,980	0	0	(2,202)	0	7,778
178	16	306	0	0	0	0	306
(4,088)	24	(5,423)	0	0	0	0	(5,423)
0		0	0	0	0	0	0
(3,407)		(703)	(290)	0	0	0	(993)
<b>73,726</b>		<b>12,122</b>	<b>(290)</b>	<b>39</b>	<b>(2,202)</b>	<b>0</b>	<b>9,669</b>
<b>Cash Flows from Financing Activities</b>							
4,524	31	4,000	0	0	0	0	4,000
17,150			290	290			580
3,706	31	2,805	0	0	0	0	2,805
(111,784)	17	220			0	0	220
(12)		1,114			1,111	0	2,225
(245)	10	209	0	0	0	0	209
<b>(86,661)</b>		<b>8,348</b>	<b>290</b>	<b>290</b>	<b>1,111</b>	<b>0</b>	<b>10,039</b>
<b>10,326</b>		<b>(3,316)</b>	<b>1</b>	<b>(476)</b>	<b>(1,181)</b>	<b>296</b>	<b>(4,676)</b>
9,284		12,629	0	5,750	1,193	37	19,608
<b>19,609</b>		<b>9,313</b>	<b>1</b>	<b>5,273</b>	<b>13</b>	<b>333</b>	<b>14,932</b>

## **Note 1 Accounting Policies of for the Group**

The Group Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council has consolidated its interests in all the entities over which it exercises control or significant influence. Graven Hill Holding Company Ltd, Graven Hill Development Company Ltd and Crown House Banbury Ltd have been consolidated because together they are material to the Council's balance sheet. In addition the Council has consolidated CSN Resources to provide a full picture of the Council's arrangements for good governance.

Where group entities use different accounting policies to the Council, their accounts have been restated to re-align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts.

Intra-group transactions have been eliminated before consolidation on a line by line basis.

DRAFT

## Note 2 Group Property Plant and Equipment

### Movements to 31 March 2019

	Land and Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Surplus Assets	Community Assets	Assets under Construction	Total Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>at 1 April 2018</b>	88,446	12,635	5,443	10	24	34,415	<b>142,530</b>
Adjustments to cost/value & depreciation/impairment	1,625	(0)	0	0	0	(963)	<b>(894)</b>
Adjusted Opening Balance as at 1 April 2018	90,071	12,635	5,443	10	24	33,452	<b>141,636</b>
Additions	5,074	843	0	0	0	4,257	<b>10,174</b>
Acc Dep & Imp WO to GCA	(1,166)	0	0	0	0	0	<b>(1,166)</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,795	0	0	0	0	0	<b>7,795</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,997)	0	0	0	0	0	<b>(11,997)</b>
Derecognition – disposals	(2,224)	(172)	0	0	0	0	<b>(2,396)</b>
Reclassifications and transfer	0	0	0	0	0	0	<b>0</b>
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(669)	<b>(669)</b>
Other movements in cost or valuation	17,264	0	0	0	0	(17,264)	<b>0</b>
<b>at 31 March 2019</b>	<b>104,818</b>	<b>13,305</b>	<b>5,443</b>	<b>10</b>	<b>24</b>	<b>19,776</b>	<b>143,376</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>at 1 April 2018</b>	(1,843)	(8,379)	(2,524)	0	0	0	<b>(12,746)</b>
Depreciation charge	(1,735)	(913)	(159)	0	0	(20)	<b>(2,826)</b>
Acc. Depreciation WO to GCA	1,166						<b>1,166</b>
Derecognition – disposals	0	171	0	0	0	0	<b>171</b>
Other movements in depreciation and impairment	(20)	0	0	0	0	20	<b>(0)</b>
<b>at 31 March 2019</b>	<b>(2,432)</b>	<b>(9,121)</b>	<b>(2,683)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(14,236)</b>
<b>Net Book Value</b>							
<b>at 31 March 2019</b>	<b>102,386</b>	<b>4,184</b>	<b>2,760</b>	<b>10</b>	<b>24</b>	<b>19,776</b>	<b>129,141</b>
<b>at 31 March 2018</b>	<b>88,228</b>	<b>4,256</b>	<b>2,919</b>	<b>10</b>	<b>24</b>	<b>34,415</b>	<b>129,784</b>

Property, plant and equipment within the Group is measured at current value and revalued at least every five years by the Council's valuers Montague Evans. Details of

when the Council's property plant and equipment were revalued are shown in Note 14 to the single entity accounts.

**Note 3 Group Inventories**

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
28,628	Land	27,579
36,184	Development Costs	42,863
169	Stock	220
<b>64,981</b>	<b>Total Inventories</b>	<b>70,662</b>

DRAFT

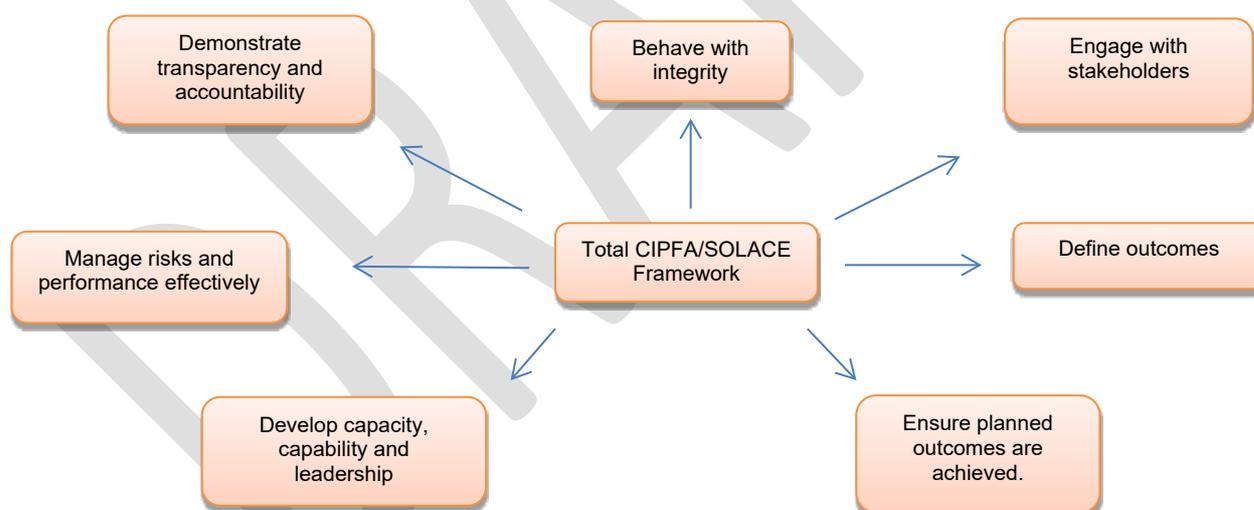
# Annual Governance Statement 2018/19

## Introduction

Cherwell District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cherwell District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Cherwell District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Cherwell District Council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework for Delivering Good Governance in Local Government. The table below details the seven requirements in practice: -



## The CIPFA/SOLACE Framework

### Principle 1 – Behaving with Integrity, Commitment to ethical values and respect for the rule of law

Chief Officers, Directors and Assistant Directors take responsibility for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Cherwell District Council observes all specific legislative requirements and adheres to the general principles of good administrative law – rationality, legality and natural justice.

*Principle 2- Ensuring openness and comprehensive stakeholder engagement*

There is a corporate Consultation Framework with a toolkit for staff providing support, guidance and a statement of our standards. The Council undertake a statistically representative annual satisfaction survey and undertakes an annual budget consultation that underpins the service and financial planning process. In addition to the corporate consultation programme, the council also holds a number of consultative forums including and in partnership with other local public sector agencies.

We also hold formal annual parish liaison events which provide clear channels of communication and engagement with the parish councils.

*Principle 3 – Defining outcomes in terms of sustainable economic, social, and environmental benefits*

Mechanisms are in place to measure quality of services ensuring they are being met through the Councils objectives. The council continues to improve performance management within the organisation including a much clearer link between our financial inputs and our expected outcomes. Service quality and best use of resources is ensured by reviewing Financial Performance Reports, transformation programme and projects and Performance Management system for recording performance across the council. When we make decisions a broad range of factors are taken into account including financial and economic factors as well as an assessment of the benefits that will be achieved in terms of social, environmental and financial sustainability impacts.

*Principle 4 – Determining the intervention necessary to achieve intended outcomes*

The Council recognises that to drive improvement it needs to closely monitor and review its performance. The Council routinely monitors its spend against budgets, and its performance against performance indicators and also against service plans and strategies. This is encapsulated within the Performance Management Framework. Through our project and programme management framework we ensure that we do not work in silos and have built strong networks with our partners to ensure that we have a co-ordinated approach to tackling risks, issues and opportunities so that we can determine sustainable interventions where necessary to achieve our intended outcomes.

*Principle 5 – Developing capacity, including the capability of leadership and individuals within the Council*

We look to develop both our staff and our Members to ensure we have the right skills and capabilities throughout the Council.

Since 2017 the budget for member development has been devolved to political groups proportionally to be spent at the request of the leader according to the needs of elected members. There are a number of core sessions provided centrally and members are invited to suggest topics for development sessions at any point of the year. We also provide targeted training for certain committees to ensure that they are confident and well briefed to be able to perform their roles and responsibilities as Councillors to the best of their abilities.

Training needs for all staff are discussed as part of the annual appraisal process, and all requests for training go through the Council's human resources department to monitor both cost and link to the Council's strategic priorities.

We also seek to ensure that we embrace a broad range of development activities that are provided through our local government and partner networks to offer our staff as much opportunity to increase their knowledge and skills. We offer these to all staff to ensure opportunities are accessible for all.

We consider our capacity as an organisation through our performance management framework and ensure that we understand how our capacity as an organisation affects our ability to manage our priorities

*Principle 6 – Managing the risks and performance through strong internal control and financial management*

We review our risk and all aspects of performance management including financial performance on a monthly basis at both an officer and Councillor level. These are considered in one single, combined report so we are able to consider the impact of changes in these on each other. These reports are scrutinised through appropriate committees including Finance and Budget Planning, Accounts Audit and risk and Executive to ensure that there is openness and transparency in the way in which we monitor and manage our resources.

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

*Principle 7 – Implementing good practices in transparency, reporting and audit to deliver effective accountability*

The Council has strong practices in place to ensure they provide clear and accurate information.

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

Minutes of key meetings, decisions, all items of expenditure exceeding £500 and registers of interests are published on the Council's website and we adhere to the Transparency code that ensures public bodies are accountable to our residents, businesses and visitors

The governance framework has been in place at Cherwell District Council for the year ended 31st March 2019 and up to the date of the approval of the statement of accounts.

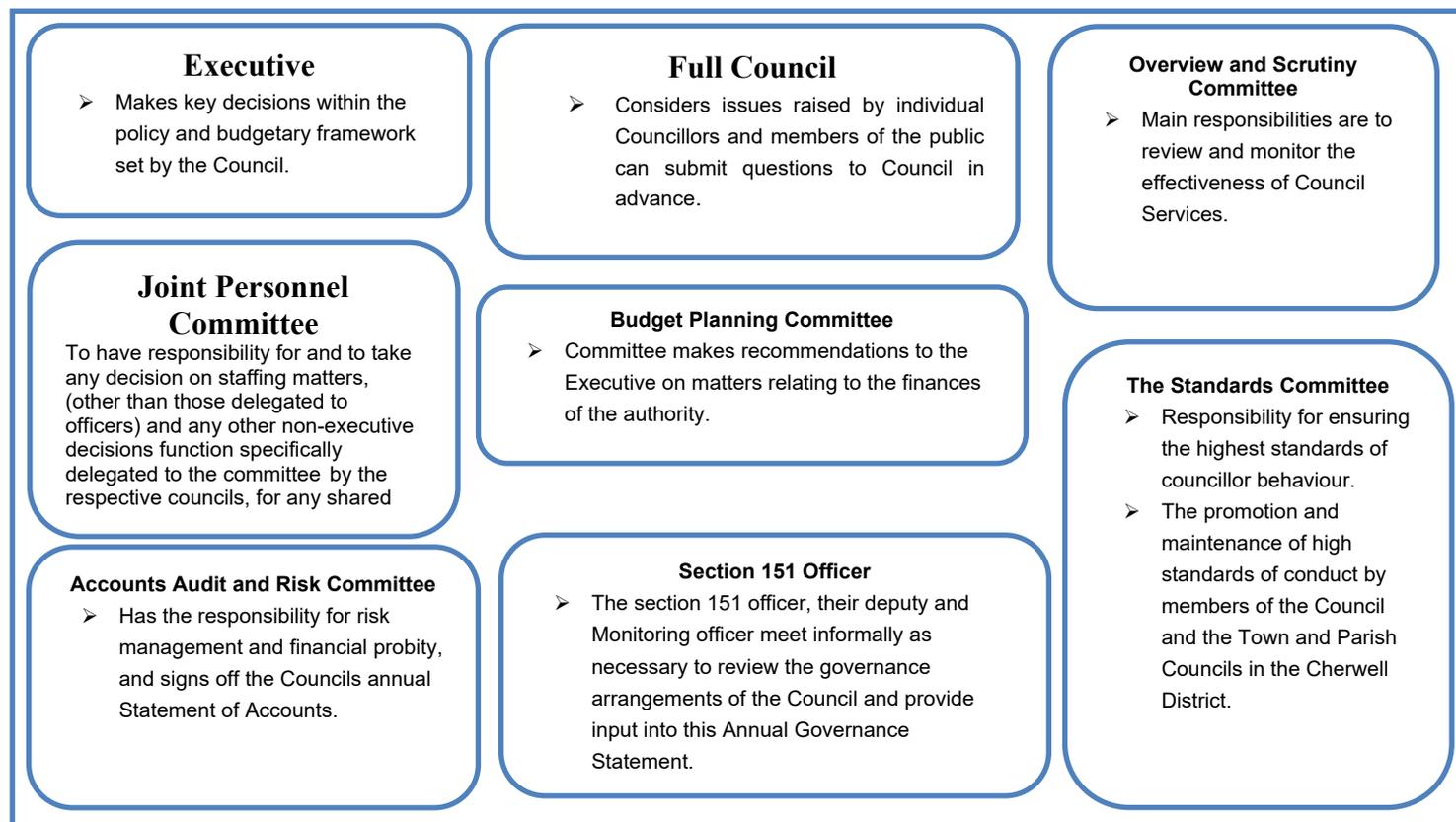
## **Roles and responsibilities**

A clear statement of the respective roles and responsibilities of the executive, the members and the senior officers are held within:

The Constitution (link to the document below):

<http://svc-sql-modg-01:9070/ieListDocuments.aspx?CId=531&MId=3218&Ver=4&Info=1>

Key Elements of the Councils Governance Framework are summarised below:



### 1.3.5 Standards of behaviour

#### Review of Effectiveness including progress on actions from prior years

The key documents and techniques used to develop the code of conduct and high standards of behaviour that we achieve within Cherwell District Council comprise:

The Constitution	Complaints policy and procedure
Codes of conduct and associated protocols	Internal Audit work
HR policies and procedures	External Audit Reports
Internal / External Communications Policy	Chief Executive briefings
Whistle blowing policy	In Brief
Recruitment policy and Appraisal processes	Staff Induction Programme
Registers of member interests	Intranet and Website Messages

The Council uses a number of ways to review the effectiveness of governance arrangements, one of the key assurance statements is the annual report and audit opinion received from Internal Audit. During 2018/19 Internal Audit have undertaken 18 specific reviews. Overall there have been no priority 1 recommendations (this being the highest level of risk) and the internal auditor in their Annual report and opinion for 2018/19 have advised that their overall opinion

is that of significant assurance and that there are no areas that should be regarded as Significant Internal Control Issues that require disclosure within this Annual Governance Statement.. The results of all internal audits are considered by the Accounts, Audit and Risk committee as part of their scrutiny function for our internal control system.

During our 2017/18 external audit one Value for Money issue was identified in relation to the acquisition of Crown House and a subsequent report to our Budget Planning Committee on 6<sup>th</sup> November 2018 highlighted the issues that had been reported and detailed actions that were required.

The agreed actions and progress during 2018/19 were:

- Seeking further professional advice to support the review of Crown House including legal advice on the validity of the original transaction which concluded it still remained valid. This has been completed.
- Reviewing our other acquisitions that had taken place since Crown House. All were found to be valid.
- Improvements in governance had already been brought in, including the Investment strategy working group, a new programme management framework, increased levels of proactive and preliminary due diligence on any potential acquisitions and improved financial implication information
- A strengthening of our policies for decision making over acquisitions, the first of these was the new Banbury Strategic investment vision agreed in September 2018
- Reviewing the social value of that particular transaction and undertaking a best value assessment of the transaction retrospectively. This has been completed.

In addition to the actions highlighted during the review of our accounts we also focussed efforts on ensuring that all of our committees with a scrutiny function received appropriate training to be able to undertake that role effectively. All members are invited to these sessions. Topics included Local Government finance, Business Rates, Treasury Management and Internal audits. We have further training sessions already planned for 2019/20

### **Actions for 2019/20**

Although no actions have been highlighted through our Internal Audit opinion for 2018/19 (and we await any actions to be agreed from our External Audit) we have identified one area where we will focus actions this year which relates to increasing our training and development around our commercial activities. We plan to put in a place a series of workshops for our Councillors and relevant officers on roles and responsibilities in respect of our commercial companies as well as understanding the different delivery models for delivering services. This ensures that as an organisation we continue to fully engage and understand the implications of our decision-making in respect of these models.

Overall, the Council has a good system of internal control and action plans in place to address the issues highlighted in the audit report and seeks to ensure continuous improvement of the systems in place.

## **Good governance arrangements in respect of partnerships**

The Council's aim is to fully exploit the opportunities for partnership working and strengthen the governance and performance management arrangements. The Council's key strategic partnerships are included as part of the performance management framework and performance is reported quarterly. There is also a partnerships protocol.

The LSP is a key partnership for the Council, the role of Chairman is held by the Leader of the Council and there are clear terms of reference in place to cover membership, roles and responsibilities and the objectives of the partnership. The LSP Board provides the leadership and decision making body for the partnership that plans the work programme of the board and coordinates performance management and action planning. The Management Group is chaired by the LSP Board member with the role of performance champion.

To ensure the partnership listens to the wider views of the local community, it holds an annual conference which is open to all stakeholders and provides an annual report of its activity. Where appropriate the LSP sets up sub-committees to co-ordinate work programmes, examples include the Climate Change Partnership and the Brighter Future in Banbury Steering Group. Sub-partnerships have their own terms of reference, agreed by the LSP Board, and report back to the Board with performance and progress updates on a regular basis.

There are clear arrangements for Member roles on partnerships and outside bodies and this has been supported by relevant training and a process of annual review.

## **Review of Effectiveness of Governance**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of CEDR which has responsibility for the development and maintenance of the governance environment, Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

## **The Authority's Assurance Framework**

The review of the effectiveness of the system of internal control is underpinned by an Assurance Framework for internal control. The Framework is managed by the statutory officers, who seek to provide assurance by adopting a dual approach, assessing information from a service perspective provided by service managers and a more corporate overview from CEDR.

## **The Constitutional Framework**

### **The Executive**

The Local Government Act 2000 and regulations made thereunder set out the functions which the Executive may perform. The Executive is not permitted to carry out any regulatory or staffing function. The Leader of the Council selects the

Executive which is a maximum number of ten. 'Portfolios' are given by the Leader to the individual Members of the Executive.

### **Section 151 Officer and Monitoring Officer**

During the 2018/19 financial year, the Chief Finance Officer was designated as the person responsible for the administration of the Council's finances under section 151 of the Local Government Act 1972 and ensured the financial management of the Council was conducted in accordance with the Financial Regulations and Corporate Financial Procedures.

The Monitoring Officer was provided by Director, Law and Governance and provides on-going advice in connection with the legal standing of Council business and advice to Councillors on their responsibilities.

The Chief Finance Officer and Monitoring Officer acknowledge and have demonstrated active management of their responsibilities for governance.

### **Cherwell and South Northamptonshire Council Joint Working Update**

The Local Government Review in Northamptonshire has required the Leader and administration of Cherwell District Council to reflect upon its future and consider what is best for its residents. As a result of this there has been a decision to formally end the successful partnership with South Northamptonshire.

In July 2018 Councillors at Oxfordshire County Council and Cherwell District Council approved a proposal for a partnership between the two local authorities, including the appointment of the Chief Executive, Yvonne Rees. This joint arrangement came into effect on 1 October 2018.

The partnership arrangement will offer long-term opportunities to join up services for residents, reduce the costs of providing services, and secure investment in Cherwell to enable the continued growth in homes and jobs.

### **Conclusion**

We have been advised on the implications of the result of the review of effectiveness of the Councils governance framework. The overall assessment is that the arrangements continue to be regarded as fit for purpose. We are satisfied that there are appropriate plans in place to address any weaknesses and ensure continuous improvement in the system of internal control.

This document has described our governance arrangements and assessed how closely we align with good practice. In overall terms this is a positive statement for 2018/19.

**Yvonne Rees**  
**Chief Executive**  
**XX July 2019**

**Cllr Barry Wood BSc ACMA**  
**Leader of the Council**  
**XX July 2019**