

Appendix 1

Note 1 – Accounting Policies

General principles

The Statement of Accounts summarises the council's transactions for the 2025/26 financial year and its position at the year-end of 31st March 2026. 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 Local Government Act 2003 primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 and the Service Reporting Code of Practice 2025/26, 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.

1.1 Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

The council has carried out a detailed assessment of economic pressures on its financial position and performance during 2025/26 as part of the budget setting process. This included consideration of:

- Additional expenditure on a service- by- service basis, for example inflationary and service demand pressures.
- The impact of the above on the council's cash flow and treasury management, including the availability of liquid cash, the impact on investment returns, and the availability of external borrowing if required.

- The estimated overall impact on the council's General Fund.

As set out in the 2026/27 Budget and Medium- Term Financial Strategy up to 2030/31, approved by Council in February 2026, the council has set aside appropriate contingencies for inflation, market risk and general financial risk throughout the medium term.

The council's Medium- Term Financial Strategy identifies that the council needs to identify £3.025m of ongoing savings across the MTFs Period, reflecting forecast changes in government funding, business rates retention and inflationary pressures.

Transformation

The council continues to progress its Cherwell Futures transformation programme, which aims to deliver efficiencies, service improvements and modernised ways of working. These proposals will be developed through formal business cases and once approved, will be incorporated into the MTFs. Transformation activity will support the council in responding to future financial challenges and in ensuring that resources remain aligned to corporate priorities.

Prioritisation and Service Levels

Through the annual budget and planning cycle, the council reviews service levels and priorities to ensure that resources are directed towards achieving the greatest impact. This approach provides the flexibility to consider options for service redesign and reprioritisation over the medium term should financial pressures increase.

The council has a prudent level of reserves. When setting the 2026/27 budget, the council determined that £8.011m of general balances represents an appropriate minimum level to manage identified risks, in line with the Section 151 Officer's assessment. A further level of earmarked reserves remains available to support financial resilience should this be required. The reserves position is regularly reviewed in line with the council's Reserves Policy.

The council's cashflow forecast demonstrates that it has access to sufficient cash over the medium term to support planned council and Group activities.

It is therefore noted that there is significant headroom within the General Fund to absorb the estimated financial impact of economic pressures in the short to medium

term. Furthermore, the CIPFA Code of Practice on Local Authority Accounting in England requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

1.2 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 on 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. Purchase orders raised automatically through the financial information system are processed with no de minimis level.

- 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.

1.3 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.

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

Prior period adjustments may arise because 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.

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 with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.5 Collection Fund Income and Expenditure Account

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

1.5.1 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 major Council Tax precepting bodies are Oxfordshire County Council and Thames Valley Police and Crime Commissioner. For Cherwell District Council, the NDR 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 on growth in NDR income and thereby maximise the retention of locally generated business rates.

1.5.2 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 Comprehensive Income Expenditure Statement or CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.6 Exceptional Items

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

The council has no Exceptional Items in 2025/26.

1.7 Employee Benefits

1.7.1 Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave - e.g., time off in lieu, flex-leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is 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.

1.7.2 Termination Benefit

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.

1.7.3 Post-Employment Benefits

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

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

The pension fund liability is calculated every three years by the fund's actuary, with annual updates in the intervening years. Methods and assumptions consistent with International Accounting Standard (IAS) 19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 35. 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 iBoxx bond market indices are benchmarks for professional use and comprise liquid investment grade bond issues. They enable investors to analyse and select benchmarks that reflect their investment profile.

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:

1.7.4 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.

1.7.5 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.

1.7.6 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.

1.8 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.

1.9 Financial Instruments

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

1.9.1 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. 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 values of loans are estimated as the price the lender would receive to sell the loans to another market participant on the balance sheet date, based on observed market rates for similar transactions.

1.9.2 Financial Assets

Under IFRS 9 and the Code of Practice on Local Authority Accounting, financial assets are classified based on the council's business model for managing the assets and the contractual cash flow characteristics (the SPPI – solely payments of principal and interest – test) as:

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

The council's treasury investments and loans that meet the SPPI test and are held to collect contractual cash flows are measured at amortised cost. These are initially recognised at fair value and subsequently measured using the effective interest method, with interest income recognised in the Surplus or Deficit on the Provision of Services.

Where financial assets do not meet the criteria for amortised cost (for example, certain pooled investment funds), they are measured at FVPL (or FVOCI where designated in accordance with the Code). Movements in fair value are recognised in the Surplus or Deficit on the Provision of Services (FVPL) or in Other Comprehensive Income and Expenditure (FVOCI), in line with the Code's requirements.

Impairment losses are recognised using the expected credit loss (ECL) model. The council applies the simplified approach for trade receivables and appropriate practical expedients for low credit- risk instruments. Loss allowances are measured at lifetime expected credit losses or at 12- month expected credit losses depending on whether credit risk has significantly increased since initial recognition.

Gains and losses on derecognition are recognised in the Surplus or Deficit on the Provision of Services.

1.10 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.

1.11 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 licenses) 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.

1.12 Interests in Companies and Other Entities

The council has material interests in companies and other entities that have the nature of subsidiaries 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. The Council has interests in the following companies:

- Graven Hill Village Holding Company Limited
- Graven Hill Village Development Company Limited
- Graven Hill Village Management Company Limited
- Graven Hill Village Lease Company Limited
- Graven Hill Village Management Company Block E Limited
- Graven Hill Village Management Company Block A Limited
- Graven Hill Village Management Company Block C Limited
- Graven Hill Village Management Company Block F Limited
- Crown House Banbury Limited
- Crown Apartments Banbury Limited
- Veritau Public Sector Limited

Group Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, using uniform accounting policies for like transactions and other events in similar circumstances.

1.13 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 by 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.

1.14 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. 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.

1.15 Leases

1.15.1 The Council as Lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code of Practice on Local Authority Accounting expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, 1st

April 2024, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for assets held under non-commercial leases, or leases where rent reviews are either more infrequent than every five years or do not reflect market conditions. For these leases, the asset is carried at a revalued amount.

The right-of-use asset is depreciated straight-line over the shorter period of the remaining lease term and useful life of the underlying asset.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when there is a change in future lease payments or the authority changes its assessment of whether it will exercise a purchase, extension or termination option.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code of Practice on Local Authority Accounting, the authority excludes leases for low value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items. It also excludes leases with a term shorter than 12 months.

Lease Expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

The council is not required to charge depreciation or revaluation and impairment losses arising on leased assets against the general fund. Instead, a prudent annual contribution is made from revenue funds as part of the minimum revenue provision in accordance with statutory requirements.

1.15.2 The Council as Lessor

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.

1.15.2.1 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.

1.15.2.2 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.

1.16 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.

1.17 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.

1.17.1 Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's 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.

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. Expenditure below this limit may be capitalised in a single financial year provided total expenditure on the project exceeds £10,000. Expenditure incurred on items that are capital in nature that are below this de minimis are charged to revenue unless strictly necessary to comply with funding or legal requirements, e.g capital grant conditions.

1.17.2 Measurement

Assets are initially measured at cost, comprising:

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

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located if the cost is above the £5,000 de minimis threshold.

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

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

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:

- Vehicles, plant and equipment and infrastructure assets are held at depreciated historical cost.
- Community assets and assets under construction are held at 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, such as community and sports centres, 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 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.

In accordance with the 2025/26 CIPFA Code of Practice and the guidance in CIPFA Bulletin 22, the Council carries its non- investment operational assets at current value using a quinquennial (five- year) revaluation cycle. In the intervening years, the Council applies indexation to maintain materially accurate carrying values. Indexation is based on indices that reflect the characteristics and location of the assets.

In applying indexation, the Council considers appropriate market evidence, including price movements, construction cost indices, rental data and other sector- specific indicators. Where indexation alone is not sufficient to provide assurance that the carrying amount remains materially accurate, the Council undertakes either a desktop valuation or a full revaluation in accordance with the Code and Bulletin 22.

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.

The council's property valuations are 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.

1.17.3 Impairment

Assets are assessed at each year-end as to whether there is any indication that they 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.

1.17.4 Depreciation

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

Depreciation is calculated on the following 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 after acquisition.

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

- | | |
|--------------------------------|------------------|
| • Infrastructure | 10 to 40 years |
| • Buildings | 10 to 60 years |
| • Vehicles | 5 to 10 years |
| • Computer Equipment / systems | 3, 5 or 10 years |
| • Other | 3 to 30 years |

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

separately. 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 following two components have been identified for items of property:

- Land
- Structure of Building

Each component is considered to depreciate on a straight-line basis (except those such as land which are identified as exceptions above). 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.

1.18 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 losses recognised previously 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. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or to fund previous capital investments by being applied to the Capital Financing Requirement. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The net book 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.

1.19 Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets, investment properties, assets held for sale and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The 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 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

1.20 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, calculated on a prudent basis 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.

1.21 Provisions, Contingent Liabilities and Contingent Assets

1.21.1 Provisions

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

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

1.21.2 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.

1.21.3 Contingent Liabilities

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

1.22 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 count 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 for the purpose of managing 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 Unusable reserves note – note 25 of the financial statements.

1.23 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.

1.24 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.

1.25 Rounding

In preparing the Statement of Accounts all numbers, including totals, have been rounded independently to avoid unacceptable rounding errors. This may mean that some tables do not cross cast.