

# Notes to the accounts 2017/18

## 1. Statement of accounting policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the council in preparing and presenting these financial statements. These can be reviewed in detail on pages 73-88.

## 2. Expenditure and funding analysis

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

2016/17 restated				2017/18		
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
1,501	(2,794)	(1,293)	Client Team - 5 Councils Partnership	1,460	(565)	895
688	633	1,321	Strategic Management Board	890	113	1,003
1,455	1,094	2,549	Corporate Services	1,915	864	2,779
725	16	741	Development & Housing	957	365	1,322
44	2	46	Economy Leisure & Property	0	0	0
601	239	840	Finance	666	282	948
1,454	168	1,622	Legal & Democratic	1,509	251	1,760
1,595	753	2,348	Planning	1,589	803	2,392
4,999	1,827	6,826	Waste Leisure and Environment	4,909	900	5,809
<b>13,062</b>	<b>1,938</b>		<b>Net cost of services</b>	<b>13,895</b>	<b>3,013</b>	<b>16,908</b>
(15,603)	<b>(13,912)</b>	(29,515)	Other Income and Expenditure	(15,611)	<b>(4,523)</b>	(20,134)
<b>(2,541)</b>	<b>(11,974)</b>	<b>(14,515)</b>	<b>(Surplus) or deficit on provision of services</b>	<b>(1,716)</b>	<b>(1,510)</b>	<b>(3,226)</b>
(56,740)			Opening General Fund Balance	(59,261)		
(2,541)			Surplus or (deficit) on general fund balance in year	(1,716)		
20			Transfers to/from non general fund balance reserves	938		
<b>(59,261)</b>			<b>Closing general fund balance at 31 March</b>	<b>(60,039)</b>		

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

2016/17 restated					2017/18			
Adjustments for Capital Purposes (note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments		Adjustments for Capital Purposes (note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
(1,407)	(975)	(412)	(2,794)	Client Team - 5 Councils Partnership	510	(1,075)	0	(565)
560	73	0	633	Strategic Management Board	0	113	0	113
1,002	92	0	1,094	Corporate Services	635	229	0	864
(74)	90	0	16	Development & Housing	178	187	0	365
0	2	0	2	Economy Leisure & Property	0	0	0	0
178	61	0	239	Finance	171	111	0	282
72	96	0	168	Legal & Democratic	63	188	0	251
4	336	413	753	Planning	0	603	200	803
1,627	200	0	1,827	Waste Leisure and Environment	2,733	337	(2,170)	900
<b>1,962</b>	<b>(25)</b>	<b>1</b>	<b>1,938</b>	<b>Net cost of services</b>	<b>4,290</b>	<b>693</b>	<b>(1,970)</b>	<b>3,013</b>
<b>(14,578)</b>	<b>1,744</b>	<b>(1,078)</b>	<b>(13,912)</b>	<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>0</b>	<b>1,614</b>	<b>(6,137)</b>	<b>(4,523)</b>
<b>(12,616)</b>	<b>1,719</b>	<b>(1,077)</b>	<b>(11,974)</b>	<b>Difference between general fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services</b>	<b>4,290</b>	<b>2,307</b>	<b>(8,107)</b>	<b>(1,510)</b>

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

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

### 4. Exceptional items

There were no exceptional items in 2017/18.

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

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

31st March 2017					31st March 2018			
Usable Reserves			Movement in unusable reserves		Usable Reserves			Movement in unusable reserves
Gen fund bal & earmarked	Capital receipts reserve	Capital grants unapplied			Gen fund bal & earmarked	Capital receipts reserve	Capital grants unapplied	
£000	£000	£000			£000	£000	£000	
				<b>Adjustments primarily involving the capital adjustment account:</b> Reversal of items debited or credited to the CIES:				
(1,716)	0	0	1,716	Charges for depreciation and impairment of non-current assets	(607)	0	0	607
316	0	0	(316)	Revaluation gains on property, plant and equipment	2,986	0	0	(2,986)
2,576	0	0	(2,576)	Movements in fair value of long term leases	212	0	0	(212)
(40)	0	0	40	Amortisation of intangible assets	(37)	0	0	37
(3,173)	0	0	3,173	Revenue expenditure funded from capital under statute	(2,561)	0		2,561
(20)	0	0	20	Amortisation of premium on financial instruments	0	0	0	0
0	(270)	0	270	Other	0	(750)	0	750
				<b>Adjustments primarily involving the capital grants unapplied account:</b>				
14,060	(2,590)	(10,811)	(659)	Capital grants and contributions unapplied credited to the CIES	4,019	(163)	(3,856)	0
(413)	0	413	0	Expenditure funded by developers contributions	(200)	0	200	0
0	0	(660)	660	Transfers in respect of Community Infrastructure Levy receipts	0	0	0	0
				<b>Adjustments primarily involving the capital receipts reserve:</b>				
860	(860)	0	0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	540	(540)	0	0
0	2,492	704	(3,196)	Use of the capital receipts reserve to finance new capital expenditure	0	938	756	(1,694)
				<b>Adjustments primarily involving the deferred capital receipts reserve:</b>				
166	(3,358)	(1)	3,193	Transfer of deferred capital receipt reserve upon receipt of cash.	(172)	0	0	172
(1,719)	0	0	1,719	<b>Adjustments primarily involving the pensions reserve:</b>	(2,307)	0	0	2,307
				<b>Adjustments primarily involving the Collection fund adjustment account:</b>				
1,077	0	0	(1,077)	Amount by which council tax and NDR income credited to the CIES is different from income calculated for the year in accordance with statutory requirements	(363)	0	0	363
11,974	(4,586)	(10,355)	2,967	Total adjustments	1,510	(515)	(2,900)	1,905

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

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

31 March 2017					31 March 2018			
01 Apr 16 Balance brought forward	Transfers in	Transfers out	31 Mar 17 Balance carried forward		01 Apr 17 Balance brought forward	Transfers in	Transfers out	31 Mar 18 Balance carried forward
£000	£000	£000	£000		£000	£000	£000	£000
(750)	0	0	(750)	<b>General fund balance</b>	(750)	0	0	(750)
(26,171)	(10,440)	8,949	(27,662)	General fund balance	(27,662)	(3,061)	0	(30,723)
(10,609)	0	0	(10,609)	Enabling fund (a)	(10,609)	0	0	(10,609)
				Interest allocated as principal (b)				
<b>(37,530)</b>	<b>(10,440)</b>	<b>8,949</b>	<b>(39,021)</b>	<b>Total general fund balance</b>	<b>(39,021)</b>	<b>(3,325)</b>	<b>0</b>	<b>(42,082)</b>
				<b>Earmarked reserves</b>				
(1,828)	(29)	0	(1,857)	Revenue funding (c)	(1,857)	(366)	0	(2,223)
(154)	(382)	0	(536)	Building control (d)	(536)	0	0	(536)
(2,623)	(1,270)	741	(3,152)	Revenue grants reserve (e)	(3,152)	0	363	(2,789)
(6,626)	(3,559)	20	(10,165)	New homes bonus (f)	(10,165)	(3,533)	3,529	(10,169)
(4,595)	0	2,998	(1,597)	Revenue budget smoothing reserve (g)	(1,597)	0	1,597	0
(3,140)	(456)	1,140	(2,456)	Unit trust dividend reinvested reserve (h)	(2,456)	(497)	1,460	(1,493)
(244)	(233)	0	(477)	Didcot reserve (i)	(477)	(270)		(747)
<b>(19,210)</b>	<b>(5,929)</b>	<b>4,899</b>	<b>(20,240)</b>	<b>Total earmarked reserves</b>	<b>(20,240)</b>	<b>(4,666)</b>	<b>6,949</b>	<b>(17,957)</b>

The purpose of each reserve is as follows:

- (a) Accumulated surpluses in previous years, which have not yet been earmarked. Enabling fund balances and movements shown for 2016/17 include carry forwards.
- (b) To hold sums received from the sale of capital assets and which have now been recycled into the equivalent amount of interest and thus could be used to meet any future costs.
- (c) From interest earnings in previous years which will be used to support the general fund revenue budget.
- (d) From ring fencing the building control trading account.
- (e) To fund revenue expenditure from grants received in advance.
- (f) To hold receipts of new homes bonus funding.
- (g) To fund future revenue pressures.
- (h) To hold the dividends re-invested in the council's unit trust investments.
- (i) To hold rental income received from land in Didcot for future investment in Didcot.

## 7. Property, plant and equipment

<b>Table 7a Movements in property, plant and equipment 2017/18</b>						
	<b>Other land &amp; buildings</b>	<b>Vehicles, plant &amp; equip- ment</b>	<b>Infra- structure assets</b>	<b>Comm- unity assets</b>	<b>Assets under constr- uction</b>	<b>Total PP&amp;E</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>						
<b>At 1 April 2017</b>	<b>32,843</b>	<b>2,695</b>	<b>574</b>	<b>991</b>	<b>0</b>	<b>37,103</b>
Additions	0	39	0	0	0	39
Revaluation increases/(decreases) to RR	1123	0	0	171	0	1294
Revaluation increases/(decreases) to SDPS	1085	0	0	0	0	1085
Depreciation written back on revaluation	(352)	0	0	0	0	(352)
Reclassification	0	0	0	0	0	0
Disposals	0					0
<b>At 31 March 2018</b>	<b>34,699</b>	<b>2,734</b>	<b>574</b>	<b>1,162</b>	<b>0</b>	<b>39,169</b>
<b>Depreciation and impairments</b>						
<b>At 1 April 2017</b>	<b>(5,269)</b>	<b>(2,251)</b>	<b>(434)</b>	<b>0</b>	<b>0</b>	<b>(7,954)</b>
Depreciation charge for 2017/18	(500)	(107)	0	0	0	(607)
Depreciation written back on revaluation	352	0	0	0	0	352
Impairment losses/reversals to SDPS		0	0	0	0	0
<b>At 31 March 2018</b>	<b>(5,417)</b>	<b>(2,358)</b>	<b>(434)</b>	<b>0</b>	<b>0</b>	<b>(8,209)</b>
<b>Balance sheet at 31 March 2018</b>	<b>29,282</b>	<b>376</b>	<b>140</b>	<b>1,162</b>	<b>0</b>	<b>30,960</b>
<b>Balance sheet at 31 March 2017</b>	<b>27,574</b>	<b>444</b>	<b>140</b>	<b>991</b>	<b>0</b>	<b>29,149</b>

RR= Revaluation reserve

SDPS=Surplus or deficit on the provision of services

<b>Table 7a Movements in property, plant and equipment 2016/17</b>						
	<b>Other land &amp; buildings</b>	<b>Vehicles, plant &amp; equip- ment</b>	<b>Infra- structure assets</b>	<b>Comm- unity assets</b>	<b>Assets under constr- uction</b>	<b>Total PP&amp;E</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>						
<b>At 1 April 2016</b>	<b>32,297</b>	<b>2,665</b>	<b>574</b>	<b>991</b>	<b>0</b>	<b>36,527</b>
Additions	0	30	0	0	0	30
Revaluation increases/(decreases) to RR	1,067					1,067
Revaluation increases/(decreases) to SDPS	312	0	0	0	0	312
Depreciation written back on revaluation	(409)	0	0	0	0	(409)
Reclassification	(339)	0	0	0	0	(339)
Disposals	(85)					(85)
<b>At 31 March 2017</b>	<b>32,843</b>	<b>2,695</b>	<b>574</b>	<b>991</b>	<b>0</b>	<b>37,103</b>
<b>Depreciation and impairments</b>						
<b>At 1 April 2016</b>	<b>(4,081)</b>	<b>(2,143)</b>	<b>(423)</b>	<b>0</b>	<b>0</b>	<b>(6,647)</b>
Depreciation charge for 2016/17	(477)	(108)	(11)	0	0	(596)
Depreciation written back on revaluation	409	0	0	0	0	409
Impairment losses/reversals to SDPS	(1,120)	0	0	0	0	(1,120)
<b>At 31 March 2017</b>	<b>(5,269)</b>	<b>(2,251)</b>	<b>(434)</b>	<b>0</b>	<b>0</b>	<b>(7,954)</b>
<b>Balance sheet at 31 March 2017</b>	<b>27,574</b>	<b>444</b>	<b>140</b>	<b>991</b>	<b>0</b>	<b>29,149</b>
<b>Balance sheet at 31 March 2016</b>	<b>28,216</b>	<b>522</b>	<b>151</b>	<b>991</b>	<b>0</b>	<b>29,880</b>

**RR**= Revaluation reserve

**SDPS**=Surplus or deficit on the provision of services

### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other land and buildings – on an individual basis as assessed by the valuer
- Vehicles, plant, furniture and equipment – 1 to 24 years
- Infrastructure –on an individual basis as assessed by the valuer

## Capital commitments

As at the end of March 2018 the council had capital commitments on a number of contracts in 2018/19 and future years, budgeted to cost £1.4 million. The commitments are:

- Capital grants - £0.9 million
- Leisure contracts - £0.5 million

## Revaluations

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

The council's operational assets have been valued as at 9 March 2018 by Sanderson Weatherall in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS Red Book, UK Appendix 5). The council's contracted estates manager has confirmed that there has been no material change in the value of properties from 31 January 2017 to 9 March 2018.

The significant assumptions applied in estimating the 2017/18 values are that:

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

<b>Table 7c Revaluations property, plant and equipment</b>				
	<b>Land &amp; buildings</b>	<b>Vehicles, plant &amp; equipment</b>	<b>Infrastructure &amp; community assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Carried at historical cost	110	203	172	<b>485</b>
Valued at fair value as at:				
30 January 2014	23,446	0	0	23,446
31 January 2015	4,300	2,082	991	7,373
31 January 2016	4,441	380	402	5,223
31 January 2017	546	30	0	576
31 January 2018	1,857	38	171	2,066
<b>Total value</b>	<b>34,700</b>	<b>2,733</b>	<b>1,736</b>	<b>39,169</b>

The council has no material surplus assets.

## 8. Investment properties

Income and expenditure in respect of investment properties is shown on the face of the CIES. There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The

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

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

<b>2016/17 £000</b>		<b>2017/18 £000</b>
<b>5,075</b>	<b>Balance at 1 April</b>	<b>5,075</b>
0	Disposals	0
0	Reclassifications	0
0	Changes in fair value	0
<b>5,075</b>	<b>Balance at 31 March</b>	<b>5,075</b>

### **Fair value hierarchy**

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

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

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

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

### **Highest and best use**

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

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

The council's investment property has been valued as at 31 January 2016 by Bruton Knowles in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The council's contracted estates manager has confirmed that there has been no material change in the value of investment properties from 31 January 2016 to 31 March 2018.

## **9. Financial instruments**

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



Table 9a Categories of financial instrument				
	Long term		Current	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
<b>Investments</b>				
Loans and receivables (principal amount)	17,010	20,006	69,500	85,500
Plus accrued interest	165	191	370	390
Cash equivalents (excluding bank overdraft)	0	0	20,314	13,073
<b>Loans and receivables at amortised cost (1)</b>	<b>17,175</b>	<b>20,197</b>	<b>90,184</b>	<b>98,963</b>
Available for sale financial assets (2)	19,795	18,367	0	0
<b>Total investments</b>	<b>36,970</b>	<b>38,564</b>	<b>90,184</b>	<b>98,963</b>
<b>Debtors</b>				
Financial assets carried at contract amount	29,248	28,539	5,600	10,847
<b>Total debtors</b>	<b>29,248</b>	<b>28,539</b>	<b>5,600</b>	<b>10,847</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(6,713)	(11,114)
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>(6,713)</b>	<b>(11,114)</b>

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

(2) Available for sale assets – the council holds £11.6 million in unit trusts with Legal & General and £6.7 million in the CCLA pooled property fund.

### Financial instrument gains/losses

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

Table 9b Financial instrument gains and losses 2017/18			
	Financial assets		
	Loan and receivables	Available-for-sale assets	Total
	£000	£000	£000
Interest receivable and similar income	1,759	0	1,759
Other investment income (dividends)	0	804	804
<b>Total income in surplus or deficit on the provision of services</b>	<b>1,759</b>	<b>804</b>	<b>2,563</b>
Gain/(loss) on revaluation	0	(464)	(464)
<b>Surplus arising on revaluation of financial assets</b>	<b>0</b>	<b>(464)</b>	<b>(464)</b>
<b>Net gain/(loss) for the year</b>	<b>1,759</b>	<b>340</b>	<b>2,099</b>

Table 9c Financial instrument gains and losses 2016/17			
	Financial assets		
	Loan and receivables	Available-for-sale assets	Total
	£000	£000	£000
Interest receivable and similar income	1,721	9	1,730
Other investment income (dividends)	0	760	760
<b>Total income in surplus or deficit on the provision of services</b>	<b>1,721</b>	<b>769</b>	<b>2,490</b>
Gain/(loss) on revaluation	0	(1,179)	(1,179)
<b>Surplus arising on revaluation of financial assets</b>	<b>0</b>	<b>(1,179)</b>	<b>(1,179)</b>
<b>Net gain/(loss) for the year</b>	<b>1,721</b>	<b>(410)</b>	<b>1,311</b>

### Fair values of assets and liabilities

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

- For loans receivable prevailing benchmark these have been used to provide the fair value;
- Where an instrument will mature within the next 12 months, the fair value is taken to be the carrying amount;
- No early repayment or impairment is recognised;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Table 9d Fair value of assets and liabilities carried at amortised cost				
31 March 2017			31 March 2018	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
13,560	13,560	Short term creditors	19,011	19,011
<b>13,560</b>	<b>13,560</b>	<b>Total liabilities</b>	<b>19,011</b>	<b>19,011</b>
69,501	69,856	Short term investments	85,500	85,874
12,279	12,293	Cash and cash equivalents	10,072	10,087
8,035	8,035	Money market funds	3,000	3,000
17,009	17,174	Long term investments	20,000	20,191
19,795	19,795	Available for sale investments	18,340	18,340
7,740	7,740	Short term debtors	11,475	11,475
29,248	29,248	Long term debtors	28,539	28,539
<b>163,607</b>	<b>164,141</b>	<b>Total assets</b>	<b>176,926</b>	<b>177,506</b>

The fair values for loans and receivables include accrued interest.

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

Available for sale assets are carried in the balance sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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

### **Impairment of financial assets**

On the 2 July 2007 the council agreed to deposit £2.5 million with Kaupthing Singer & Friedlander Ltd for the period 14 December 2007 to 12 December 2008 at an interest rate of 6.41 per cent. The bank went into administration at the start of October 2008, and as a result the full repayment of the deposit has not been made.

At December 2008, the amount due to be repaid was the principal amount of £2.5 million plus interest of £159,811, giving a total amount of £2,659,810. However the insolvency regulations only allow a claim up to the date that KSF went into administration on 7 October 2008. This means that the authority can only claim for £2,630,834.

The creditor report issued by the administrators Ernst & Young now indicates that the estimated return to creditors to be in the range of 86.25 to 87 per cent and an impairment to the asset was made at this time. In 2017/18 the council received further dividends, bringing the total to date to £2.25 million (86 per cent).

## **10. Debtors**

<b>31 March 2017</b>			<b>31 March 2018</b>	
<b>Long term £000</b>	<b>Short term £000</b>		<b>Long term £000</b>	<b>Short term £000</b>
0	372	Central government bodies		1,201
0	3,484	Other local authorities		5,073
29,248	3,884	Other entities and individuals	28,447	6,454
<b>29,248</b>	<b>7,740</b>	<b>Total debtors</b>	<b>28,447</b>	<b>12,728</b>

## **11. Cash and cash equivalents**

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

<b>31 March 2017 £000</b>		<b>31 March 2018 £000</b>
2	Cash held by the council	2
(966)	Bank overdraft	(3,667)
12,277	Bank current and instant access accounts	10,072
8,035	Money market funds	3,000
<b>19,348</b>	<b>Total cash and cash equivalents</b>	<b>9,407</b>

## 12. Assets held for sale

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

## 13. Short-term creditors

31 March 2017 £000		31 March 2018 £000
(1,889)	Central government bodies	(2,798)
(6,395)	Other local authorities	(8,553)
(5,276)	Other entities and individuals	(9,085)
<b>(13,560)</b>		<b>(20,436)</b>

## 14. Provisions

The provision in 2017/18 represents amounts set aside to meet future potential business rate appeals liabilities.

	Provisions £000
<b>Balance at 1 April 2017</b>	<b>(1,292)</b>
Movement in year	(622)
<b>Balance at 31 March 2018</b>	<b>(1,914)</b>

## 15. Unusable reserves

### Revaluation reserve

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

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

Table 15a Revaluation reserve		
2016/17 £000		2017/18 £000
(6,261)	<b>Balance at 1 April</b>	<b>(7,152)</b>
(1,086)	Upward revaluation of assets	(2,115)
19	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	821
<b>(1,067)</b>	<b>Surplus or deficit on revaluation of non current assets not posted to the surplus or deficit on the provision of services</b>	<b>(1,294)</b>
176	Difference between fair value depreciation and historical cost depreciation	128
0	Other	110
<b>(7,152)</b>	<b>Balance at 31 March</b>	<b>(8,208)</b>

### Available for sale financial instruments reserve

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

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

Table 15b Available for sale financial instruments reserve		
2016/17 £000		2017/18 £000
<b>(1,087)</b>	<b>Balance at 1 April</b>	<b>(2,266)</b>
(1,179)	Revaluation of investments	464
<b>(2,266)</b>	<b>Balance at 31 March</b>	<b>(1,802)</b>

### Capital adjustment account

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

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

Table 15c Capital adjustment account		
2016/17 £000		2017/18 £000
(39,073)	<b>Balance at 1 April</b>	(37,138)
	<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>	
1,716	Charges for depreciation and impairment of non current assets	479
(316)	Revaluations (gains)/losses on property, plant and equipment	(1,196)
40	Amortisation of intangible assets	37
3,173	Revenue expenditure funded from capital under statute	2,561
424	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES*	0
(176)	Adjusting amounts written out to the revaluation reserve	0
	<b>Capital financing applied in the year:</b>	
(2,492)	Use of the capital receipts reserve to finance new capital expenditure	(938)
(704)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(756)
(20)	Capital expenditure charged against earmarked reserves	(983)
290	Other adjustments	45
(37,138)	<b>Balance at 31 March</b>	(37,889)

## Pensions reserve

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

Table 15d Pensions reserve		
2016/17 £000		2017/18 £000
50,522	<b>Balance at 1 April</b>	59,420
7,179	Remeasurement of the net defined benefit liability/(asset) Actuarial Gain/(loss)	(5,600)
3,639	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	4,283
(1,920)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,976)
59,420	<b>Balance at 31 March</b>	56,127

## Deferred capital receipts reserve

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

<b>Table 15e Deferred capital receipts reserve</b>		
<b>2016/17 £000</b>		<b>2017/18 £000</b>
<b>(29,442)</b>	<b>Balance at 1 April</b>	<b>(29,248)</b>
(2,661)	New deferred capital receipts raised in year	(212)
(339)	Deferred capital receipts relating to re-categorised long leases*	0
3,194	Transfer to the capital receipts reserve upon receipt of cash	172
0	Other	749
<b>(29,248)</b>	<b>Balance at 31 March</b>	<b>(28,539)</b>

## Collection fund adjustment account

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

<b>Table 15f Collection fund adjustment account</b>		
<b>2016/17 £000</b>		<b>2017/18 £000</b>
<b>905</b>	<b>Balance at 1 April</b>	<b>(172)</b>
(1,077)	Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	364
<b>(172)</b>	<b>Balance at 31 March</b>	<b>192</b>

## Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, 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>Table 15g Accumulated absences account</b>		
<b>2016/17 £000</b>		<b>2017/18 £000</b>
188	Balance at 1 April	188
(188)	Settlement or cancellation of accrual made at the end of the preceding year	(188)
188	Amounts accrued at the end of the current year	188
<b>188</b>	<b>Balance at 31 March</b>	<b>188</b>

## 16. Interest received, interest paid and dividends received

The cash flow for operating activities included within the cash flow statement includes the following items:

2016/17 £000		2017/18 £000
1,740	Interest received	1,759
748	Dividends received	804
2,488	<b>Total interest received, interest paid and dividends received</b>	2,563

## 17. Expenditure and income analysed by nature

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

2016/17 £000		2017/18 £000
	<b>Expenditure</b>	
11,232	Employee benefits expenses	12,174
54,406	Other services expenses	47,982
636	Depreciation and amortisation	617
1,120	Impairment	0
18	Interest and investment expenses	
15,002	Non-domestic rates tariff	15,509
4,413	Precepts and levies	4,662
1,744	Net interest on net defined benefit liability or asset	1,614
<b>88,571</b>	<b>Total expenditure</b>	<b>82,558</b>
	<b>Income</b>	
(51,274)	Fees, charges and other service income	(43,824)
(3,421)	Interest, investment income and income from investment property	(3,726)
(28,545)	Income from council tax and non-domestic rates	(29,048)
(860)	Gains on the disposal of investments	(540)
(4,839)	Government grants and contributions	(4,105)
(13,625)	Recognised capital grants and contributions	(4,540)
(522)	Gain on the disposal of assets	
<b>(103,086)</b>	<b>Total income</b>	<b>(85,784)</b>
<b>(14,515)</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>(3,226)</b>

## 18. Members' allowances

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

2016/17 £000		2017/18 £000
167	Basic allowance	165
96	Special responsibility allowance	107
9	Expenses	13
<b>272</b>		<b>285</b>



## 19. Employee benefits

### Benefits payable during employment

South Oxfordshire District Council and Vale of White Horse District Council share a joint Senior Management Team. The employees detailed below therefore work across the two authorities and the costs are shared with South Oxfordshire DC contributing 50 per cent and Vale of White Horse DC contributing 50 per cent towards the costs. All senior officers are employed by South Oxfordshire DC.

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

<b>Table 19a Senior officers emoluments statutory</b>						
<b>Post title</b>	<b>Financial year</b>	<b>Salary (including fees &amp; allowances)</b>	<b>Expenses</b>	<b>Total remuneration excluding pension contributions</b>	<b>Pension contributions</b>	<b>Total remuneration including pension contributions</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Head of paid service (1)	2017/18	320,455	300	320,755	12,738	333,493
	2016/17	138,727	583	139,310	17,063	156,373
Chief finance officer (section 151 officer)	2017/18	116,450	2,632	119,082	8,840	127,922
	2016/17	78,579	1,233	79,812	9,665	89,477
Monitoring officer	2017/18	85,400	339	85,739	11,238	96,977
	2016/17	79,623	167	79,790	9,794	89,584

(1) During 2017/18 the Head of Paid Service left. The analysis of costs is as follows:  
 2016/17 Officer 1 £81,667, Officer 2 £57,060  
 2017/18 Officer 1 £70,910, Officer 2 £104,999

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

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

<b>Table 19b Spot pay point - heads of service non statutory</b>			
	<b>Heads of service</b>	<b>Number</b>	<b>2017/18 £</b>
78,579	Heads of service at 1 April 2017	7	79,601
	Heads of service at 1 August 2017	5	89,601
	Interim Heads of service at 1 August 2017	3	79,601
	Heads of service at 1 March 2018	7	89,601
	Interim Heads of service at 1 March 2018	1	89,601

## Agenda Item 7

In 2017/18 there was a major re-organisation of the Council's management team and the two strategic director posts were removed. Heads of Service were given additional responsibility and an additional Head of Service post was created. Whilst the restructure was in process interim heads of service were in place, replaced by appointed Heads of Service as the re-organisation progressed. In total the council employs eight heads of service (seven heads of service and one interim head of service). Payment to HAYS of £50,150 was made for a chief operating officer until 30 June 2017. This officer became the Head of Paid Service on 1 July 2017.

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

<b>Table 19c Employee remuneration over £50,000</b>		
<b>Number of SODC employees</b>		
<b>2016/17</b>	<b>Remuneration band £</b>	<b>2017/18</b>
5	50,000 - 54,999	5
3	55,000 - 59,999	6
3	60,000 - 64,999	2

Under the shared working arrangements, the council recharged a total of £3,750,735 of its salary costs to Vale of White Horse District Council, who in turn recharged £1,640,048 of its salary costs to this council.

### Termination benefits

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

<b>Table 19d Exit packages agreed</b>								
<b>Exit package cost band (including special payments)</b>	<b>Number of compulsory redundancies</b>		<b>Number of other departures agreed</b>		<b>Total number of exit packages by cost band</b>		<b>Total cost of exit packages in each band £</b>	
	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>
£0 - £20,000	0	0	4	0	4	0	42,630	
£40,000 - £60,000	0	0	1	0	1	0	54,147	
£60,001 - £80,000	0	0	1	1	1	1	67,741	62,902
£140,000 - £150,000	0	0	0	1	0	1	0	140,044
<b>Total</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>2</b>	<b>6</b>	<b>2</b>	<b>164,518</b>	<b>202,946</b>

The total value of exit packages paid in 2017/2018 was £202,946.

### Post-employment benefits - defined benefit pension schemes

#### Participation in pension schemes

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

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

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

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

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

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

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

In addition arrangements for the award of discretionary post-retirement benefits are awarded upon early retirement. This is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension's payments as they fall due.

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

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

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

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

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

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

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

<b>Table 19e Transactions relating to retirement benefits</b>		
<b>2016/17 £000</b>		<b>2017/18 £000</b>
	<b>Cost of Services:</b>	
0	Current service cost	0
1,842	Service Cost	2,669
53	Administrative expenses	0
	<b>Financing and investment income and expenditure</b>	
1,744	Net interest expense	1,614
<b>3,639</b>	<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>4,283</b>
	<b>Other post employment benefit charged to the CIES</b>	
(14,096)	Remeasurement of the net defined benefit liability comprising:	
	Return on plan assets (excluding the amount included in the net interest expense)	(621)
(1,621)	Actual (gain) and losses arising on changes in demographic assumptions	0
27,774	Actual (gain) and losses arising on changes in financial assumptions	(5,570)
(4,878)	Other	591
<b>10,818</b>	<b>Total post employment benefit charges to the comprehensive income and expenditure statement</b>	<b>(1,317)</b>
	<b>Movement in Reserves Statement</b>	
(3,639)	Reversal of net charges made to the surplus or deficit for the Provision of Services for post employment benefits in accordance with the code	(4,283)
	Actual amount charged against the general fund balance for pensions in the year:	
1,920	Employers' contributions payable to scheme	1,976

## Pensions assets and liabilities recognised in the balance sheet

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

<b>19f Pension assets and liabilities recognised in the balance sheet</b>		
<b>2016/17 £000</b>		<b>2017/18 £000</b>
96,570	Fair value of employer assets	97,283
(151,944)	Present value of funded liabilities	(148,969)
(4,046)	Present value of unfunded liabilities	(4,441)
<b>(59,420)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(56,127)</b>

<b>19g Reconciliation of the movements in the fair value of the scheme assets</b>		
<b>2016/17 £000</b>		<b>2017/18 £000</b>
80,044	Opening balance at 1 April	96,570
2,807	Interest on assets	2,574
14,096	Return on assets less interest	621
1,580	Other actuarial gains / (losses)	0
(53)	Administration expenses	0
1,920	Employer contributions	1,976
536	Contributions by scheme participants	489
(4,869)	Benefits paid	(4,947)
509	Settlement prices received (paid)	0
<b>96,570</b>	<b>Closing present value of scheme assets</b>	<b>97,283</b>

<b>19h Reconciliation of the movements in the fair value of the scheme liabilities</b>				
<b>Funded liabilities 2016/17 £000</b>	<b>Unfunded liabilities 2016/17 £000</b>		<b>Funded liabilities 2017/18 £000</b>	<b>Unfunded liabilities 2017/18 £000</b>
<b>(126,765)</b>	<b>(3,801)</b>	<b>Opening balance at 1 April</b>	<b>(151,944)</b>	<b>(4,046)</b>
(1,742)	0	Current Service Cost	(2,669)	0
(4,422)	(129)	Interest cost	(4,082)	(106)
(536)	0	Contributions by scheme participants	(489)	0
1,561	60	Reameasurement (gains) and losses: Actual (gains) and losses arising on changes in demographic assumptions	0	0
(27,306)	(468)	Actual (gains) and losses arising on changes in financial assumptions	5,534	36
2,653	41	Other	0	(591)
(5)	0	Past service costs	0	0
4,618	251	Benefits paid	4,681	266
<b>(151,944)</b>	<b>(4,046)</b>	<b>Closing present value of liabilities</b>	<b>(148,969)</b>	<b>(4,441)</b>

The discretionary benefits arrangements have no assets to cover its liabilities. The LGPS' assets consist of the following categories.

<b>Table 19i Breakdown of fund assets at fair value</b>								
<b>2016/17</b>					<b>2017/18</b>			
<b>Quoted £000</b>	<b>Non quoted £000</b>	<b>Total £000</b>	<b>%</b>		<b>Quoted £000</b>	<b>Non quoted £000</b>	<b>Total £000</b>	<b>%</b>
30,494	34,257	64,751	67	Equities	26,502		26,502	27
	6,267	6,267	7	Property				
				Bonds:				
10,467		10,467	11	Government bonds	9,890		9,890	10
3,189		3,189	3	Corporate bonds				
				Other	1,734		1,734	2
				Private equity	910	2,954	3,864	4
	7,584	7,584	8	Other investment funds		51,123	51,123	53
				Foreign exchange	38		38	0
4,312		4,312	4	Cash and cash equivalents	4,132		4,132	4
<b>48,462</b>	<b>48,108</b>	<b>96,570</b>	<b>100</b>	<b>Total</b>	<b>43,206</b>	<b>54,077</b>	<b>97,283</b>	<b>100</b>

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

In order to assess the value of the Council's liabilities in the Fund as at 31 March 2018, we have rolled forward the value of the Council's liabilities calculated at the latest formal valuation date of 31 March 2016, allowing for the different financial assumptions required under the Accounting Standard at the reporting date.

In calculating the current service cost we have allowed for changes in the Council's pensionable payroll as estimated from the contribution information provided. In calculating the asset share we have rolled forward the Council's share of the assets calculated at the latest formal valuation date allowing for investment returns, the effect of contributions paid into, and estimated benefits paid from, the Fund by the Council and its employees.

In preparing the balance sheet at 31 March 2018 and the revenue account to 31 March 2018 no allowance is made for the effect of changes in the membership profile since the last formal valuation date. The principal reason for this is that insufficient information is available to allow for any such adjustment. However, the effect is likely to be immaterial in actual terms.

Whilst the liabilities calculated under the Accounting Standard include an allowance for some premature retirements on the grounds of ill-health, there is no allowance for early retirements on grounds of redundancy or efficiency other than those actual cases notified.

It is not possible to assess the accuracy of the estimated rolled-forward liability without conducting a full valuation using updated individual member data. Such a valuation is generally not practical in the time available to meet the council's reporting requirements. The estimated rolled-forward liability as at 31 March 2018 will therefore not reflect differences in demographic experience from that assumed (e.g. pensioner longevity) or the impact of differences between aggregate changes in salary/pension or changes for specific individuals.

We have no reason to believe that the approximations used in rolling forward the valuation to 31 March 2018 will introduce any undue distortion in the results.

The Employer currently participates in the South Oxfordshire District Council pool with other employers in order to share experience of risks they are exposed to in the Fund. At the 2016 valuation, the deficit for the whole pool was calculated and allocated to each employer in proportion

to their value of liabilities. The next reallocation will be carried out at the 2019 valuation, should the Employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool.

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

<b>Table 19j Principal actuarial assumptions</b>		
<b>2016/17</b>		<b>2017/18</b>
3.2%	<b>Long-term expected rate of return on assets in the scheme</b>	
	All assets	2.7%
	<b>Mortality assumptions</b>	
	Longevity at 65 for current pensioners:	
23.4 yrs	Men	23.4 yrs
25.5 yrs	Women	25.5 yrs
	Longevity at 65 for future pensioners:	
25.6yrs	Men	25.6yrs
27.8yrs	Women	27.8yrs
	<b>Other assumptions</b>	
3.6%	Inflation - RPI	3.6%
2.7%	Inflation - CPI	2.7%
4.2%	Rate of general increase in salaries	3.6%
2.7%	Rate of increase to pensions	2.4%
2.7%	Discount rate	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases for men and women. In practice this is unlikely to be correct, and changes in some of the assumptions may be interrelated. The estimates in the sensitivity analysis have followed the accounting policies for then scheme, i.e. on an actuarial basis using the projected unit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Other assumptions are that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and

\*The proportion of members that had taken up the 50:50 option at the previous valuation date will remain the same.

<b>Table 19k Sensitivity analysis</b>		
<b>Change in assumption at 31 March 2018:</b>	<b>Approximate increase in employer liability</b>	
	<b>%</b>	<b>£000</b>
0.5% decrease in real discount rate	8	12,146
0.5% increase in the salary increase rate	1	1,357
0.5% increase in the pension increase rate *	7	10,639

In order to quantify the impact of a change in the financial assumptions used we have calculated and compared the value of the scheme liabilities as at 31 March 2018 on varying bases. The approach taken is consistent with that adopted to derive the IAS 19 figures provided.

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes we estimate that a one year increase in life expectancy would approximately increase the employer's Defined Benefit Obligation by around 3-5 per cent. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply to younger or older ages).

The above figures have been derived based on the membership profile of the employer as at the date of the most recent actuarial valuation.

### **Impact on the council's cash flows**

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

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

The actuarial estimate of the duration of the council's liabilities is 18 years. The council anticipates paying £1.7 million in contributions to the scheme in 2018/19.

## **20. External audit costs**

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

In 2017/18 external audit services were provided by Ernst & Young LLP.

<b>2016/17 £000</b>		<b>2017/18 £000</b>
49	Fees payable with regard to external audit services carried out by the appointed auditor for the year	48
10	Fees payable to external auditor for the certification of grant claims and returns for the year	11
<b>59</b>		<b>59</b>



## 21. Grant income

The council credited the following grants, contributions and donations to the CIES in 2017/18.

2016/17 £000		2017/18 £000
	<b>Credited to taxation and non specific grant income</b>	
2,736	Retained business rates	2,373
0	Council tax family annexe	0
10,807	Council tax income	11,166
12,535	Developers and other contributions	3,204
1,090	Disabled facilities grant	1,323
3,559	New homes bonus	3,533
0	Other	14
1,280	Revenue support grant	572
<b>32,007</b>	<b>Total</b>	<b>22,185</b>
	<b>Credited to services</b>	
995	Estates regeneration programme	0
195	Didcot Garden Town	166
24	Election reform	13
0	Homelessness Support Grant	144
281	Housing benefit - admin	295
28,641	Housing benefit - subsidy	27,474
48	Leader	44
95	Localising council tax admin subsidy	94
452	New burdens revenue and other grants	277
188	NNDR collection allowance	184
<b>30,919</b>	<b>Total</b>	<b>28,691</b>

## 22. Related parties

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

Related parties include:

**Central government.** Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework, within which the council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Grants received from government are shown in note 21 above.

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

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

- Total Pest Control
- Interserve PLC

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

Councillor Joan Bland  
Councillor Imran Lokhon

A check of the councillors' register of interests has shown that none of the above named members had declared any related party transactions. However, one of these members has previously declared that they have received an equity loan for first-time buyers from Catalyst, under the council's equity loan scheme.

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

**Officers of the council.** The senior officers of the council have control over the day to day management of the council and all heads of service and management team members have been asked to declare any related party transactions. For 2017/18 nothing was declared.

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

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

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

<b>Table 23a Capital expenditure and financing</b>		
<b>2016/17 £000</b>		<b>2017/18 £000</b>
	<b>Capital investment:</b>	
30	Property, plant and equipment	80
13	Intangible assets	33
3,173	Revenue expenditure funded from capital under statute	2,564
<b>3,216</b>	<b>Total capital investment</b>	<b>2,677</b>
	<b>Sources of finance:</b>	
(2,492)	Capital receipts	(938)
(704)	Government grants and other contributions	(756)
(20)	Earmarked revenue reserves	(983)
<b>(3,216)</b>	<b>Total financing</b>	<b>(2,677)</b>

The council's CFR is made up of certain balances on the balance sheet and for a council with no debt should equal zero.

<b>Table 23b Capital financing requirement</b>		
<b>2016/17 £000</b>		<b>2017/18 £000</b>
<b>0</b>	<b>Opening CFR</b>	<b>0</b>
29,149	Property, plant and equipment	30,960
5,075	Investment properties	5,075
66	Intangible assets	62
13,372	Long term investments (note 1)	11,643
(37,138)	Capital adjustment account	(39,789)
(7,152)	Revaluation reserve	(6,308)
(916)	Available for sale financial instruments reserve (note 1)	(150)
(2,456)	Unit trust dividend reinvested reserve (note 2)	(1,493)
<b>0</b>	<b>Closing CFR</b>	<b>0</b>

- 1) Investments in unit trusts only, excluding accrued interest.
- 2) Unit trust dividend reinvested reserve included to show full financing of unit trust investments.

## 24. Leases

### Council as lessee

Finance leases – the council has no finance leases.

Operating leases – the council has no material operating leases.

### Council as lessor

**Finance leases** – The council recognised a number of long term leases in the 2015/16 accounts. The Orchard Centre Phase II, was entered into in 2016/17. The leases are:

- The Orchard Centre – 150 year lease signed in 2004
- Gym, Cattle Market, Thame – 90 year lease signed in 1976
- Industrial estate, Thame – 10 leases in excess of 76 years duration expiring between 2061 and 2096 (see note 32)
- The Orchard Centre Phase II – 150 year lease signed in 2017

The council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the council in future years whilst the debtor remains outstanding.

<b>Table 24a Interest in finance lease</b>		
	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Finance lease debtor (net present value of minimum lease payments):		
Current		0
Non-current	0	0
Unearned finance income	9,789	7,282
Unguaranteed residual value of property	12,906	13,406
<b>Gross investment in the lease</b>	<b>22,695</b>	<b>20,688</b>

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

<b>Table 24b Minimum finance lease payments</b>				
	<b>Gross investment in the lease</b>		<b>Minimum lease payments</b>	
	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Not later than 1 year	504	533	504	532
Later than 1 year and not later than 5 years	1,755	1,848	1,755	1,848
Later than 5 years	20,436	18,307	7,530	4,901
<b>Total</b>	<b>22,695</b>	<b>20,688</b>	<b>9,789</b>	<b>7,282</b>

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

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

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

<b>Table 24c Future minimum lease payments receivable</b>		
	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	537	498
Later than one year and not later than five years	1,659	1,373
Later than five years	3,818	3,670

## 25. Contingent liabilities

At 31 March 2018, the council had the following contingent liabilities:

- Compensation claims for injury and or damage. The majority of claims for compensation are individually immaterial. They relate to personal injuries sustained where the council is alleged to be at fault (e.g. through a failure to repair a pavement properly). Provision has not been made for such claims as the council's liability is limited to the individual excess on the policy, which in most cases is £5,000. Until claims are settled by the council's insurers, the cost of the excess cannot be recognised.
- There is a contingent liability relating to NNDR. This is due to an uncertainty around whether the Valuation Office will categorise NHS properties as charitable which could result in backdating of charitable relief.

## 26. Contingent assets

At 31 March 2018, the council had no contingent assets.

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

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

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

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

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

### Credit risk

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

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

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

<b>Table 27a Credit criteria</b>				
<b>Deposits with banks and other financial institutions</b>	<b>Min. Rating / Other Criteria</b>	<b>Counter-party Limit</b>	<b>Amount at 31 March 2018</b>	<b>Maturity Limit</b>
		<b>£000</b>	<b>£000</b>	
<b>Banks</b>				
Close Brothers	F1	15,000	15,000	2 years
Goldman Sachs International	F1	15,000	12,000	2 years
Royal Bank of Scotland	UK Sovereign	20,000	5,098	4 years
Santander	F1	15,000	9,253	2 years
<b>Building Societies</b>				
Cumberland	assets > £1,000m	10,000	2,000	12 months
Monmouthshire	assets > £1,000m	10,000	4,500	12 months
National Counties	assets > £1,000m	10,000	9,500	12 months
Progressive	assets > £1,000m	10,000	9,000	12 months
Newcastle	assets > £3,000m	12,000	11,500	12 months
Nottingham	assets > £3,000m	12,000	6,000	12 months
Principality	assets > £5,000m	15,000	11,000	12 months
Skipton	assets > £5,000m	15,000	6,000	12 months
<b>Money Market Funds</b>				
Goldman Sachs	AAA	20,000	2,310	Liquid
Blackrock	AAA	20,000	690	Liquid
<b>Local Authorities</b>				
Bury		15,000	5,000	25 years
Kingston upon Hull		15,000	7,000	25 years
Stockport MBC		15,000	2,000	25 years
<b>Property Funds</b>				
CCLA Property Fund		10,000	6,652	Variable
<b>Managed Funds</b>				
Unit trusts	F1	10,000	11,643	Variable
<b>Total</b>			<b>136,146</b>	

The full annual investment strategy for 2017/18 was approved by full council on 16 February 2017 and is available on the council's website.

The councils maximum exposure to credit risk in relation to its investments in banks and building societies of £101 million cannot be assessed generally as the risk of any institution failing to repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the councils' deposits but there was no evidence at 31 March 2018 that this was likely to crystallise.

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

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

Table 27b below analyses the council's short-term debt by age.

<b>Table 27 b Short term debtors aged debt analysis</b>	<b>Total £000</b>
Less than three months	7,597
Three months to six months	452
six months to one year	622
Over one year	2,804
<b>Total</b>	<b>11,475</b>

Statutory debts are included in the figures above to enable comparison with the short term debtors total as shown in the balance sheet and in note 10.

### Liquidity risk

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

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

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

### Refinancing and maturity risk

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

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

The council has no longer term financial liabilities. The maturity analysis of financial assets, excluding sums due from customers is as follows:

<b>Table 27c Refinancing and maturity risk</b>		
<b>31 March 2017 £000</b>		<b>31 March 2018 £000</b>
90,201	Less than one year	98,996
2,004	Between one and two years	8,042
3,009	Between two and three years	7,097
31,956	More than three years	23,424
<b>127,170</b>	<b>Total</b>	<b>137,559</b>

## Market risk

### a) Interest rate risk

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

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

Changes in interest receivable on variable rate investments will be posted to the surplus or deficit on the provision of services and affect the general fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other CIES.

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

According to this assessment strategy, at 31 March 2018, if interest rates had been one per cent higher with all other variables held constant, the financial effect would be:

<b>Table 27d Interest rate risk</b>		
<b>2016/17 £000</b>		<b>2017/18 £000</b>
(137)	Increase in interest receivable on variable rate investments	(124)
<b>(137)</b>	<b>Impact on surplus or deficit on the provision of services</b>	<b>(124)</b>

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

### b) Price risk

The council holds an investment in unit trust equity shares to the value of £11.6 million and an investment in a pooled property fund to the value of £6.7 million. Whilst these investments are primarily held for interest earning potential, the council is exposed to losses and gains arising from the movement in prices of the shares held.

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

A movement of five per cent in the price of shares (positive or negative) would result in a £1.0 million gain or loss being recognised in the available for sale financial instruments reserve. The council is not in a position to limit its exposure to price movements by further diversifying its portfolio.



## 28. Critical judgements in applying accounting policies

In applying the accounting policies set out on pages 73-88 the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

### Leases

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

### Funding

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

### Investment properties

Investment properties have been estimated using the identifiable criteria under IAS 40 of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation to determine if there is an operational reason for holding the property such as regeneration.

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

### Business rates

Since the introduction of business rates retention scheme effective from 1 April 2013, councils are liable for successful appeals against business rates charged to businesses in 2017/18 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2018. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2018. The council's share of the balance of business rate appeals provision at this date amounted to £1.9 million. This has increased by £0.6 million from the previous year.

### Property, plant and equipment

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

## Debt impairment

At 31 March 2018 the council had a balance on short term debtors of £13.1 million. A review of significant balances suggested that an impairment of doubtful debts of £1.6 million was appropriate. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

## Pensions

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Barnett Waddington) is engaged (through Oxfordshire County Pension Fund) to provide the council with expert advice about the assumptions to be applied. Details of the pension liabilities are in note 19.

### 30. Material items of income and expenditure

The council's accounts include a material item in respect of disposal of £2 million of the council's unit trust holdings.

### 31. Events after the balance sheet date

There are no material events after the balance sheet date.

### 32. Accounting standards issued but not yet adopted

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

**IFRS 9 Financial Instruments**, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cash flows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.

**IFRS 15 Revenue from Contracts with Customers** presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.

**IAS 7 Statement of Cash Flows (Disclosure Initiative)** will potentially require some additional analysis of Cash Flows from Financing Activities in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.

**IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). The council does not anticipate any impact from this change.

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