Appendix A

Statement of Accounting Policies 2024/25

General

The content, layout and general rules we used to prepare these accounts comply with the Code of Practice on Local Authority Accounting 2024/25 ('the Code') issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA code is prepared under International Financial Reporting Standards (IFRS), which have been adopted as the basis for public sector accounting in the UK.

Accruals of income and expenditure

Activity is accounted for in the year that it takes place. This means that income from the sale of goods or the provision of services is recorded in our accounts when the goods or services are transferred to the recipient in accordance with the performance obligations in the contract. Expenditure is recorded in our accounts when services are received, rather than when we actually make a payment, and supplies are recorded as expenditure when we use them or as inventories on the Balance Sheet until that point. Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 services or goods have been received/delivered, but invoices have not been received/raised, a debtor or creditor accrual for the relevant amount is recorded to ensure that income/expenditure is captured in the correct financial year. Accruals recorded are subject to a de minimis level of £1,000 for revenue income/expenditure and £6,000 for capital expenditure. We expect the aggregate impact of items below the de minimis level to be immaterial to the financial performance and position.

Assets held for sale

Where we have decided to sell an asset and the asset is being actively marketed with a sale expected within 12 months of making that decision, it is categorised as a current asset held for sale. We value these at the lower of carrying amount and fair value less disposal costs. Those assets that we do not expect to sell within 12 months are not classed as assets held for sale and instead are valued at their previous use.

Apprenticeship Levy

The cost of the Levy is recognised as a direct cost of employment in the Comprehensive Income and Expenditure Statement (CIES) when it is paid to His Majesty's Revenue and Customs (HMRC). When funds are transferred from the Government's Digital Apprenticeship Account to an approved training provider a training expense up to the value of the training provided, with a corresponding entry for a government grant, will be recognised in the CIES against the service benefiting from the training.

Cash and cash equivalents

Cash is money held in current bank accounts and overdrafts that are repayable on demand and are integral to daily cash flow management. Money held in call accounts and short-term funds invested for a term of three months or less are classified as cash equivalents because they are readily available to be converted into cash.

Contingent assets

We identify contingent assets where an event has taken place that gives the authority a probable asset, whose existence will only be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control. These are not included in our Balance Sheet.

Contingent liabilities

We identify contingent liabilities where either:

• a possible obligation has arisen from past events and whose existence will be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control; or

• a present obligation may arise from past event but is not recognised because either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. These are not included in our Balance Sheet.

Employee benefits

<u>Benefits payable during employment</u>

The accounts reflect entitlements that have been earned by employees, such as salaries and wages, as a consequence of the service completed by them as at 31 March each year even if we would never normally make payments for them, such as annual leave and time-off in lieu not yet taken. These are accrued for in the cost of services in the CIES.

<u>Termination benefits</u>

Termination benefits are amounts payable as a result of a decision to terminate an officer’s employment before normal retirement age or an officer’s decision to accept voluntary redundancy. Termination benefits are recognised immediately as an expense to the service in the CIES at the earlier of when the authority can no longer withdraw the offer or when we recognise costs of a restructuring.

<u>Post-employment benefits</u>

As part of the terms and conditions of employment we offer retirement benefits. Although these benefits will not actually be payable until the employee retires, we account for post-employment benefits in the CIES at the time that employees earn their future entitlement. Our employees are members of four different pension schemes, and we participate in one compensation scheme:

• the Local Government Pension Scheme;

• the Teachers’ Pension Scheme;

• the Firefighters’ Pension Scheme and the Firefighters’ Injury Awards Scheme; and

• the National Health Service Pension Scheme.

All four pension schemes provide members with pensions and other benefits related to their pay and length of service.

Events after the Balance Sheet date

We consider any material events that occur between the date of the Balance Sheet and the date the accounts are authorised for issue by the Executive Director for Resources.

Exceptional items, prior period adjustments and changes to accounting policies

Exceptional items are material items of income or expenditure that are disclosed separately in the CIES to aid understanding of our financial performance.

Prior period adjustments are made where there are material adjustments applicable to prior years arising from changes in accounting policies or to correct a material error. Where a change to accounting policies is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for earlier years as if the policy had always applied.

Fair value

We value several classes of our assets at fair value. We define this as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value applies to non-operational property, plant and equipment classified as surplus assets, investment properties, assets held for sale and financial instruments.

We use appropriate valuation techniques, maximising the use of relevant known data and thereby minimising the use of estimates or subjective valuations. We assess the level of uncertainty in our valuations by assigning our assets into three categories:

• Level 1 – quoted prices of identical assets or liabilities;

• Level 2 – inputs other than quoted prices that are observable, either directly or indirectly; and

• Level 3 – unobservable inputs. Developed to reflect the assumptions that market participants would use when determining an appropriate price.

Financial assets

Financial assets are classified based on our business model for holding them and their cash flow characteristics. There are three main classes:

• amortised cost;

• fair value through profit or loss (FVPL); and

• fair value through other comprehensive income and expenditure (FVOCI) – designated equity instruments.

Financial assets measured at amortised cost are recognised on the Balance Sheet when we become a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest).

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

• instruments with quoted market prices – the market price; and

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

FVPL assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. A Pooled Investment Funds Adjustment Account is used to reflect valuation movements of qualifying investments by reversing out the impact on the general fund. This relates to a statutory override in place until 31 March 2025. At this time the valuation movement will then be reflected on the General Fund. Those that do not qualify, impact the General Fund each year and we hold an earmarked volatility reserve to reflect the net increase or decrease to date.

Equity instruments designated as FVOCI are those which are not held in order to give rise to contractual cashflows and are not held for trading. They are valued at fair value using the earnings multiple valuation method or at cost if suitable information is not available or appropriate. Movements in fair value are recognised in the CIES in Other Comprehensive Income and Expenditure and reflected in the Financial Instruments Revaluation Reserve. These gains or losses are only realised in the General Fund when the assets are sold. Interest is recognised in the CIES is the amount receivable for the year in the loan agreement.

We recognise expected credit losses on assets held at amortised cost or FVOCI either on a 12-month or lifetime basis as appropriate. Impairment losses are calculated to reflect our expectation that future cash flows might not take place because the debtor defaults on their obligations. Where risk has significantly increased since an instrument was recognised, losses are assessed on a lifetime basis. Where risk has not significantly increased or remains low, losses are assessed on the basis of 12-month expectations. For further details on the impairment of current debtors (allowances for bad debts) see note 15. These are shown in service expenditure in the CIES.

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when we become party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument in the year it was due. For our borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and interest charged to the CIES is the amount payable for the year in the loan agreement. Trade creditors are due within one year and the fair value is deemed to equate to the carrying value.

Going concern

Local authorities cannot be created or dissolved without statutory prescription. The provisions of the Code on going concern reflect the economic and statutory environment in which local authorities operate and hence these accounts are prepared on the basis that the functions of the authority will continue in operational existence for the foreseeable future.

Grants

Grant income is recorded in the accounts when we have reasonable assurance that the grants will be received and that we will comply with any conditions attached to them. General grants we receive are shown as Taxation and non-specific grant income in the CIES. Revenue grants we receive to pay for spending on specific service activities are shown as income for the relevant service area when we are confident that any grant conditions have been met. Where revenue grants have conditions outstanding the grant is held as a receipt in advance; if the conditions are met but the grant remains unspent, it is held in an earmarked reserve.

Capital grants are credited to the CIES when any relevant conditions governing their use have been met. This income is then reversed out and charged to the Capital Adjustment Account upon use, so the level of council tax is not affected. Unused non-conditional capital grants are held in the Capital Grants Unapplied Reserve. Following receipt of grant monies, where grant conditions are not met, capital grants are held on the Balance Sheet as a receipt in advance.

Group accounts

We have assessed the entities within our group boundary, including our wholly owned subsidiaries, in line with the Code and accounting standards. Having due regard to materiality of effects on the financial statements and other qualitative considerations that may affect the understanding by the readers of the accounts, we have not established a requirement to produce group accounts.

We account for schools' income and expenditure, assets and liabilities in the single entity financial statements rather than produce group accounts, in accordance with the Code.

Heritage assets

Our heritage assets are held for their cultural, environmental or historic associations, making their preservation for future generations important. We value our museum collections and valuables at the Courts, Judges' House and Shire Hall at their insurance valuations. The Golden Tower of Leaves and our Waller of Woodcote archive collection of family and estate letters and deeds at County Records are valued at cost. It would not be cost effective to undertake revaluations for all other County Record documents and any valuations would not have a material impact on the accounts. Operational heritage assets used in the provision of services or for other activities are accounted for under other asset classes elsewhere in the Balance Sheet. Heritage assets are valued at insurance cost unless our valuer believes conventional methods relevant to their classification are more appropriate. Any gains on reclassification are taken to the Revaluation Reserve.

Income from selling non-current assets

We use the income from selling non-current assets to meet part of the cost of new capital spending or to repay borrowing. We show the gain or loss on the sale of assets in the CIES. This is the difference between the sale proceeds and the carrying value of an asset after allowing for costs relating to the sale of the asset. We take all costs of disposal incurred in a year to the CIES, regardless of whether all the proceeds of the related sale have been received. We use up to 4% of a capital receipt to meet these disposal costs.

The carrying value of the asset (the net book value after depreciation) and the sale proceeds are also reversed in the Movement in Reserves Statement (MIRS) and transferred to the Capital Adjustment Account and Capital Receipts Reserve respectively, so the level of council tax is not affected.

Where we have the right to capital receipts but have not yet received the cash payment, the transactions in the CIES are unaffected. However, instead of recognising a Usable Capital Receipt, we instead recognise a Deferred Capital Receipt, which cannot be used to pay for our capital expenditure until the cash is received.

Intangible assets

Intangible assets are non-financial non-current assets that do not have physical substance and are controlled by the authority through custody or legal rights (such as software licences). We treat intangible assets in the same way as other non-current assets. We gradually reduce the value of intangible assets on a straight-line basis over their useful life (up to 10 years) to reflect the consumption of the economic or service benefit and charge this to the CIES. Intangible assets are valued at amortised historic cost.

Inventories

Inventories are materials or supplies that will be consumed in producing goods or providing services. Inventory stock is valued at the cost that we paid for them.

Investment property

Investment property assets are those held for rental purposes, capital value appreciation or both. They are not used for the delivery of services. Such assets are initially measured at cost. Investment property is not depreciated but is revalued at fair value every year. Gains and losses on revaluation, as well as disposal and/or rental income, are shown in the Financing and investment income and expenditure line in the CIES.

Leases

We have adopted the new leases standard "IFRS 16: Leases" from 1 April 2024, in accordance with the CIPFA Code of Practice, which mandates the implementation from that date.

<u>As lessee:</u>

We have formal arrangements where as "lessee", we obtain the right of use in relation to assets which we do not own outright. We include the value of the leased assets on our balance sheet as part of overall PPE. We recognise a lease liability on the balance sheet which represents the net present value of our obligations to make payments in respect of the leased assets.

Under the IFRS 16: Leases accounting standard, there are a number of scope exemptions applied to lease arrangements with specific circumstances. We apply:

- Short-life exemption: Lease arrangements with a term of 12 months or less.
- Low value exemption: Lease arrangements relating to an asset with a low value. We apply a threshold of £10,000 on the “as new” value of an asset.
- Intangible asset exemption: We opt to exclude intangible assets from the scope of leased assets.

The exemptions are applied in order to reduce the administrative burden on reporting lease arrangements within the accounts and ensure efficiency in providing valuable information to the reader of the accounts.

A lease period is defined as the non-cancellable period of a lease, plus periods covered by options to extent that reasonably certain to exercise.

We have two different types of “lessee” lease arrangements. Concessionary leases, where we make no or negligible annual payments for the rights to use an asset. We also have non-concessionary leases where we make annual payments at market value for the rights to use the asset.

Concessionary leases:

With concessionary leases, there is no lease liability present on the balance sheet as we have no obligations in respect of future payments. The asset is brought into PPE at the fair value as deemed by our expert valuer. The addition to PPE is treated as per a donated asset. The value of the asset is initially recognised as “donation and grant income” within the CIES. There is no impact to the general fund as the adjustment in the Movement in Reserves Statement reverses the impact to the Capital Adjustment Account. Following recognition, the asset is depreciated like regular PPE and subjected to annual revaluation. At the end of the lease term the asset is derecognised from the balance sheet.

Non-Concessionary leases:

With non-concessionary leases, a lease liability is recognised on the balance sheet at the time that the asset is recognised. The value of the lease liability is calculated as the net present value of future lease payments – this being the amount of future payments we are contractually obliged to make, discounted to the date of recognition. As the payments are on a market value basis, the future economic inflows expected from possessing the asset are taken to be the same value as the liability calculated. Therefore, the asset and liability recognised are of equal value.

The asset is not subject to revaluation each year but is depreciated over the shorter of the remaining lease term and its remaining useful economic life. The treatment of depreciation is in line with owned assets. The asset value is amended to reflect any change in circumstances (e.g. rent review implemented or extension of lease arrangement) which will also alter the value of the lease liability. At the end of the lease term, the asset will be fully depreciated and have zero net book value. The asset is derecognised on cessation of the lease.

When lease payments are made, the payments are assigned to two elements. An amount pertaining to the annual unwinding of the discount factor applied is charged as a finance cost to finance and investment income and expenditure in the CIES. The remainder of the payment reduces the principle of the lease liability and is reduced from the value of the lease liability held on the balance sheet. The payment relating to principle is subsequently charged to MRP as a Movement in Reserves Statement adjustment which is treated in line with MRP charged on owned assets.

As lessor:

Under IFRS 16: Leases, where WCC is the lessor, the concept of operating and finance lease remains.

Operating leases:

Where we grant an operating lease over an item of property, plant or equipment, the asset is retained on our Balance Sheet and the rental income is credited to the CIES as it is due. We do not disclose contingent rents as they are not material to the financial statements.

Finance leases:

Where we grant a finance lease over a property or item of plant or equipment, the asset is removed from the Balance Sheet and replaced by a lease receivable. The lease receivable reflects the future amounts to be received as part of the lease arrangement. This is recorded as the net present value of future lease payments to be received. An amount pertaining to the annual unwinding of the discount factor applied is credited as a finance income to finance and investment income and expenditure in the CIES. Payments received by the lessee are recognised in cash and reduce the amount held as lease receivable.

Minimum Revenue Provision

We are required to make an annual contribution from revenue for the repayment of our debt as approved in our Treasury Management Strategy. This is known as the Minimum Revenue Provision (MRP). We calculate MRP on a weighted average straight-line basis using the average remaining useful life of our asset portfolio over the two asset categories of:

- land, buildings and infrastructure; and
- vehicles, plant and equipment.

Additionally, MRP is charged on leased assets in respect of the principal amount of the finance lease liability paid in the year.

Overheads and support service costs

All support service costs are held within the directorate within which they are managed.

Pooled budgets

We are the host authority to a number of pooled budget arrangements. These are joint arrangements solely for the purposes of working together with other public sector bodies and which do not create separate entities. Within income, expenditure, assets and liabilities reported in our financial statements, we only account for amounts where we are the commissioning body. This will include amounts owed to or owed by the other parties in the pooled budget arrangement to the authority where it is the commissioning body.

Property, plant and equipment

Assets that have a physical substance, are held for use in the production or supply of services and that are expected to be used during more than one financial year are classified as property, plant and equipment (PPE). The accounting policies specific to Infrastructure assets are set out separately below.

Recognition

Our spending on buying, creating or improving PPE is classed as capital spending provided that it is probable that the future economic benefits or service associated with the item will flow to us, the cost of the item can be measured reliably and the nature of the spend is to enhance or create as opposed to repairing. Spending that does not provide a significant benefit in terms of value, asset life, or service performance or which falls below our de minimis level of £6,000 is charged to our revenue account in full in the year it occurs.

Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Assets are valued on the basis set out by CIPFA and in line with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Our valuation process is led by the Council's Strategic Finance team in collaboration with the Strategic Assets Management team. External valuers are commissioned on a multi-year contract basis.

The closing balances on 31 March are determined in the following ways:

• Operational land and buildings are included in the Balance Sheet at their current value based on their existing use less an annual charge for depreciation. However, where there is insufficient market valuation evidence, for example schools, assets are included in the Balance Sheet at a depreciated replacement cost;

• Surplus assets are those which we do not use in our day-to-day work and which are not likely to be disposed of in the next twelve months. We include these assets in the Balance Sheet at fair value, based on highest and best use. These assets are revalued every year.

and

• Assets under construction are held in the Balance Sheet at the cost incurred on their production to date. When the asset is deemed operationally complete the balance is transferred to the appropriate asset class shown above and depreciation begins.

We revalue operational PPE assets held at a value other than depreciated historic cost annually to ensure their carrying amount is not materially different from their current value at year end.

When asset values rise above the amount we paid for them we add the difference to the Revaluation Reserve. When asset values go down, the reduction is charged to any available Revaluation Reserve balance held for that asset, with the remainder being charged to the relevant service line in the CIES. This charge is then reversed out in the MIRS so that there is no impact on council tax.

Impairment

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

Depreciation

Depreciation is an accounting estimate used to spread the cost of an asset over its useful economic life. We charge depreciation on buildings over our valuer's estimate of their useful economic life (between 5 and 65 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 20 years for vehicles and between 3 and 40 years for equipment).

The cost of depreciation is calculated by the following methodology:

• Our new assets are depreciated from the start of the financial year after they become operationally complete;

• Depreciation is calculated on a straight-line basis meaning that an asset's value falls equally each year throughout its life. If the gross value or remaining life of the asset changes due to expenditure, impairment or revaluation, the depreciation charge will change in the following year; and

• We generally charge depreciation on buildings as a single asset. However, if we determine that the value of major components within an asset are material with respect to the overall value of that asset, and that the lifetime of these components is significantly shorter than the remaining useful economic life of the asset, the major component is depreciated separately.

We do not charge depreciation on land we own, as it does not have a limited useful life, nor on investment properties or assets held for sale. Similarly, heritage assets are generally assessed to have infinite lives and so are not depreciated.

The estimated useful economic lives of our land and buildings are assessed by our valuers as part of the revaluation of these assets.

Derecognition

Assets are derecognised when they are replaced, sold or no longer owned. The amount of the asset written out is the carrying value (including any revaluations and accumulated depreciation). This leaves no residual value relating to the asset. Assets that have been fully depreciated for 5 years are derecognised unless there is evidence that they are still in existence. When derecognition occurs, the carrying value derecognised and the proceeds received are added to the calculation of the gain/loss on disposal. This is charged to the CIES and subsequently reversed out in the MIRS so that there is no impact on the General Fund.

Property, plant and equipment – Infrastructure Assets

Infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year. The authority uses a useful economic life of 30 years for infrastructure assets.

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are 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 transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Provisions

We recognise provisions at the balance sheet date where a past event gives rise to a probable future outflow of resources (payment). For provisions to be recognised they need to meet three tests:

• they must be the result of a past event;

• a reliable estimate can be made; and

• there must be a clear responsibility for the Council to make a future payment because of the past event.

Provisions are charged to the appropriate service line in the CIES when we become aware that it is probable a future payment will be required. The provision is based on the best estimate of the likely settlement. When payments are made, they are charged to the provision already set up in the Balance Sheet.

Reserves

We keep reserves to pay for spending on projects we will carry out in future years, to protect us against unexpected events and to manage the financial risk of the uncertainty we face. Reserves include 'earmarked reserves' which are set aside for certain policy purposes and other 'general reserves' which represent resources set aside for purposes such as general events and managing our cash flow and financial risks. By law, schools are entitled to keep any of their budgets they have not spent. These amounts are shown separately from other reserves.

Reserves are created by appropriating amounts from the Council's General Fund in the MIRS. When expenditure is financed from a reserve, the expenditure itself is charged to the appropriate service line in the CIES. The reserve is then appropriated back via the MIRS so that there is no net charge against council tax. Some reserves hold unspent funding which can only be applied in specific ways, such as the Capital Grants Unapplied and Capital Receipts Reserve.

Other 'unusable reserves' are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits:

• the capital accounting system requires us to maintain a Revaluation Reserve to reflect unrealised gains on non-current assets, and a Capital Adjustment Account to manage timing differences between their usage and financing;

• we maintain a Deferred Capital Receipts Reserve to recognise proceeds from the sale of assets where we have a right to the capital receipts but have not received cash payment;

• we maintain a Financial Instruments Revaluation Reserve to hold qualifying gains and losses on FVPL assets

• we maintain a Pooled Investment Funds Adjustment Account to hold qualifying gains and losses on Pooled Investment Funds.

• we maintain an Accumulated Absences Reserve to hold the amount we have to accrue for post-employment benefits such as annual leave earned but untaken at the year-end so as not to affect the level of Council Tax;

• we maintain a Collection Fund Adjustment Account which holds the difference between the amounts required to be shown in the CIES for council tax and business rates and that required by legislation to be taken against the General Fund;

• we maintain a Dedicated Schools Grant (DSG) Adjustment Account to hold deficits on DSG as these cannot be offset against General Fund Reserves and must be carried forward and met from future DSG funding in line with current legislation and statutory requirements; and

• we maintain a Pensions Reserve to hold the difference between any increase in the accounting cost of pensions in the year and the statutory figure chargeable in any year, which is the contribution made by the authority.

Revenue expenditure funded from capital under statute

We undertake some capital spending during the year that does not result in the creation of an asset we own. Any money we spend this way must be charged to the CIES but be funded from capital resources, and so, we make an adjustment in the MIRS equal to the expenditure to reverse this to the Capital Adjustment Account.

Schools and schools' assets

The balance of control for local authority maintained schools, foundation, voluntary aided and voluntary controlled schools are all deemed to lie with the local authority. We therefore recognise schools' assets, liabilities, reserves and cash flows in our financial statements as if they were transactions, cash flow and balances of the authority. Any asset provided by a third party and consumed in the provision of an education service with schools or donated to the school will be treated as a donated asset. School assets are derecognised in full on the date that a school transfers to academy status. These are disposals for nil consideration. These losses on disposal/transfer are shown in the Other operating income and expenditure line in the CIES.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income. We are subject to Partial Exemption: as long as the VAT we claim on purchases used to generate exempt income is less than 5% of all VAT claimed on purchases in the year, we can claim all our VAT back in full.