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To: Members of the Audit & Governance Committee

Notice of a Meeting of the Audit & Governance Committee

Wednesday, 4 July 2012 at 2.00 pm

County Hall, Oxford, OX1 1ND

Peter G. Clark.

Peter G. Clark
County Solicitor

June 2012

Contact Officer: ***Geoff Malcolm***
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Membership

Chairman – Councillor David Wilmshurst
Deputy Chairman - Councillor Charles Mathew

Councillors

Roz Smith	Ray Jelf	Lawrie Stratford
Jim Couchman	John Sanders	
Roy Darke	C.H. Shouler	

Co-optee

Dr Geoff Jones

Notes:
- 12 noon working lunch for all members attending (from 12 to 1:30pm) briefing by County Solicitor & Monitoring Officer to all councillors on registering and declaring interests and the Code of Conduct
- The Cabinet Member for Finance & Property has a standing invitation to attend and speak on agenda items within his portfolio
- The Chairman (or Deputy Chairman) of the Strategy & Partnerships Scrutiny Committee has a standing invitation to attend and speak on agenda items
- Date of next meeting: 19 September 2012

Declarations of Interest

The duty to declare…..
Under the Localism Act 2011 it is a criminal offence to
(a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
(b) provide false or misleading information on registration, or
(c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?
The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.
The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *"You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself"* or *"You must not place yourself in situations where your honesty and integrity may be questioned…..".*

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:
Employment (includes"*any employment, office, trade, profession or vocation carried on for profit or gain*".), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members' conduct guidelines. http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/ or contact Rachel Dunn on (01865) 815279 or Rachel.dunn@oxfordshire.gov.uk for a hard copy of the document.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

AGENDA

1. Apologies for Absence and Temporary Appointments

2. Declarations of Interest - see guidance note

3. Minutes (Pages 1 - 8)

To approve the Minutes of the meetings held on 8 May 2012 (**AG3(a)**) and 15 May 2012 (**AG3(b)**) and to receive information arising from them.

4. Petitions and Public Address

5. Audit Commission - Progress Report

2:10

Oral update by representatives of the Audit Commission.

The Committee is RECOMMENDED to note the report.

6. Audit Working Group - 21 June 2012 (Pages 9 - 14)

2:30

Report by Chief Internal Auditor (**AG6**)

The report summarises the matters arising at the most recent meeting of the Audit Working Group (AWG).

The Committee is RECOMMENDED to:

a) note the report;

b) nominate two named substitutes to deputise for Cllr. Wilmshurst and Cllr. Matthew on the AWG when required;

c) receive a report detailing the process from which the Audit and Governance Committee can get assurance that external inspection reports are being properly considered and actioned; and

d) receive the full report produced by Zurich on the conclusion of the health check review on risk management.

7. Annual Report of the Chief Internal Auditor 2011/12 (Pages 15 - 42)

2:50

Report by Chief Internal Auditors (**AU7**).

The annual report summarises the Internal Audit activity in 2011/12, and in accordance with the requirements of the Accounts and Audit Regulations 2011, and the CIPFA Code of Practice for Internal Audit in Local Government 2006, gives an opinion on the council's system of internal control. This opinion is part of the assurance framework used to inform the Annual Governance Statement.

The Committee is RECOMMENDED to note the report.

8. Internal Audit Plan - 2012/13 Progress Report and Quarter 2 Plan (Pages 43 - 56)

3:10

Report by Chief Internal Auditor (**AG8**)

The Committee is RECOMMENDED to approve the report.

9. Treasury Management 2011/12 Outturn (Pages 57 - 76)

3:30

Report by Assistant Chief Executive & Chief Finance Officer (**AU9**)

The report sets out the Treasury Management activity undertaken in the financial year 2011/12 in compliance with the CIPFA Code of Practice. The report includes Debt and Investment activity, Prudential Indicator Outturn, changes in Strategy and interest receivable and payable for the financial year.

The Committee is RECOMMENDED to consider the report prior to Cabinet.

10. Statement of Accounts 2011/12 (Pages 77 - 282)

3:50

Report by Assistant Chief Executive and Chief Finance Officer (**AG10)**

The report presents the 2011/12 Statement of Accounts.

The Accounts and Audit Regulations 2011 require the Assistant Chief Executive and Chief Finance Officer to sign the Statement of Accounts no later than 30 June, and certify that they give a true and fair view of the County Council's position. This report presents the accounts certified by the Chief Finance Officer to the Audit Committee for information, before the start of the public inspection period and the commencement of the audit. The Audit Committee will be asked to consider and approve the accounts at its meeting on 19 September, when the findings of the audit are available.

The 2011/12 Statement of Accounts is attached at Annex 1. An overview of the financial position of the Council at 31 March 2012 is contained in the explanatory foreword.

The Committee is RECOMMENDED to:

a) ***note the Statement of Accounts for 2011/12 to be submitted to the auditor; and***

b) ***note the Summary Accounts 2011/12.***

11. **Annual Governance Statement 2011/12** (Pages 283 - 302)

4:10

The Monitoring Officer reports as follows:

The County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. Corporate governance is the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve their objectives. The quality of corporate governance arrangements is a key determinant of the quality of services provided by organisations.

This Statement (**AG11**) explains how the County Council has complied with the Code in 2011/12 and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement. For the first time, and consistent with the requirements of the Code of Practice on Local Authority Accounting 2011/12 this includes a specific statement on whether the authority's financial management arrangements conform with the governance arrangements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). As well as setting out current governance arrangements, the Statement includes an update on actions identified at the end of 2010/11 and new actions to be followed up in 2012/13.

The Committee is RECOMMENDED to approve the Annual Governance Statement 2011/2012, subject to the County Solicitor & Monitoring Officer, following consultation with the Leader of the Council, Chief Executive and Section 151 Officer, making any necessary amendments in the light of comments made by the Committee.

12. Dispensations - Members' Interests (Pages 303 - 306)

4:30

Report by County Solicitor & Monitoring Officer (**AU12**)

At the meeting of Council on 15 May, it was agreed that the terms of reference of this Committee be widened to include certain responsibilities previously undertaken by the Standards Committee. One of these is the responsibility "to grant dispensations to councillors and co-opted members from requirements relating to interests set out in the code of conduct for members".

This report sets out potential arrangements for dealing with such instances and which are consistent with both the Council's code of conduct for members and the Localism Act 2011 (and associated regulations).

The Committee is RECOMMENDED:

(a) ***to note the changes outlined in this report to the regime for granting dispensations to members and co-opted members with disclosable pecuniary interests;***

(b) ***to consider delegating to the Monitoring Officer consideration of requests for dispensation occurring within the circumstances at paragraphs 7(a), (b) and (d) above, with a subsequent right of appeal to this Committee;***

(c) ***to consider whether to appoint a sub-committee for considering applications for dispensation not otherwise delegated to the Monitoring Officer and if so to consider adopting the terms of reference outlined in paragraph 10 (a) – (e).***

13. Audit Committee Work Programme 2012/13 (Pages 307 - 308)

4:50

To review / update the Committee's Work Programme (**AG13**).

4:55 Close of meeting.

An explanation of abbreviations and acronyms is available on request from the Assistant Head of Finance (Audit).

Pre-Meeting Briefing
There will be a pre-meeting briefing at County Hall on **Thursday 28 June 2012** at **2pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

AUDIT COMMITTEE

MINUTES of the meeting held on Tuesday, 8 May 2012 commencing at 2.00 pm and finishing at 4.25 pm

Present:

Voting Members:	Councillor David Wilmshurst – in the Chair Councillor Charles Mathew (Deputy Chairman) Councillor Alan Armitage Councillor Tony Crabbe Councillor Roy Darke Councillor Sandy Lovatt Councillor Larry Sanders Councillor C.H. Shouler Councillor Lawrie Stratford
Non-voting Co-optees:	Dr Geoff Jones
Other Members in Attendance:	Councillor Jim Couchman, Cabinet Member for Finance & Property; Councillor Arash Fatemian, Cabinet Member for Adult Services (for Agenda Item 6)
By Invitation:	Mary Fetigan and Chris Baston, Audit Commission
Officers:	
Whole of meeting	Peter Clark, County Solicitor & Monitoring Officer; Lorna Baxter, Deputy Chief Finance Officer; Ian Dyson, Chief Internal Auditor; Geoff Malcolm, Committee Officer
Part of meeting	
Agenda Item	**Officer Attending**
6	John Morgan, Area Service Manager, North

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports, copies of which are attached to the signed Minutes.

17/12 MINUTES

(Agenda No. 3)

The Minutes of the meeting held on 29 February 2012 (AU3) were approved and signed.

18/12 EXTERNAL AUDIT PROGRESS REPORT; AND LETTER TO THE CHAIRMAN ON THE AUDIT OF OXFORDSHIRE COUNTY COUNCIL & OXFORDSHIRE PENSION FUND FINANCIAL STATEMENTS FOR THE YEAR END 31 MARCH 2012

(Agenda No. 5)

Ms. Fetigan and Mr. Baston presented the Audit Commission's External Audit Progress Report (April 2012) on the Oxfordshire County Council and Oxfordshire Pension Fund Audit 2011/12, and the Letter to the Chairman on the Audit of the County Council and Pension Fund Financial Statements for the year end 31 March 2012 (AU5).

The Progress Report highlighted the timeline of the audits and the progress to date, and outlined the Government response to consultation on the future of local public audit together with an update on the externalisation of the Audit Practice.

The Letter to the Chairman sought information on five areas which focused on how the Committee gained assurance from management.

RESOLVED: to receive and note the Progress Report, note that the Chairman would respond to the Letter following consultation with the relevant officers, and thank the Audit Commission and its representatives.

19/12 AUDIT WORKING GROUP - 5 APRIL 2012

(Agenda No. 6)

The Committee considered a report (AU6) which summarised the main business items arising at the most recent meeting of the Audit Working Group (AWG) on 5 April 2012, which were as follows:

Private session with the external auditors
Personal Budgets*
Fairer Charging*
Internal Audit emerging issues
Alert Service
SAP roles
Whistle blowing incidents annual report
Annual Governance Statement actions
AWG Work Programme

* The Committee discussed two matters in the report - Personal Budgets and Fairer Charging - with Councillor Jim Couchman, Councillor Arash Fatemian and Mr. John Morgan. Members and officers recognised that these were long standing and complex issues.

At March 31st March 2012 2297 people were receiving Self Directed Support (SDS) of whom:

- 1016 were receiving a service managed through the council
- 702 were receiving a direct payment
- 210 were receiving a mixed package

- 369 were receiving a direct payment, but are not recorded as having transitioned to SDS

There remained some people who had yet to transition to self-directed support and a personal budget. Work was on-going to complete this.

In response to members' questions and comments concerning the current position in respect of Personal Budgets and Fairer Charging, Councillor Couchman and Councillor Fatemian confirmed that appropriate action had been taken to improve the overall position and that procedures and mechanisms were now in place. Cabinet and Cabinet members were being kept fully informed. Both matters were now showing improvement.

RESOLVED: to note the report and thank Councillor Couchman, Councillor Fatemian and Mr Morgan for their attendance and contribution to discussion.

20/12 TERMS OF REFERENCE AND COMPLAINTS PROCEDURE UNDER MEMBERS' CODE OF CONDUCT

(Agenda No. 7)

The Committee considered a report (AU7) which proposed draft new terms of reference and the potential complaints procedure.

The Monitoring Officer gave a general introduction about the 'fresh start', including the national background and the proposals in the report. Under the Localism Act 2011, the current standards regime for local authorities was due to be repealed on 1 July 2012. On 20 March 2012 the Council had made some decisions as to the shape of future standards arrangements for Oxfordshire County Council under the Localism Act. These included the cessation of the Council's Standards Committee and a decision to transfer to the Audit Committee – as a newly-named Audit & Governance Committee – the responsibility for the overview of member standards. It was also agreed in principle that a member-officer working group be appointed to consider complaints under the new standards arrangements.

Following debate around issues which still awaited guidance (for example the Independent Member) Mr. Clark reported that any new information and/or developments between this (Audit) Committee meeting and Council would be reported to Council on 15 May 2012. It was unclear at this stage how the Independent Person would interact (if at all) with the Committee process.

The Committee asked about matters which affected members as individuals (i.e. dispensation, whether there would be an appeal process (-yes, to the Ombudsman), declaration of (non-pecuniary) interests, occasions when the new procedure would apply to their actions or conduct, and timeliness of the actions. Mr. Clark confirmed that the Code would be explicit, that there would be an early review of the new arrangements and that statistics would be included as part of Monitoring Officer reporting to Committee.

Members and officers were hopeful that councils in Oxfordshire would adopt a uniform Code, for ease of understanding and use across the county.

The Committee broadly supported the proposals and recognised that the detail of some aspects were awaited and that there was need for flexibility where appropriate in the process.

In the 'Arrangements' annex, paragraph 4, fourth paragraph, the second word 'you' was corrected to 'your'.

RESOLVED: to note the report and, subject to minor textual corrections, the proposed terms of reference and arrangements for considering complaints as outlined in Annexes 1 and 2 respectively.

21/12 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2011/12

(Agenda No. 8)

Mr Clark, Monitoring Officer reminded members that in January 2012 the Committee had agreed the process for undertaking the annual review of the effectiveness of the system of Internal Audit and had requested him to undertake the review which was a requirement of regulations.

The Committee considered a report (AU8) which complied with the request and provided a commentary on the performance of the Internal Audit system throughout 2011/12. Under paragraph 10 '2.3.1' concerning compliance with the CIPFA Code of Practice, he confirmed that Ms Baxter, Deputy Chief Finance Officer was a member of the County Council Management Team.

The Committee considered that this had been a very useful exercise, and was pleased with the 100% response to the survey and with the Role of the Chief Internal Auditor and team.

RESOLVED: to approve the Monitoring Officer's assessment of the effectiveness of the system of Internal Audit 2011/12.

22/12 INTERNAL AUDIT 2011/12 PROGRESS REPORT AND 2012/13 QUARTER 1 PLAN

(Agenda No. 9)

The Committee considered a report (AU9) which, together with a supplementary report presented the Internal Audit progress report on the 2011/12 planned activity, and the 2012/13 Quarter 1 Plan & Counter-fraud Plan for approval. In response to members' questions officers confirmed that the supplementary report for this item had been published on 4 May 2012; that the full data was available on the Intranet; and that six outstanding audits would be completed by 18 May 2012.

RESOLVED to:

(a) note the report; and

(b) approve the Quarter Plan and the Counter-fraud Plan.

23/12 AUDIT COMMITTEE WORK PROGRAMME - REVIEW/UPDATE
(Agenda No. 10)

The Committee reviewed its Work Programme (AU10).

RESOLVED: to approve the Work Programme 2012/13.

NOTE

As this was the final meeting of the Committee in the current Council Year the Chairman thanked members and officers for their work and contribution to the Committee.

The Committee thanked Councillor David Wilmshurst in his role of Chairman over the year.

.... in the Chair

Date of signing ....

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AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Tuesday, 15 May 2012 commencing at 11.30 and finishing at 11.32 am

Present:

Voting Members: Councillor David Wilmshurst – in the Chair

Councillor Charles Mathew (Deputy Chairman)
Councillor Jim Couchman
Councillor Roy Darke
Councillor Ray Jelf
Councillor Larry Sanders
Councillor C.H. Shouler
Councillor Roz Smith
Councillor Lawrie Stratford

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with [a schedule of addenda tabled at the meeting][the following additional documents:] and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports [agenda, reports and schedule/additional documents], copies of which are attached to the signed Minutes.

1/12 ELECTION OF CHAIRMAN FOR THE 2012/13 COUNCIL YEAR

(Agenda No. 1)

Councillor Roz Smith moved and Councillor Darke seconded that Councillor Darke be elected Chairman of the Committee for the 2012/13 Council Year.

Councillor Mathew moved and Councillor Stratford seconded that Councillor Wilmshurst be elected Chairman of the Committee for the 2012/13 Council Year.

Following a vote by a show of hands it was:

RESOLVED: that Councillor Wilmshurst be elected Chairman of the Committee for the 2012/13 Council Year.

2/12 ELECTION OF DEPUTY CHAIRMAN FOR THE 2012/13 COUNCIL YEAR

(Agenda No. 2)

Councillor Wilmshurst moved and Councillor Stratford seconded that Councillor Mathew be elected Deputy Chairman of the Committee for the 2012/13 Council Year.

Councillor Darke moved and Councillor Roz Smith seconded that Councillor Roz Smith be elected Deputy Chairman of the Committee for the 2012/13 Council Year.

Following a vote by a show of hands it was:

RESOLVED: that Councillor Mathew be elected Chairman of the Committee for the 2012/13 Council Year.

3/12 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 3)

An apology was received on behalf of Dr Geoff Jones.

.... in the Chair

Date of signing ....

AUDIT and GOVERNANCE COMMITTEE – 4 July 2012

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on 21June 2012

The meeting was attended by:
Dr. Jones – Chairman; Cllr. Wilmshurst; Cllr. Mathew; Peter Clark; Lorna Baxter; Ian Dyson; Claire Phillips.

Part meeting only: Cllr. Smith; AWG4 Cllr. Lindsay-Gale and Alexandra Bailey; AWG5 Kathy Wilcox; AWG7 Rod Ellis, Sean Collins, Neil Shovell and Sarah Cox; AWG8 Mike King.

Observer: Cllr. Sanders; Cllr. Couchman; Cllr. Shouler; Cllr. Darke

AWG WORK PROGRAMME ITEMS

The main business items of the meeting were as follows:

AWG 4 Draft Annual Scrutiny Report
AWG 5 Draft Annual Governance Statement
AWG 6 Risk Management Report
AWG 7 Internal Audit Report
AWG8 SAP Roles Update

MATTERS FOR REPORT TO THE AUDIT COMMITTEE:

Matters Arising:

The AWG terms of reference specifies the membership of the Group to be as follows:

"The Audit Working Group shall comprise of:-

the independent member of the Audit Committee who will chair the Group, together with three members of the Audit Committee, one of whom shall be the Chairman of the Committee. There will also be three named members of the Audit Committee who will deputise as required."

There are currently no "named members" to deputise for Cllr. Wilmshurst or Cllr. Mathew; the Group is referring this to the Audit & Governance Committee to address at the meeting on 4 July 2012.

AWG 7 Internal Audit Report
There are two areas of concerns arising from the Internal Audit Report:

Accounts Payable
The audit of the Accounts Payable system has concluded an unacceptable level of control. The audit has highlighted poor performance over some the key controls within the system that had previously been identified as issues several years ago

following the implementation of the procure to pay system, which the Committee was given assurances had been addressed at the time. The Group expressed their concerns that management controls within the system have lapsed resulting in no effective monitoring over the performance of key control processes leaving the system exposed to significant risk. It was noted that following receipt of the report some controls were immediately restated, and now operating; however, the Group was not satisfied with the timeliness of the reinstatement of management reporting as it was being included as part of the outcome from a Procure to Pay review that has only recently been commissioned and is not due for completion until later this year. The Group insisted that critical management reports must be reinstated promptly, with effective monitoring, review and action where non-compliance with procedures is identified. The Group considered this matter was a significant governance issue, and should be included as an action in the Annual Governance Statement (AGS).

The outcome of the discussion was that Officers agreed the following actions:

- To introduce / reinstate promptly routine management reporting for the key control processes identified as weak in the internal audit report;
- To confirm to the Chief Internal Auditor (CIA) for reporting to the Committee on 4 July 2012 that management reports have been commissioned and a timetable for routine reporting and review established;
- The AGS 2011/12 action plan be updated to include an action on this matter that can then be monitored by the Audit & Governance Committee; and,
- Officers to bring a report to the AWG 10 September, detailing progress with the management action plan and the Procure to Pay project. The Group has requested the report should include the metrics on numbers of non-compliance, value and action taken.

<u>Knights Court</u>
The Group received an update on progress with the management action plan, noting Officers assurance that whilst the deadline for preparing written procedures for staff has been put back, the immediate risk has been mitigated as staff have been reminded of the processes and control requirements, and that these are being adhered to. It was agreed that written procedures are required and the Group told officers they expect the revised deadline to be met.

The Group was not satisfied with the action taken on recovering lettings income, as it remains uncollected due to a long outstanding lease agreement still not being renewed. The Officer was told to confirm to the CIA for reporting to the Audit & Governance Committee on 4 July 2012 that that the lease agreement with the Ridgeway Trust for use of Knight Court has been renewed, and the outstanding lettings income invoiced in full.

The Group was concerned that the renewing of other lease agreements may also have lapsed and requested a report to the next meeting detailing the position with our property leases, and the process for maintaining them up to date.

AWG 4 Draft Annual Scrutiny Report
This report was referred to the AWG by the Audit Committee on 29 February 2012.
The Group was very grateful to Cllr. Lindsay-Gale for attending this item. The Group expressed disappointment with the report and felt that it was bland, demonstrating

little in the way of outcomes. The Group was told that similar feedback and concerns had been received.

Cllr. Lindsay-Gale reported that she has been tasked with reviewing the operation of the scrutiny function and has established a working group that will look at the effectiveness of Scrutiny in other local authorities. The group will also be seeking the views and ideas of members and officers on how it could be improved in Oxfordshire. The Group was very supportive of this approach, and welcomed the opportunity to contribute ideas and views.

The working group consists of Cllr. Lindsay-Gale, Cllr. Brighouse, Cllr. David Turner, Cllr. Wilmshurst, and Cllr. Jelf.

AWG 5 Draft Annual Governance Statement
In addition to the inclusion of an action regarding the management control over the Accounts Payable system (AWG7 above), The Group suggested some minor changes to the draft Annual Governance Statement.

Sections 66 - 72 of the draft reviewed refers to "Other external review/assurance mechanisms"; the Group was concerned that with the exception of the Audit Commission reports, the Audit and Governance Committee has no oversight of the reports received from other external inspection agencies. It is recommending that a report be brought to the Audit and Governance Committee setting out how these external reports that are used to inform the AGS are received and monitored; in particular how would the Committee be informed at an early stage if there are any governance issue arising from the reports, and what assurance can it get that areas identified for improvement are being considered and actioned on a timely basis.

AWG 6 Risk Management
The Group noted the report and was happy with the level of information provided; however, wants to look in more detail at the recording of some risks and has requested copies of the Growth and Infrastructure risk register, and the project risk registers for Cogges Link Road, and the Kidlington Waste Recycling Centre, be circulated to the Group before the Committee meeting.

The Group noted that Zurich has been commissioned to undertake a "health check" of the Council's approach to risk management. The Group is recommending the full report from that piece of work be presented to the Audit and Governance Committee.

AWG 8 SAP Roles Update
It was noted that the research has been completed and a supplier will soon be selected so the tool set for testing the level of risk within the existing SAP roles is about to be in place. The CIA will provide an update at the next meeting.

Work Programme
The updated work programme is attached as annex 1 to this report.

Recommendations
The Committee is RECOMMENDED to
a) Note the report;

b) Nominate two named substitutes to deputise for Cllr. Wilmshurst and Cllr. Matthew on the AWG when required;

c) Receive a report detailing the process from which the Audit and Governance Committee can get assurance that external inspection reports are being properly considered and actioned; and

d) Receive the full report produced by Zurich on the conclusion of the health check review on risk management.

SUE SCANE
Assistant Chief Executive & Chief Finance Officer
Corporate Core

Contact: Officer: Ian Dyson, Assistant Head of Finance (Audit) Tel 01865 323875
ian.dyson@oxfordshire.gov.uk

June 2012

ANNEX 1

AUDIT WORKING GROUP
WORK PROGRAMME 2012/13

2012

Monday 10 September

- Internal Audit Report – Ian Dyson
- Risk Management Report – Claire Phillips
- Lease Agreements -TBC
- Accounts Payable / Procure to Pay Project - Sean Collins / Stephen McHale

Thursday 8 November

- Internal Audit Issues – Ian Dyson
- Risk Management Progress Report – Belinda Dimmock-Smith
- Quarterly Update AGS Action Plan – Kathy Wilcox
- Annual Governance Statement Process – annual review of the assurance framework - Peter Clark

2013

Thursday 14 February

- Internal Audit Report – Ian Dyson
- Risk Management Report – Claire Phillips
- Quarterly Update AGS Action Plan – TBC
- Draft work programme 2012/13 – Ian Dyson
- Review of AWG Terms of Reference – Ian Dyson

Wednesday 27 February
SPECIAL MEETING IMMEDIATELY FOLLOWING THE AUDIT COMMITTEE

- Private Session with External Auditors - TBC
- Private Session with the Assistant Head of Finance (Audit)

Last updated: 23 April 2012
Ian Dyson, Chief Internal Auditor 01865 323875

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Oxfordshire County Council

Internal Audit Services

Annual Report of the Chief Internal Auditor

2011/12

Date Issued: June 2012

AUTHOR: IAN DYSON

1 INTRODUCTION

1.1 BACKGROUND

1.1.1 The Accounts and Audit Regulations 2011 require the Council to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice 2006 (the Code), which sets out proper practice for Internal Audit, requires the Chief Internal Auditor to provide an annual report to those charged with Governance which should include an opinion on the overall adequacies of the Council's internal control environment.

1.2 RESPONSIBILITIES

1.2.1 It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control.

1.2.2 The role of the Internal Audit Service is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of the Authority's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:

- The Council can establish the extent to which they can rely on the whole system; and,
- Individual managers can establish how reliable the systems and controls for which they are responsible are.

1.3 INTERNAL CONTROL ENVIRONMENT

1.3.1 The CIPFA Code defines the control environment as comprising of the Council's systems of governance, risk management and internal control, the key elements of which include:

- Establishing and monitoring the achievement of the organisation's objectives.
- The facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties.
- Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

- The financial management of the organisation and the reporting of financial management.
- The performance management of the organisation and the reporting of performance management.

1.3.2 In order to form an opinion on the overall adequacy and effectiveness of the control environment the internal audit activity is planned to provide coverage of financial controls, through review of the key financial systems, and internal controls through a range of operational activity both within Directorates and cross cutting, including a review of risk management and governance arrangements. The Chief Internal Auditors annual statement on the System of Internal Control is considered by the Corporate Governance Assurance Group when preparing the Council's Annual Governance Statement.

1.4 THE AUDIT METHODOLOGY

1.4.1 Internal Audit complies with the CIPFA Code of Practice 2006, and has approved Terms of Reference that set out the objectives and scope of Internal Audit. In accordance with the requirements of the Accounts and Audit Regulations 2011, the Monitoring Officer has carried out a review of the effectiveness of the System of Internal Audit. The scope of the review covered compliance with proper practice (CIPFA Code of Practice for Internal Audit 2006), reporting on performance and outcomes to the Audit Committee, and a survey of Senior Management on the effectiveness of Internal Audit. In the report to the Audit Committee it was concluded there is acceptable effectiveness, with two areas for improvement; counter-fraud; and, timeliness of reporting audit findings.

1.4.2 The Internal Audit Strategy and Quarterly Plans for 2011/12 were approved by the Audit Committee, who received quarterly progress reports from the Chief Internal Auditor, including summaries of the audit findings and conclusions. The Audit Working Group also routinely received reports from the Chief Internal Auditor, highlighting emerging issues and for monitoring the implementation of management actions arising from internal audit reports.

1.4.3 The quarterly Internal Audit Plans identified the individual audit assignments. The activity was undertaken using a systematic risk-based approach. The objectives for each activity were determined and risks in the processes that supported that activity were identified and set down in terms of reference that outlined the objectives and scope for each audit. The work was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence in forming an overall opinion on the adequacy and effectiveness of the internal control framework.

1.4.4 Internal Audit reports provide a conclusion for each of the following, as well as an overall conclusion on the system of internal control:

- The adequacy and effectiveness of the risk assessment process

- The adequacy and effectiveness of the controls designed to manage the risks
- The adequacy and appropriateness of management action designed to remedy any failings or weaknesses in the internal control system
- The adequacy and effectiveness of management assurance processes for monitoring the system of internal control.

A summary of the overall conclusions for each audit are listed as appendix 1 to this report. The definitions of each conclusion are attached as appendix 2.

1.4.5 To provide quality assurance over the audit output, audit assignments are allocated to staff according to their skills and experience. Each auditor has a designated Audit Manager to perform quality reviews at four stages of the audit assignment: the terms of reference, file review, draft report and final report stages.

1.5 THE AUDIT TEAM

1.5.1 During 2011/12 the Internal Audit Service was delivered by a mixture of an in house team, and audit professionals from Deloittes PSIA, with whom there is a "call off" contract in place for internal audit services. The specialist area of IT audit has also been outsourced. The "call off" contract with Deloittes PSIA has been predominantly used for bringing in specialist contract audit resource, but also to support the delivery of the Internal Audit Plan, by providing cover for vacancies and maternity leave. The in house team also provided services to external organisations, Thames Valley Police Authority and Buckinghamshire County Council.

1.5.2 Throughout the year the Audit Committee and the Audit Working Group were kept informed of staffing issues and the impact on the delivery of the Plan.

2 OPINION ON SYSTEM OF INTERNAL CONTROL

2.1 BASIS OF THE AUDIT OPINION

2.1.1 The 2011/12 Internal Audit Plan has been completed, with the exception of one audit, Compliance with Contract Procedure Rules. The fieldwork from the audit has been completed, but the output is under review following a quality monitoring assessment.

2.1.2 The substantial completion of the planned internal audit activity enables the Chief Internal Auditor to provide an objective assessment of whether systems and controls are working properly. In giving an audit opinion, it should be noted that assurance can never be absolute; however, the scope of the audit activity undertaken by the Internal Audit Service is sufficient for reasonable assurance to be placed on their work.

2.1.3 A summary of the work undertaken during the year, forming the basis of the audit opinion on the control environment, is shown in appendix 1 to this report.

2.1.4 The overall opinion for each audit, as shown in appendix 1, is the opinion at the time the report was issued. The internal audit reports contain management action plans where areas for improvement have been identified, which the Internal Audit Team monitors the implementation of by obtaining positive assurance on the status of the actions from the officers responsible. Reports on outstanding actions are routinely presented to Directorate Leadership Teams, and the Audit Working Group. The Chief Internal Auditors opinion set out in section 2.2.1 takes into account the implementation of management actions.

2.1.5 There have been very few reported instances of fraud or financial irregularity. Internal Audit monitors the cases to ensure they are being appropriately investigated, and to ensure any control issues are addressed. There have been no material issues identified in 2011/12; however, proactive counter-fraud activity, including promotion of the anti-fraud and corruption policies and procedures has not been resourced during 2011/12, so this has been highlighted as an area for action in 2012/13.

2.1.6 It should be noted that it is not internal audit's responsibility to operate the system of internal control; that is the responsibility of management. Furthermore, it is management's responsibility to determine whether to accept and implement recommendations made by internal audit or, alternatively, to recognise and accept risks resulting from not taking action. If the latter option is taken by management, the Chief Internal Auditor would bring this to the attention of the Audit Committee.

2.1.7 The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

2.1.8 In arriving at our opinion we have taken into account:

- The results of all audits undertaken as part of the 2011/12 audit plan;
- The results of follow up action taken in respect of previous audits;
- Whether or not any priority 1 recommendations have not been accepted by management;
- The affects of any material changes in the Council's objectives or activities; and,
- Whether or not any limitations have been placed on the scope of Internal Audit – of which there have been none.

2.2 CHIEF INTERNAL AUDITORS OPINION ON THE SYSTEM OF INTERNAL CONTROL

2.2.1 In my opinion Oxfordshire County Council's overall system of internal control continues to facilitate the effective exercise of the Council's functions and provides a **reasonable** assurance regarding the effective, efficient and economic exercise of the Council's function. There have been some areas of weakness identified by management and Internal Audit, but these have all resulted in positive action plans to address them, with appropriate timescales, demonstrating a commitment to maintaining effective governance and internal control.

2.2.2 There have been 67 audits completed in 2011/12, of which only nine have resulting in an opinion of "unacceptable" control.

2.2.3 The nine "unacceptable" audits have all been well received by management, and there has been good engagement with implementing management actions. One "unacceptable" report, Accounts Payable, was only issued in June 2012, so it is too soon for the actions to be implemented; however, the report has been considered by the Audit Working Group, and as a result it was agreed the issues raised in the report are significant to require an action to be raised in the Annual Governance Statement.

2.2.4 The status of actions on the other "unacceptable" audits is summarised as follows:

Audit	Report Issued	Comment
Establishment Audit - Knights Court	27 March 2012	In general the actions are being implemented, but it has been reported to the AWG that some timescales have been put back with regard to the production of written procedures, with assurance that staff have been informed of the correct procedures to be followed.
Establishment Audit - Youth Offending Service	28 November 2011	Following this audit there has been a restructuring of the service; Internal Audit has continued to work closely with the Director of CEF on the outcomes of this audit, and the development of effective systems and procedures
Highways and Transport Contract - follow up	31 August 2011	In February 2012 Internal Audit concluded a further follow up and confirmed the implementation of the management actions
Home to School Transport	2 February 2012	Following the audit there has been a restructuring of the service; Internal Audit has continued to work closely with management on the design of new processes and procedures. The progress is being monitored by the AWG

CEF Safeguarding	29 September 2011	All relevant management action due have been implemented. This area is included for further review by Internal Audit in 2012/13
SCS Safeguarding	11 October 2011	All relevant management action due have been implemented. This area is included for further review by Internal Audit in 2012/13
Client Care Funding	5 December 2011	Action has been taken to implement 8/9 actions due. For the other action no information has been received. This is being followed up.
Alert Service	14 October 2011	All 18 actions have been implemented.

2.3 INTERNAL AUDIT PERFORMANCE

2.3.1 The following table shows the performance targets agreed by the Audit Committee and the actual 2011/12 performance.

Measure	Target	Actual Performance
Elapsed time between start of the audit (opening meeting) and the Exit Meeting	Target date agreed for each assignment by the Audit Manager, no more than three times the total audit assignment days	71% of the audits met this target. (last year 85%)
Elapsed time for completion of the audit work (exit meeting) to issue of draft report	15 Days	67% of the audits met this target. (Last year 72%)
Elapsed time between issue of draft report and the issue of the final report	15 Days	57% (Last year 56%)
% of Internal Audit planned activity delivered	100% of the audit plan by end of April 2011	87% of the plan was completed. (last year 93%).
% of recommendations implemented within the agreed timescales	90% of recommendations implemented	2011/12: 80%
Customer satisfaction questionnaire (Audit Assignments)	Average score < 2	1.31 (Last year 1.32).
Directors satisfaction with internal audit work	Satisfactory or above	Achieved – Review of

Measure	Target	Actual Performance
		System of Internal Audit
Extent of reliance External Audit can place on Internal Audit	Reliance placed on internal audit work	No adverse comments – achieved

Ian Dyson

Assistant Head of Finance (Audit)

June 2012

APPENDIX 1 - SUMMARY OF COMPLETED AUDITS

	Audit	Scope/Objective	Overall Audit Conclusion
KEY FINANCIAL SYSTEMS			
1	Pensions Fund	An annual review to test the key controls providing assurance that the pensions fund is being properly managed, with funds invested securely maximising investment opportunities.	**Acceptable**
2	Pensions Admin	An annual review to test the key controls providing assurance that members' records are accurately maintained, and that payment through the pension's payroll are accurate and made on a timely basis to legitimate pensioners only. This audit will also consider the processes for the admission and withdrawal of organisations to and from the pension fund.	**Acceptable**
3	Accounts Payable	This audit is undertaken annually to provide assurance that payments to creditors are timely and in respect of goods or services required and received by the council. It will cover procure to pay processes in SAP R3, and SRM. The audit will also include the transfer of data from any feeder systems.	**Unacceptable**

4	Accounts Payable Basware System	The review focussed on the implementation of the Basware system for the automatic processing of invoices introduced into the accounts payable process.	It was found that the proposed processes appear to be satisfactory.
5	Payroll	This audit is undertaken annually to provide assurance that payments are accurate, timely and paid to legitimate employees only.	**Issues**
6	Accounts Receivable	An annual audit to provide assurance that debtor income is identified recorded and collected in a timely and efficient method. The audit will also review other debt management procedures including the cancellation and writing off of debts. The scope will cover debts managed corporately on SAP and those relating to Adult Social care managed through the Abacus System. The audit will also include procedures at local sites responsible for raising debtor invoices.	**Acceptable**
7	Capital Accounting (incl. Capital Programme Management)	The audit will also test controls around the management of the Capital Programme. Capital Accounting will be undertaken in Q1 2012/13	**Acceptable**

8	General Ledger & Main Accounting	This is an annual audit, testing the key controls to provide assurance that financial transactions are properly recorded to enable the production of timely and accurate statement of accounts, and management accounts. The planned days also provides for a review of non-SAP feeder systems, ensuring there are adequate and effective controls in place to give assurance on the accuracy and integrity of data being transferred into SAP Accounts Payable, Account Receivable and the General Ledger.	**Acceptable**
9	Imprest and Procurement Card System Mapping	The audit reviewed the processes and key controls in place for the administration of Imprest Accounts and Procurement Cards.	**Issues**
10	Treasury Management	An annual review to test the key controls to provide assurance that council funds are being effectively managed to support the delivery of council operations and to maximise investment opportunities for cash surpluses.	**Issues**

GOVERNANCE AND FINANCIAL MANAGEMENT			
11	Environment & Economy (including Customer Services)	This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation.	Performance Management **Issues**
12			Establishment audit to Facilities Management Knights Court **Unacceptable**
13			E&E Governance and Financial Management (including OCS) (Main directorate report) **Issues**
14			Follow up of Health and Safety management actions from 2010/11 Audit conclusion: **n/a**
15	Children, Education & Families (CEF)	This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation.	Performance Management **Issues**
16			CEF Project Management **Issues**
17			Establishment audit to Youth Offending Service **Unacceptable**
18			Establishment audit to East Oxford Hub **Issues**
19			CEF Governance and Financial Management (Main directorate report) **Issues**

20	Social and Community Services	This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation.	Performance Management **Issues**
21			Establishment audit of Trading Standards **Issues**
22			SCS Governance and Financial Management (Main directorate report) **Issues**
23	Chief Executives Office (CEO)	This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation.	CEO Governance and Financial Management (Main directorate report) **Issues**
24			Governance and Financial Management – Risk Management – corporate findings. **Issues**
25			Governance and Financial Management – Budgetary Control – corporate findings. **Issues**
26			Governance and Financial Management – Authority & Governance – corporate findings. Audit Conclusion: **Issues**

ENVIRONMENT AND ECONOMY			
27	Property and Facilities Procurement (ISOS Phase)	The audit will review the procurement exercise and mobilisation phase for the new Property and Facilities contract. The audit will follow on from the first phase review, completed in March 2011.	**Acceptable**
28	Property and Facilities Procurement (ISDS & ISFT Phases)	The audit will review the procurement exercise and mobilisation phase for the new Property and Facilities contract. The audit will follow on from the second phase review, completed in June 2011, looking at the contract specification, any related tender documents and the schedule for the ISDS phase.	**Acceptable**
29	Highways and Transport Contract Follow Up	Operational from the 1 April 2010, this year's audit will follow on from the 2010/11 review, focussing on the issues raised in relation to the operational processes designed to deliver the services of the Highways Contract. The review will assess progress in implementing the service Improvement Plan, as well as the effectiveness of the performance and risk management arrangements.	**Unacceptable**

30	Highways and Transport Contract	This audit will involve a detailed review of the current end to end processes in place for the service. Testing will focus on a large sample of task orders and payments with a view to comment on the effectiveness and accuracy of the processes in place. The audit will also review the effectiveness of the governance, performance and risk management arrangements in place. Testing will also follow up on the actions agreed during the previous report issued in August 2011.	**Issues**
31	Concessionary Travel	With the administration of the Concessionary Travel scheme transferring to County Council responsibility from the 1st April 2011, the audit will focus on the handover arrangements and the design and effectiveness of processes and systems implemented the manage the scheme.	**Issues**
32	Home to Schools Transport	The audit will review the process for tendering home to school transport contracts and the contract monitoring arrangements in place, including the mechanism for monitoring provider performance and any related service issues that arise.	**Unacceptable**
33	Energy Strategy	A new Energy Strategy is currently being developed within E&E and is due to be adopted during the summer. The audit will focus on the governance arrangements in place to monitor and deliver the requirements of the Energy Strategy, including data quality arrangements.	**Issues**

34	Waste Collection Contract	The audit will cover the period from tender evaluation through to use and management of the contract to date.	**Issues**
35	Capital Contract - Iffley Road	The audit will review the approach to programming and estimating the scheme through to post completion review of the project, depending on its status.	**Acceptable**
ENVIRONMENT AND ECONOMY - OXFORDSHIRE CUSTOMER SERVICES			
36	Insurance	The audit will provide assurance on processes in place to ensure that the Council has adequate cover for insurable risks and claims are being processed accurately and timely.	**Issues**
37	Procurement Strategy and Governance	The audit will provide assurance on the effectiveness of the Council's Procurement Strategy and its governance arrangements. This includes how the strategy is being delivered, general procurement planning, advice and guidance.	**Issues**
38	Schools Support	The Schools Support and Technical Team is the main provider of assurance on the performance of financial management at schools. This is an annual audit.	**Acceptable**

39	ICT Strategy	The audit will provide assurance on the implementation of the current ICT Strategy. The audit will review the strategy to ensure it is being effectively delivered, monitored and managed. The review will also ensure that the benefits of ICT are fully realised and the development of ICT supports corporate objectives and priorities.	**Acceptable**
40	Data Centre Security	The review will provide assurance on the physical and environmental security controls at the Clarendon Data Centre and a sample number of communication rooms.	**Acceptable**
41	Disaster Recovery Project (Pt. 1)	The audit will provide advice on the implementation of the Disaster Recovery Project. The audit will also provide assurance on the design of controls being implemented as part of the project.	**Issues**
42	Disaster Recovery Project (Pt. 2)	The audit will follow on from the first audit and provide advice on the implementation of the Disaster Recovery Project. The audit will also provide assurance on the design of controls being implemented as part of the project.	**Acceptable**
43	SAP Collaboration Review	The audit will review the management and governance controls over the proposed partnership with Hampshire on the SAP collaboration.	**Issues**

44	MS Enterprise Programme (Pt. 1)	The Microsoft Enterprise Services Programme will address the work to upgrade desktops and laptops to a base level of Windows 7 and Office 2010. The audit will provide assurance management and governance arrangements in delivering MS Enterprise programme and operational and systems controls in place.	**Issues**
45	MS Enterprise Programme (Pt. 2)	This audit will follow on from the first stage on the audit and provide assurance on the current status of the programme.	**Acceptable**
46	Internet Access and Security	The audit will review the controls over Internet and email access, including the management of filtering software.	**Issues**
47	Access to Systems	The audit will review the level of access provided to ICT support staff on a sample number of corporate systems and applications. Testing will be completed on the following critical systems: Swift; ESCR; Abacus; Capita One and Frameworki. Testing will be carried out at server, database and application level, as appropriate.	**Issues**
48	Government Code of Connect	The audit will review the controls in place for complying with the Government Code of Connect.	**Issues**

CHILDREN, EDUCATION AND FAMILIES			
49	CEF Safeguarding	The aim of the audit will be to provide assurance that safeguarding framework, policies and procedures are working effectively. The audit will review the quality assurance framework, reviewing the scope adequacy, and reporting mechanisms within this process. The audit will also review the systems and processes in place for caseload management. The audit will follow up on any outstanding actions and test implementation of any priority 1 management actions from previous audits of Safeguarding Training, Safer Recruitment, and also relevant actions regarding accuracy and completeness of Frameworki data included in the audit undertaken of Performance Indicators.	**Unacceptable**

50	Review of Early Intervention Hubs	In preparation for the introduction of the Early Intervention Hubs, there are a number of Task and Finish Groups in place who are responsible for ensuring the management and implementation of different aspects of the project. This includes reviewing the existing business processes to identify whether they will be required in the longer term and if retained what changes will be required. Internal Audit will provide an overview of this project, in order to provide assurance on the controls being designed with the implementation of the hubs. Internal Audit will review the project management arrangements, and at key stages provide advice / assurance over the key processes planned, to include review of what data quality / assurance mechanisms will be in place for the recording and reporting of key data. Part 2 of this audit is intended that it will provide assurance on the arrangements for data management reviewing the transitional arrangements in place for transferring data to a new system. The audit will also review the arrangements for developing a new quality assurance system. It is envisaged that review of processes in relation to referrals and pathway will be undertaken next financial year.	Part 1 complete – Conclusion **Acceptable.** Part 2 – Main audit activity deferred until quarter 2 of 2012/13. Final management letter issued reporting on part 2 findings.

51	One System (EMS)	One system is the main pupil database used across CEF. The audit will look review the use of the system across the directorate and to provide assurance on the accuracy and integrity of data on the system. A key aspect of the audit will be to review the financial governance surrounding payments using information generated by the system. The audit will specially review the business processes in place to generate payments to providers within the Early Years Service.	**Acceptable**
52	Early Years	Early Years – Delivery of Savings Plan. During quarter 1 Internal Audit will look to provide assurance on the robustness and accuracy of the savings plans in place for Early Years. The audit will consider the new structural changes in place and responsibilities for achievement of each part of the savings plan, reviewing that appropriate budget monitoring mechanisms are in place. Internal Audit will work with the Deputy Director (Education and Early Intervention) to identify any future Internal Audit activity required to consider key governance and financial management controls as processes are reviewed / re-designed as part of the implementation of the CEF Business Strategy.	**Issues**

53	Payments to Foster Carers – Trojan System	From 2011/12 payments to Foster Carers are being processed via the Trojan system. These were previously administered via spreadsheets. Internal Audit will test the key controls to provide assurance on the accuracy, integrity and reliability of payments made.	**Issues**
54	Schools Assurance – Schools Capital Accounting	In addition to the schools programme of individual assurance visits, throughout 2011/12 Internal Audit will look to undertake thematic reviews of key risk areas to provide the S151 officer with assurance on the financial control environment. The audit of Schools Capital Accounting will be the first thematic audit review, by reviewing a sample of schools to provide assurance to provide assurance on the robustness of processes for the allocation, monitoring and financial recording of capital monies.	**Issues**
55	Contract Procurement and Contract Management	Audits of a selection of capital and revenue contracts to provide assurance on the contract procurement and contract management arrangements in place.	Capital Contract Management Audit of Woodfarm replacement of existing buildings (joint assurance with EE). **Issues**
56			Contract Management Audit of Integrated Children's Community Therapy Service. **Issues**

SOCIAL AND COMMUNITY SERVICES			
57	Alert Service	The review will focus on the processes for re-assessing clients by Community Voice, that financial forecasts are accurate and robust, the financial charging process is effective and contract management and monitoring arrangements are in place.	**Unacceptable**
58	Self-Directed Support	The audit will provide assurance on the effectiveness of the Self Directed Support process, considering any recent changes or improvements, including personal budget allocations and accounting, care plan delivery and client documentation.	**Issues**
59	Safeguarding	The aim of the audit will be to provide assurance on the quality assurance framework for Safeguarding in respect of externally provided services, reviewing the scope, adequacy and reporting mechanisms within this process. The audit also will provide assurance on the annual review process, in respect of delivering safeguarding objectives. The audit will consider current improvements already planned or being actioned by the Directorate within the area of Safeguarding and the multi-agency peer audit to be independently led by the Oxfordshire Adult Safeguarding Board.	**Unacceptable**

60	Client Care Funding	This audit will follow on from the observations raised during the 2010/11 review where the systems in place within SCS appear to not maintain the correct level of documentation to support delivery of the needs of the client. Testing will focus specifically on determining the process or control weaknesses and implications in not having robust systems to support service needs and operational decisions.	**Unacceptable**
61	Contract Procurement & Contract Management	Audits of a selection of capital and revenue contracts to provide assurance on the contract procurement and contract management arrangements in place. • Commissioning Reablement • Carers Support Service Contract Management • RFID in Libraries Capital Contracts Management • Redbridge Hollow Phase 2 • Learning Disabilities Specialist Health	Commissioning Reablement. Audit Conclusion: **Issues**
62			Carers Support Service Contract Management Audit Conclusion: **Issues**
63			RFID in Libraries (issued to SCS & E&E) Audit Conclusion: **Issues**
64			Redbridge Hollow (issued to SCS & E&E) Audit Conclusion: **Issues**
65			LD Specialist Health Audit Conclusion: **Issues**

CHIEF EXECUTIVES OFFICE			
66	Members' Allowances	The audit will provide assurance on the systems and processes in place to ensure the accuracy and integrity of allowances paid.	**Issues**
67	Business Strategy Programme	Internal Audit will review the arrangements in place to monitor the delivery of the Directorate Business Strategies. It will include a review of the general governance arrangements, the management information being presented to the Business Strategy Group and any resulting actions.	**Issues**

APPENDIX 2

DEFINITION OF CONCLUSIONS

Grading:	ACCEPTABLE	ISSUES	UNACCEPTABLE
Conclusion on:	**Wording**		
Overall conclusion on the system of internal control being maintained	There is a sound system of internal control in which risks are being managed to acceptable levels	There is generally a sound system of internal control. Risks are being mitigated to acceptable levels, except for the significant risks noted and there is therefore the possibility that some objectives will not be achieved	The system of internal control is generally weak, and the exposure to risk is such that it is probable that objectives will not be, OR are not being achieved. The system is open to the risk of significant error or abuse.
Risks have been identified, evaluated and managed	Thorough processes have been used	Processes have been used, but there are some deficiencies	Inadequate, or no, processes have been used
Internal controls are adequately designed to reduce risks to acceptable levels	There are adequately designed controls to mitigate the risks identified to acceptable levels (although some action may be required).	In general there are adequately designed controls to mitigate the risks identified, except for the significant risks noted in the report.	The design of internal controls is unacceptable as risks are not being mitigated to an acceptable level
Internal controls are operating effectively in reducing risks to acceptable levels	The controls in place are operating effectively, (although some action may be required)	In general the controls in place are operating effectively, except for the significant risks noted in the report.	Generally the controls in place are not operating effectively leaving an unacceptable exposure to significant risks.
The current levels of monitoring are sufficient	No more monitoring is necessary than is done at present	Some additional monitoring is required	Major improvements are required to the monitoring of controls
Action being taken to promptly remedy significant failings or weaknesses	The action being taken will result in all risks being mitigated to acceptable levels	The action being taken will result in only some risks being mitigated to acceptable levels	No action is being taken, OR Insufficient action is being taken to mitigate risks

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Agenda Item 8

Division(s): N/A

AUDIT and GOVERNANCE COMMITTEE – 4 July 2012

INTERNAL AUDIT 2012/13
PROGRESS REPORT AND QUARTER 2 PLAN

Report by the Assistant Chief Executive and Chief Financial Officer

INTRODUCTION

1. The Internal Audit Plan for Quarter 2 is attached as appendix 1 to this report, and includes a progress status on the Q1 planned activity.
2. Whilst work is progressing with the 2012/13 plan, the focus has been on concluding the 2011/12 work. In addition there are vacancies in the team that has resulted in delays in commencing the 2012/13 work.
3. There are two vacancies, a senior auditor post, and a principal auditor post. We have appointed two Senior Auditors, both of whom started in Q1; we are interviewing for the Principal Auditor post on 27 June 2012. There remains one member of staff on maternity leave; she is due to return in Q2. To cover the resource shortfall we are bringing in three audit professionals on secondment from Deloittes PSIA until the end of December 2012.
4. The action tracking software is now operational, and used to generate the management reports for Directorate Leadership Teams and for the last Audit Working Group (21 June 2012). The implementation has been successful, with all 2011/12 actions on the system, and there has been good engagement from managers in using the system.

2011/12 AUDIT PLAN

5. The following audits have been concluded since the last report to the Audit Committee (summaries of the key findings are attached as appendix 2):

	Directorate	2011/12 Audits	Opinion
1	E&E	Property and Facilities Procurement	Acceptable
2	E&E	Waste Collection Contract Management	Issues
3	OCS	Procurement Strategy, Governance & Communication	Issues
4	OCS	Accounts Payable	Unacceptable
5	OCS	Capital Accounting (Part 1)	Acceptable
6	OCS	Schools Support	Acceptable

7	OCS	Payroll	Issues
8	OCS	Pensions Admin	Acceptable
9	OCS	Accounts Receivable	Acceptable
10	OCS	General Ledger & Main Accounting	Acceptable
11	OCS	Government Code of Connect	Issues
12	CEO	Governance and Financial Management – Budgetary Control Corporate Management Letter	ISSUES
13	CEF	Early Intervention Hubs – Systems Management Letter	N/A – no overall conclusion
14	E&E	Governance and Financial Management – E&E main directorate report	ISSUES
15	CEO	Governance and Financial Management – CEO main directorate report	ISSUES

6. There remains one audit outstanding from 2011/12. It was expected that we would be able to report on the conclusions from our audit of Compliance with Contract Procedure Rules. The report has been prepared but has not been issued as our quality assurance process has identified several queries regarding the output from the audit which are not yet resolved.

Counter - Fraud

Investigations

7. There are three investigations currently being undertaken by Internal Audit. The resource for the investigations has been outsourced; the investigation team consists of an Investigations Manager and a Principal Investigations Officer from Wokingham Borough Council.

8. The investigations should be concluded by the end of July 2012. The cost of the investigations will be recharged to the relevant Directorate.

Proactive Testing

9. We are not currently undertaking any proactive fraud testing.

National Fraud Initiative (NFI)

10. The timescale for the 2012/13 NFI exercise has been finalised. The data will be submitted for matching on the 1 October 2012, with any matches being released to the County Council for investigation on the 31 January 2013.

Counter-Fraud Work Plan

11. A 2012/13 Counter-Fraud work plan has been collated. The main priorities for 2012/13 are:

- To undertake awareness raising of fraud issues and risks within each Directorate.
- Produce a fraud risk assessment to inform areas for pro-active fraud testing.
- Undertake proactive anti-fraud testing to provide assurance on effectiveness of fraud controls.
- Develop a joined up approach to investigating fraud and corruption allegations and maintain close working relationships with other sections of the Council.

12. Work on completing the actions within the plan has commenced.

RECOMMENDATION

The committee is RECOMMENDED to note the report.

Ian Dyson
Chief Internal Auditor

Background papers: None.

Contact Officer: Ian Dyson 01865 323875

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APPENDIX 1 2012/13 Update against Quarter 1 Internal Audit Plan as at 25/06/12

Directorate	Qtr Start	Audit	Status as at 25.06.12
CEF	1	**CEF Governance and Financial Management** This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as *Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources, Legislation and Community Consultation & Involvement.* During Quarter 1, Internal Audit will review the area of Information Governance which will include specific testing around the management of external data transfers and review each directorate's processes for ensuring compliance with Information Governance policies, including data protection.	**Scoping – Fieldwork to start before the end of June.**
CEF	1	**CEF Safeguarding** The audit will follow up on the findings from 2011/12 audit and test implementation of the actions raised. The audit will also look to review the areas of 1) Serious Case Reviews, reviewing how action is taken on information and learning points identified and 2) External Providers, reviewing assurance mechanisms in place as to whether safeguarding controls are operating effectively.	**Fieldwork**
SCS	1	**SCS Governance and Financial Management** This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as *Financial Management including budget setting & control, Structure and Authority,*	

Directorate	Qtr Start	Audit	Status as at 25.06.12
		Information Governance, Business Management, Business Continuity, Human Resources, Legislation and Community Consultation & Involvement. During Quarter 1, Internal Audit will review the area of Information Governance which will include specific testing around the management of external data transfers and review each directorate’s processes for ensuring compliance with Information Governance policies, including data protection.	 **Scoping – Fieldwork to start before the end of June.**
SCS	1	**Personal Budgets** The audit will provide assurance on the effectiveness of the Self Directed Support process, considering any recent changes or improvements, including personal budget allocations and accounting, review of directorate’s care pathway work, care plan delivery and client documentation. The audit will specifically review controls in respect of direct payments and consider the current pilot of payment cards. It has been agreed with the Deputy Director that the audit will be undertaken in two parts during 2012/13, with the focus in quarter 1 being on the controls in place for direct payments and new payment card system.	 **Fieldwork**
SCS	1	**AIS implementation** The Audit Manager will continue to work with the project manager in reviewing the progress against key stages of this project implementation, including the identified data cleansing and data management improvements. Specific audit activity during quarter 1 will include review of the draft “to-be” processes once designed and also review of system mapping which identifies current and future output requirements.	 **On-going review**

Directorate	Qtr Start	Audit	Status as at 25.06.12
SCS	1	**OFRS – Joint Fire Control** The Audit Manager will work with the project manager in reviewing the progress against key stages of the project implementation. Specific audit activity will be agreed which will include review of the project management governance arrangements.	**On-going review**
SCS	All	**Contract Procurement and Contract Management** During quarter 1 the Head of Audit will be involved in the Directorate's review of the adequacy of contract monitoring arrangements in relation to Health and Safety. For the remaining quarters a programme of assurance activity on contract procurement and contract management arrangements in place to be determined and agreed with Deputy Director, Joint Commissioning.	**Not started**
SCS	2	**SCS Safeguarding** This audit was planned for quarter 2, however was brought forward and started in quarter 1. The audit will follow up on the findings from 2011/12 audit and test implementation of the actions raised. The audit will also look to review the areas of 1) Adult Protection Alerts/Referral Reporting, 2) Serious Incident Enquiries/Reporting, 3) Supervision and 4) Carers Assessments, reviewing assurance mechanisms in place as to whether key safeguarding controls are operating effectively.	**Fieldwork**
CEO	1	**CEO Governance and Financial Management** This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as *Financial Management including budget setting & control, Structure and Authority,*	

Directorate	Qtr Start	Audit	Status as at 25.06.12
		Information Governance, Business Management, Business Continuity, Human Resources, Legislation and Community Consultation & Involvement. During Quarter 1, Internal Audit will review the area of Information Governance which will include specific testing around the management of external data transfers and review each directorate's processes for ensuring compliance with Information Governance policies, including data protection.	**Scoping – Fieldwork to start before the end of June.**
CEO	1	**Capital Accounting (Part 2)** This audit will follow on from the 2011/12 review, completed during quarter 4. The scope of the audit is to review the closedown procedures and transactions, completed as part of the year end accounting process. The main focus of testing will be on acquisitions, enhancements, depreciation, revaluations, disposals and write offs and the Asset Register.	**Testing to start 25/6/12**
CEO	1	**Treasury Management** An annual review to test the key controls to provide assurance that council funds are being effectively managed to support the delivery of council operations and to maximise investment opportunities for cash surpluses.	**Scoping**
EE	1	**EE Governance and Financial Management (including Customer Services)** This is an annual audit to review governance and financial management arrangements in place within each directorate. *Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources, Legislation and Community Consultation & Involvement.* During Quarter 1, Internal Audit will review the area of Information Governance which will include specific testing around the management of external data transfers and review each directorate's processes for ensuring compliance with Information Governance policies, including data protection.	**Scoping – Fieldwork to start before the end of June.**

Directorate	Qtr Start	Audit	Status as at 25.06.12
EE	1	**Property and Facilities Contract** Property & Facilities is currently carrying out a project to procure a new Strategic Service Partner to supply property services including multi-disciplinary design, construction, white and blue collar facilities management and transactional Estates Management services to the council from April 2012. This is a major project for the council with an estimated annual value of work in the region of £50m, and it is intended to let a ten year contract which has the facility to extend in aggregate up to a further ten years.	**Scoping**
EE	1	**Asset Strategy Implementation (incl. Corporate Landlord Approach)** Implementation of the Asset Strategy is being managed and coordinated through an overarching programme and work streams. The property rationalisation programme has been set out and is being taken forward: the programme will mean that a number of other properties will be sold or leases surrendered over the next four years and beyond. Implementation of the Corporate Landlord will see Property & Facilities develop its corporate role: this will require enhanced working relationships with service teams across the council. As part of this approach, asset-led locality reviews are being taken forward with a view to identifying further opportunities to rationalise the asset and improve service delivery.	**Scoping, opening meeting held 22.5.12. Audit put on hold until September.**
EE (Customer Services)	1	**EE Governance and Financial Management (including Customer Services)** This is an annual audit to review governance and financial management arrangements in place within each directorate. *Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources, Legislation and Community Consultation & Involvement.*	**See above – EE Governance and Financial Management Audit**

Directorate	Qtr Start	Audit	Status as at 25.06.12
		During Quarter 1, Internal Audit will review the area of Information Governance which will include specific testing around the management of external data transfers and review each directorate's processes for ensuring compliance with Information Governance policies, including data protection.	
EE (Customer Services)	1	**Transforming Customer Services** The outcome of this programme is to provide a high quality, cost effective support service that has a reputation for excellent customer service whilst being competitively priced. This will be achieved by setting up an Internal Customer Services centre operating model. Customers will have simple and clear access channels to the required service, with most query resolution occurring at the first point of contact. The audit will review the progress in delivering the programme, aimed at improving access to services for customers. Programme objectives include improving the systems currently in place and producing savings through economies of scale, cross-skilling, and ensuring the right level of work is directed to the relevant skilled employee.	**Initial discussions and scoping meeting taken place. Work to focus on Procure to Pay project, following the outcome of the AP audit.** **Meeting to be set up with Graham Shaw to discuss approach/support.**
EE (Customer Services)	1	**ESS/MSS** The audit will review the project and procurement exercise aimed at delivering the Employee Self Service/Manager Self Service system.	**Removed from plan.**
EE (ICT)	1	**Telephony Infrastructure Project** To provide assurance over the implementation of the telephony strategy. The audit will be undertaken in two phases. A key programme within ICT designed to deliver significant cost savings to the organisation.	**Scoping (Draft TOR issued)**

2012/13 Quarter 2 Internal Audit Plan

Directorate	Qtr Start	Audit
CEF	2	**Early Intervention Hubs – Data Management / Performance Information** Following work completed during 2011/12 which reviewed the project management arrangements for the implementation of the Hubs, and the establishment audit undertaken at East Oxford, this audit will aim to review the newly designed processes for recording of children's data, controls over data accuracy and integrity and the adequacy and effectiveness of performance information / management systems.
CEF	2	**CEF Governance & Financial Management** This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources, Legislation and Community Consultation & Involvement. During Quarter 2, Internal Audit plan to undertake two establishment/team based audits to test application of key governance and financial procedures. Agreed teams are YOS and Childrens Centres.
SCS	2	**Pooled budgets** The audit will provide assurance on the overall governance and management arrangements currently in operation for the pooled budgets which Oxfordshire County Council is the administering authority for. The audit will be undertaken in advance of the work to be completed in setting up new arrangements for the pool from April 2013, when the budgets are expected to receive increased funding and whereby funding will not be separately managed as current.

SCS	2	**SCS – Governance and Financial Management : Project Management** As part of the Governance and Financial Management Audit and review of Business Management, Audit will review progress against key stages of project implementation for key projects within SCS to provide assurance over project management. This will include Day Opportunities and the Learning Disabilities remodel. Specific audit activity around review of any re-design of processes and contract activity will be agreed upon during the year with the relevant Deputy Director / Senior Management.
SCS	2	**Client Charging** The audit will provide assurance on the adequacy of the systems and processes in place for Client Charging, it will include review of budget setting and budgetary controls for income.
SCS	2	**SCS Safeguarding** – brought forward into quarter 1. Update included against quarter 1 plan.
CEO	2	**CEO Governance & Financial Management Qtr 2** This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources, Legislation and Community Consultation & Involvement. During Quarter 2, Internal Audit plan to undertake establishment/team based audits to test application of key governance and financial procedures. Agreed establishment for CEO is a Registrar's Office.
EE	2	**Local Transport Capital Block Funding Specific Grant Determination 2010: No 31/1859** The audit will focus on reviewing the system of accounting for and evidencing grant spend in accordance with the conditions, to enable the grant submission to be signed off in 2012.

EE	2	**Integrated Transport Unit (Q2)** The review will focus on the management and operations within the Integrated Transport Unit. The service delivers transport for eligible clients wishing to attend residential care homes, day centres and adult training centres for people with learning disabilities. The audit will also review the ITU Business Plan for the provision of transport to day services and the services provided to SCS.
EE (OCS)	2	**Wireless Network** To review the management and security of the wireless network. The wireless network is an attack point for any intruder wanting to gain unauthorised access to corporate systems and data.
EE (OCS)	2	**Remote Access** To ensure all remote access to the corporate network is secure and controlled. This includes both users and suppliers. A new remote access solution has recently been implemented.
N/A	2	**Proactive Fraud Review 1** (TBC)
N/A	2	**Proactive Fraud Review 2** (TBC)
All	2	**Assurance Mapping** In August 2012 we will be developing the methodology for undertaking an exercise to map out the assurance framework for all the key services within the County Council. This will be a major piece of work, but the outcome should provide management with a high level review of the management controls in place to assure them that service objectives and outcomes will be met, or to provide the early warnings when action is required. Where gaps in the assurance framework are identified this will be used to direct furture internal audit activity.

Agenda Item 9

Division(s): N/A

COPY

Cabinet – 17 July 2012

TREASURY MANAGEMENT OUTTURN 2011/12

Report by Assistant Chief Executive and Chief Finance Officer

Introduction

1. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Code of Practice on Treasury Management (Revised) 2009' requires that Council (via Cabinet) and Audit Committee receives an updated report on Treasury Management activities at least twice per year. This report is the second report for the financial year 2011/12 and sets out the position as at 31 March 2012.

2. The following annexes are attached

Annex 1	Debt Financing 2011/12
Annex 2	PWLB Maturing
Annex 3	Lending List Changes
Annex 4	Investment portfolio 31/03/2012
Annex 5	Prudential Indicators Outturn
Annex 6	Benchmarking

Strategy 2011/12

3. The Treasury Management Strategy for 2011/12 was based on an average base rate forecast of 0.75%. The budget for interest receivable assumed that an average interest rate of 1.15% would be achieved, 0.40% above base rate.

4. The Strategy for Long Term Borrowing was to continue to have the option to fund new or replacement borrowing up to the value of 25% of the portfolio through internal borrowing to reduce the Council's exposure to credit risk and reduce the cost of carry (difference between borrowing costs and investment returns) whilst debt rates remained higher than investment interest rates.

5. The Strategy included the continued use of the services of external fund managers, Scottish Widows Investment Partnership (SWIP) and Investec.

Market Background

6. At the time of determining the strategy for 2011/12, the Bank of England base rate was forecast to remain historically low but to gradually increase and to average 0.75% over the year. In reality, the base rate remained at 0.5% throughout 2011/12 bringing the total period without a base rate change to 36 months at year end.

7. During 2011/12 the coalition government continued to plan to bring down government borrowing while also emphasising the need for growth. In the face of other European sovereign weakness UK government Gilts have continued to benefit from their relative ‘safe haven’ status and the cost of borrowing has remained low for the UK government. 5-year and 10-year gilt yields fell to lows of 0.94% and 2.0% respectively.

8. The Bank of England continued to pursue a policy of Quantitative Easing (QE), under which it bought up £325bn of government bonds. This was intended to inject liquidity into banks and act as a stimulus for banks to extend credit to other banks and businesses.

9. However, poor growth, particularly in the construction industry, resulted in the economy falling into a technical double dip recession in the fourth quarter of 2011/12.

10. CPI Inflation spiked up to 5.2% in September 2011 before falling to 3.5% by year end as the impact of the increase in VAT in January 2011 fell out. At year end, inflation was still above the Bank of England’s target rate of 2%.

11. In the wider European and Global context, the US Federal Reserve (the Fed) kept the official interest rate at 0.25% where it has been since December 2008. The European Central Bank increased rates from 1% to 1.25% in April 2011 before rates were reduced to 1% again in December 2011.

12. By the beginning of 2011/12, the credit crisis had migrated from banks to European sovereigns. The ratings of Ireland and Portugal had been downgraded to the BBB category, Greece had been downgraded to sub-investment grade and Spain had also been downgraded but remained in the AA category.

13. During 2011/12, the failure of the Greek government to successfully implement austerity measures in line with the terms of the second bailout package, which had been agreed with Euro Zone leaders in July 2011, made the threat of Greek withdrawal from the Euro a real possibility.

14. The difficulty in quantifying the potential impact of sovereign and institutional exposure to the Euro Zone crisis led to a Europe wide lack of confidence in banking institutions and the ability of governments to support them. During the year all three of the major ratings agencies placed European sovereigns, including non-Euro Zone members, on ratings watch.

Treasury Management Activity

Debt Financing

15. The Council’s debt financing position for 2011/12 is shown in Annex 1.

16. The option to fund new or replacement borrowing requirements from internal balances, up to the value of 25% of the investment portfolio was retained in the 2011/12 annual treasury management strategy. This was intended to reduce the cost of carry of borrowing which is the difference between borrowing rates and investment returns.

17. No new borrowing has been arranged during 2011/12 with either the PWLB or through the money markets.

18. At 31 March 2012, the authority had 71 PWLB loans totalling £370.73m and 10 LOBO[1] loans totalling £50m. The average rate of interest paid on PWLB debt was 4.62% and the average cost of LOBO debt in 2011/12 was 3.95%. The combined weighted average for interest paid on long-term debt was 4.54%.

Maturing Debt

19. The Council repaid £13.686 million of maturing PWLB loans during the year. The weighted average interest rate payable on the matured loans was 7.62%. The details are set out in Annex 2.

Debt Restructuring

20. No long term debt was restructured during 2011/12.

Investment Strategy

21. Security and liquidity of cash was prioritised above the requirement to maximise returns. The Council adopted a cautious approach to lending to financial institutions, and continuously monitored credit quality information regarding the institutions on the Lending List.

22. During 2011/12 the Council limited the exposure to banks by increasing lending to local authorities deemed to be of high credit quality. At 31 March 2012 the Council had £67m of long term fixed deposits (deposits over 364 days), of which £57m was placed with local authorities or police authorities.

23. The aim of this was to maintain yield while increasing the security of deposits and reducing the exposure to interest rate and counterparty risk in an environment where interest rates are expected to stay low or to fall over the medium term.

24. Most deposits placed with Local Authorities were between one and three years in length. Taking into account all fixed term deposits during 2011/12, the weighted average maturity of deposits was 300 days.

25. The weighted average maturity of all deposits at 31 March 2012, including money deposited overnight, was 282 days (compared with 110 days during 2010/11). This comprised £196m fixed deposits with a weighted average maturity of 390 days and £76m held on overnight deposit at 1 day notice.

26. The Council used fixed and structured deposits, as well as call accounts, money market funds and short dated bond funds to deposit its in-house temporary cash surpluses during 2011/12.

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[1] LOBO (Lender's Option/Borrower's Option) Loans are long-term loans which include a re-pricing option for the bank at predetermined intervals.

27. In compliance with the latest CIPFA guidance on deposits held with Icelandic banks, the 2011/12 final accounts include an impairment for the potential lost interest on amounts placed with Landsbanki. During 2011/12 the preferential status of local authority claimants was confirmed and the first distribution was received from the winding up board. It is now understood that authorities should receive 100% of their claim, although the timings of future distributions are unknown.

The Council's Lending List

28. The Council's in-house cash balances are deposited with institutions that meet the Council's approved credit rating criteria. The approved Lending List is regularly updated during the year to reflect changes in bank and building society credit ratings. Changes are reported to Cabinet each month. The approved lending list may also be further restricted by officers, in response to changing conditions and perceived risk. Annex 3 shows the amendments incorporated into the Lending List during 2011/12, in accordance with the approved credit rating criteria and additional temporary restrictions.

Investment Outturn

29. The average daily balance of temporary surplus cash invested in-house was £260m in 2011/12. The Council achieved an average in-house return for the year of 1.12%, producing gross interest receivable of £2.928m (excluding interest accrued on Landsbanki deposits). Temporary surplus cash balances include: developer contributions; council reserves and balances; trust fund balances; and various other funds to which the Council pays interest at each financial year end, based on the average rate earned on all deposits.

30. In 2011/12 the Council changed the benchmark, against which its own in-house investment performance is measured, from the seven-day inter-bank sterling rate to the three month inter-bank sterling rate. The three month rate better reflects the maturity profile of the Council's investment portfolio and therefore provides a more meaningful comparator.

31. During 2011/12 the average three month inter-bank sterling rate was 0.81%. The Council's average in-house return of 1.12% exceeded this benchmark by 0.31%.

32. Due to the lower than forecast base rate and unfavourable market conditions the average in-house return was 0.03% lower than the budgeted rate of interest of 1.15%.

33. The Council operates a number of instant access call accounts and money market funds to deposit short-term cash surpluses. During 2011/12 the average balance held on instant access was £57.0m.

34. At 31 March 2012, the Council's investment portfolio of £274.85m comprised £174.53m of fixed term deposits, £75.99m at short term notice in money market funds and call accounts, £12.05 in short dated bond funds and £12.28m managed by external fund managers. Annex 4 shows the analysis of the investment portfolio at 31 March 2012.

35. The council's Treasury Management Strategy Team regularly monitors the risk profile of the Council's investment portfolio. An analysis of the credit and maturity position of the portfolio at 31/3/2012 is shown in Annex 4.

External Fund Managers

36. During the year, the Council continued to use the services of two external fund managers: Investec Asset Management Limited and Scottish Widows Investment Partnership Limited (SWIP). External funds are used by the Council to help manage investment risks by diversification of the portfolio in terms of access to a range of different counterparties and through the use of different financial instruments such as corporate bonds.

37. The performances of the external funds are reported to and monitored by the Treasury Management Strategy Team on a monthly basis. A review of the SWIP holdings found that the majority of the funds were placed in the SWIP short dated bond fund. As the Council is able to invest directly in this fund, the decision was made to end the segregated mandate with SWIP and to invest £12.0m of the balance directly in the Short dated bond fund. This transaction was completed on 30 March 2012 and has allowed the Council to save the minimum annual management fee of £20,000 for 2012/13 while maintaining the same portfolio diversification and return.

38. SWIP's annualised return for the year (1 April 2011 to 30 March 2012) was 1.32%, compared with a benchmark of 0.48%.

39. The Investec mandate was changed in December 2010 to a non-discretionary mandate where proportions of the portfolio are invested in three different types of investment fund as set out in the table below:

Fund Name	**Weighting**	**Investment Objectives**
Liquidity Fund	5%	To achieve a superior return to that of cash deposits while maintaining capital and preserving liquidity.
Short Dated Bond Fund	65%	To provide capital stability and income through investment in short term fixed income and variable rate securities listed or traded in one or more Recognised Exchanges.
Target Return Fund	30%	To produce a positive return over the longer term regardless of market conditions by investing primarily in interest bearing assets and related derivatives.

40. The month on month performance of the Target Return Fund has been volatile during 2011/12. Investec's overall return for the year (net of management charges) was 0.83%, compared with a benchmark of 1.71%. This reflects the nature of the fund and the need to view the performance over the longer term.

41. Officers are continuing to monitor the performance of the fund on a monthly basis and have regular meetings with the fund manager.

Prudential Indicators for Treasury Management

42. During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Report. The outturn for the Prudential Indicators is shown in Annex 6.

External Performance Indicators and Statistics

43. The County Council is a member of the CIPFA Treasury and Debt Management Benchmarking Club and completed returns for the financial year 2011/12. The results of this exercise are not yet available.

44. Arlingclose has also benchmarked Oxfordshire County Council's investment performance against its other clients. Since 31 March 2011 the Council has maintained the yield on its deposits whilst simultaneously maintaining low credit risk. When compared against other County Councils, Oxfordshire County Council's deposit portfolio sits on the average line for interest rate and the lowest quartile for credit risk. The investment performance benchmarking is shown on Annex 6.

Financial and Legal Implications

45. The combined activities of debt and investment management contribute to the strategic measures element of the Council's budget. In the Medium Term Financial Plan, the budget for Interest Payable in 2011/12 was £18.808m compared with the outturn of £19.280m giving a net overspend of £0.472m.

46. The 2011/12 budget for interest receivable was £2.507m, compared with the outturn of £3.109m giving a net overachievement of £0.602m. In addition the 2011/12 accounts recognise an increase in the value of available for sale assets[2] of £0.102m. The increase in interest received is due to higher average cash balances due in part to slippage on the capital programme and receipt of government grants earlier in the year**.** This mitigated the impact of lower than forecast average interest rate**.**

47. The budget for Interest Payable in 2012/13 is £18.756m. The expected return for Interest Receivable in 2012/13 is £2.234m (in house) and £0.215m (external). These positions will be reviewed during the year.

[2] Available for sale assets comprise the Investec fund and short dated bond funds.

RECOMMENDATION

48. **The Cabinet is RECOMMENDED to note the report, and to RECOMMEND Council to note the Council's Treasury Management Activity in 2011/12.**

SUE SCANE
Assistant Chief Executive and Chief Finance Officer

Contact officer: Hannah Doney
Telephone Number: 01865 323988
June 2012

Annex 1

OXFORDSHIRE COUNTY COUNCIL DEBT FINANCING 2011/12

Debt Profile		£m
1. PWLB	88%	384.41
2. Money Market LOBO loans	11%	50.00
3. Sub-total External Debt		434.41
4. Internal Balances	1 %	3.21
5. Actual Debt at 31 March 2011	**100%**	**437.62**
6. Government Supported Borrowing		0.00
7. Unsupported Borrowing		1.35
8. Borrowing in Advance		0.00
9. Minimum Revenue Provision		-18.52
10. Actual Debt at 31 March 2012		**420.45**

Maturing Debt

11. PWLB loans maturing during the year	13.69
12. PWLB loans repaid prematurely in the course of debt restructuring	0.00
13. Total Maturing Debt	**13.69**

New External Borrowing

14. PWLB Normal	0.00
15. PWLB loans raised in the course of debt restructuring	0.00
16. Money Market LOBO loans	0.00
17. Total New External Borrowing	**0.00**

Debt Profile Year End

18. PWLB	88%	370.72
19. Money Market LOBO loans	12%	50.00
20. Sub-total External Debt		420.72
21. Internal Balances	- 0 %	-0.27
22. Actual Debt at 31 March 2012	**100%**	**420.45**

Line

1 – 5 This is a breakdown of the Council's debt at the beginning of the financial year (1 April 2011). The PWLB is a government agency operating within the Debt Management Office. LOBO (Lender's Option/ Borrower's Option) loans are long-term loans, with a maturity of up to 60 years, which includes a re-pricing option for the bank at predetermined time intervals. Internal balances include provisions, reserves, revenue balances, capital receipts unapplied, and excess of creditors over debtors.

6 'Government Supported Borrowing' is the amount that the Council can borrow in any one year to finance the capital programme. This is determined by Central Government, and in theory supported through the Revenue Support Grant (RSG) system.

7 'Unsupported Borrowing' reflects Prudential Borrowing taken by the authority whereby the associated borrowing costs are met by savings in the revenue budget.

8 'Borrowing in Advance' is the amount the Council borrowed in advance during 2011/12 to fund future capital finance costs.

9 The amount of debt to be repaid from revenue. The sum to be repaid annually is laid down in the Local Government and Housing Act 1989, which stipulates that the repayments must equate to at least 4% of the debt outstanding at 1 April each year.

10 The Council's total debt by the end of the financial year at 31 March 2012, after taking into account new borrowing, debt repayment and movement in funding by internal balances.

11 The Council's normal maturing PWLB debt.

12 PWLB debt repaid early during the year.

13 Total debt repaid during the year.

14 The normal PWLB borrowing undertaken by the Council during 2011/12

15 New PWLB loans to replace debt repaid early.

16 The Money Market borrowing undertaken by the Council during 2011/12.

17 The total external borrowing undertaken.

18-22 The Council's debt profile at the end of the year.

Annex 2

Long-term debt Maturing 2011/12

Public Works Loan Board: Loans Maturing in 2011/12

Date	Amount £m	Rate %	Repayment Type
01/04/2011	5.000	9.500	Maturity
22/05/2011	3.000	9.000	Maturity
13/07/2011	0.500	2.350	EIP
31/07/2011	0.500	2.350	EIP
31/08/2011	0.342	1.120	Annuity
16/09/2011	1.000	9.500	Maturity
01/12/2011	2.000	7.500	Maturity
13/01/2012	0.500	2.350	EIP
31/01/2012	0.500	2.350	EIP
28/02/2012	0.344	1.120	Annuity
Total	**13.686**		

Repayment Types

Maturity – Full amount of principal is repaid at the final maturity date
EIP – Equal Instalments of Principal are repaid every 6 months until the final maturity date
Annuity – A reducing balance of principal is repaid every 6 months until the final maturity date

Annex 3

Lending List Changes during 2011/12

Counterparties added during 2011/12

Legal and General Sterling Liquidity Fund

SWIP Global Liquidity Fund

Counterparties removed during 2011/12

Bank of New York Mellon

Bank of Scotland

Clydesdale Bank

Crown Agents Bank

BNP Paribas

Credit Industriel et Commercial (CIC)

DnB NOR Bank

Nordea Bank Finland

Rabobank Group

Santander UK Plc

Svenska Handelsbanken

Counterparties suspended and reinstated during 2011/12

Lloyds TSB

Nationwide Building Society

Prime Rate Sterling Fund

Royal Bank of Scotland

Santander UK Plc

Lending limits & Maturity limits decreased from 1 April 2011

	Lending Limit as at 31 March 2012	Maximum Maturity as at 31 March 2012
Santander UK plc	£5,000,000	O/N
Royal Bank of Scotland	£10,000,000	3 months
Lloyds TSB Bank plc	£10,000,000	3 months
Bank of Montreal	£25,000,000	6 months
Bank of Nova Scotia	£25,000,000	6 months
Barclays Bank	£15,000,000	3 months
Canadian Imperial Bank of Commerce	£25,000,000	6 months
Commonwealth Bank of Australia	£25,000,000	6 months
HSBC Bank	£25,000,000	6 months
JP Morgan Chase Bank	£25,000,000	3 months
National Australia Bank	£25,000,000	6 months
National Bank of Canada	£10,000,000	6 months
Nationwide Building Society	£15,000,000	3 months
Royal Bank of Canada	£25,000,000	6 months
Prime Rate Sterling Fund	£9,000,000	6 months
Standard Chartered Bank	£25,000,000	3 months
Toronto-Dominion Bank	£25,000,000	6 months

Annex 4

OXFORDSHIRE COUNTY COUNCIL INVESTMENT PORTFOLIO 31/03/2012

Fixed term deposits held at 31/03/2012

Counterparty	Principal Deposited (£)	Maturity Date
Landsbanki Islands HF	1,410,738	29-Mar-13
Landsbanki Islands HF	2,117,965	29-Mar-13
Newcastle City Council	5,000,000	5-Jul-12
Newcastle City Council	5,000,000	2-Jul-12
Shepway District Council	2,000,000	29-Jun-12
Shepway District Council	2,000,000	28-Jun-13
Doncaster Metropolitan Borough Council	3,000,000	2-Apr-12
HSBC Bank plc	10,000,000	27-May-14
Newcastle City Council	5,000,000	31-Dec-12
Barclays Bank Plc (Direct)	4,000,000	15-May-12
Commonwealth Bank of Australia	5,000,000	15-Jun-12
Northumberland County Council	5,000,000	28-Mar-13
Northumberland County Council	5,000,000	16-Sep-13
Cambridgeshire County Council	5,000,000	28-Sep-12
Cambridgeshire County Council	5,000,000	29-Jun-12
Rabobank Group (Direct)	5,000,000	5-Apr-12
National Australia Bank (Direct)	5,000,000	27-Apr-12
Kingston Upon Hull City Council	6,000,000	15-May-14
Kingston Upon Hull City Council	1,000,000	31-Oct-13
Bank of Nova Scotia	10,000,000	17-May-12
Fife Council	9,000,000	20-Dec-13
Fife Council	5,000,000	28-Jun-13
Fife Council	5,000,000	15-Aug-14
Corby Borough Council	7,000,000	17-Dec-12
Fife Council	4,000,000	31-Oct-13
Glasgow City Council	3,000,000	15-Jan-13
Bassetlaw District Council	3,000,000	11-Jan-13
Doncaster Metropolitan Borough Council	5,000,000	25-Apr-14
Lloyds TSB Bank plc	1,000,000	2-May-12
Cheshire West and Chester Council	5,000,000	20-Feb-13
Lloyds TSB Bank plc	2,000,000	1-Jun-12
Mid Suffolk District Council	5,000,000	5-Mar-13
Commonwealth Bank of Australia	5,000,000	7-Jun-12
The Mayor's Office for Policing and Crime	10,000,000	13-Mar-15
Kettering Borough Council	4,000,000	15-Mar-13
Total	**154,528,703**	

Structured deposits held at 31/3/2012

Counterparty	Principal Deposited (£)	Maturity Date

Barclays Bank PLC (Through Broker)		5,000,000	20Jul-12
HSBC Bank plc		5,000,000	28-Mar-13
HSBC Bank plc		10,000,000	27-May-14
	Total	**20,000,000**	

Short-term notice call accounts and Money Market Funds

Counterparty period		Balance at 31/03/12 (£)	Notice
Royal Bank of Scotland Call Account		5,003,909	Same day
Santander UK Call Account		5,002,521	Same day
Goldman Sachs MMF		129	Same day
Deutsche Global Liquidity Fund		6,980,900	Same day
Prime Rate Sterling Liquidity Fund		9,006,185	Same day
Ignis		25,000,000	Same day
Legal and General Sterling Liquidity Fund		25,000,000	Same day
	Total	**75,993,644**	

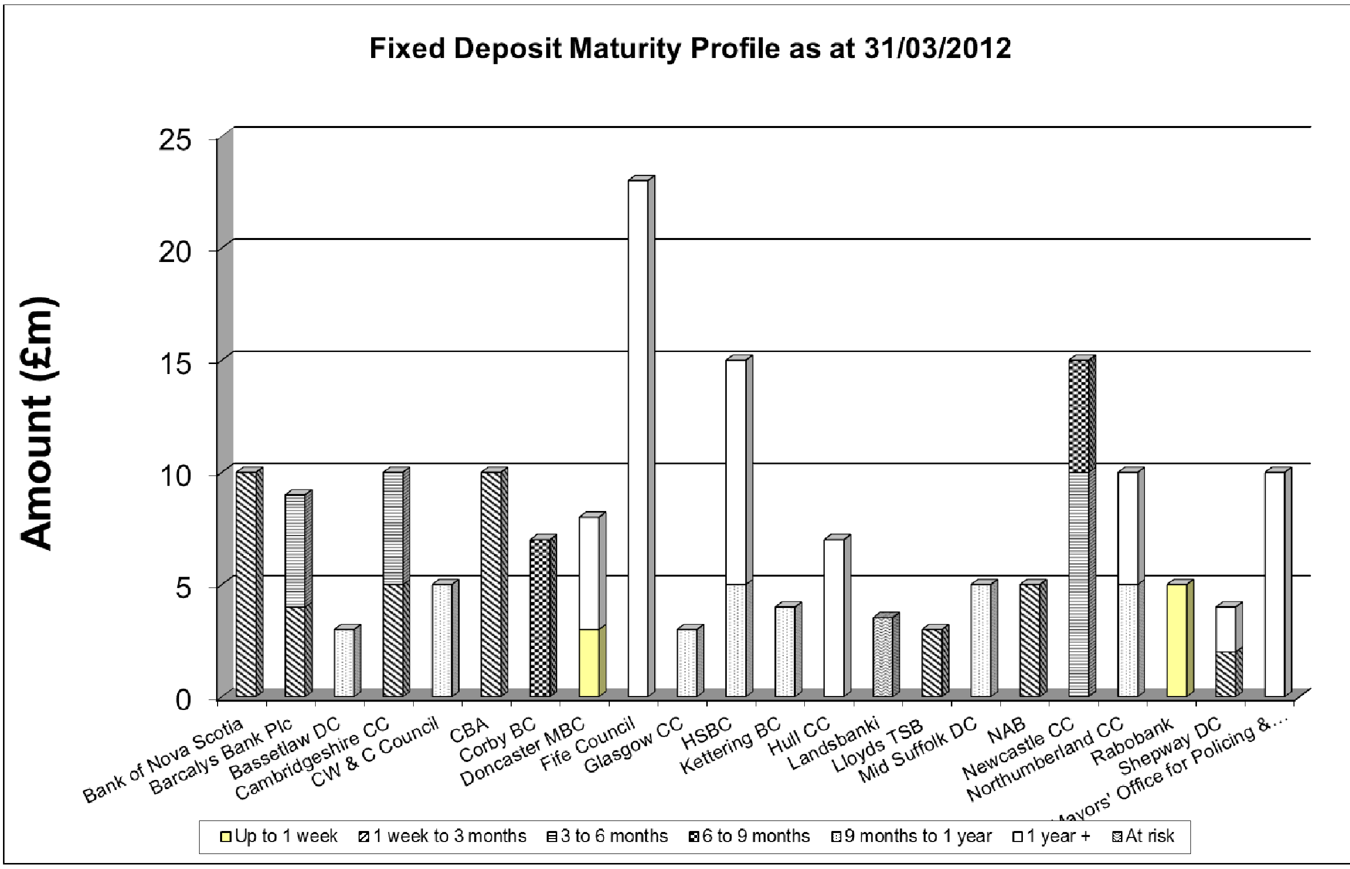
Short Dated Bond Funds

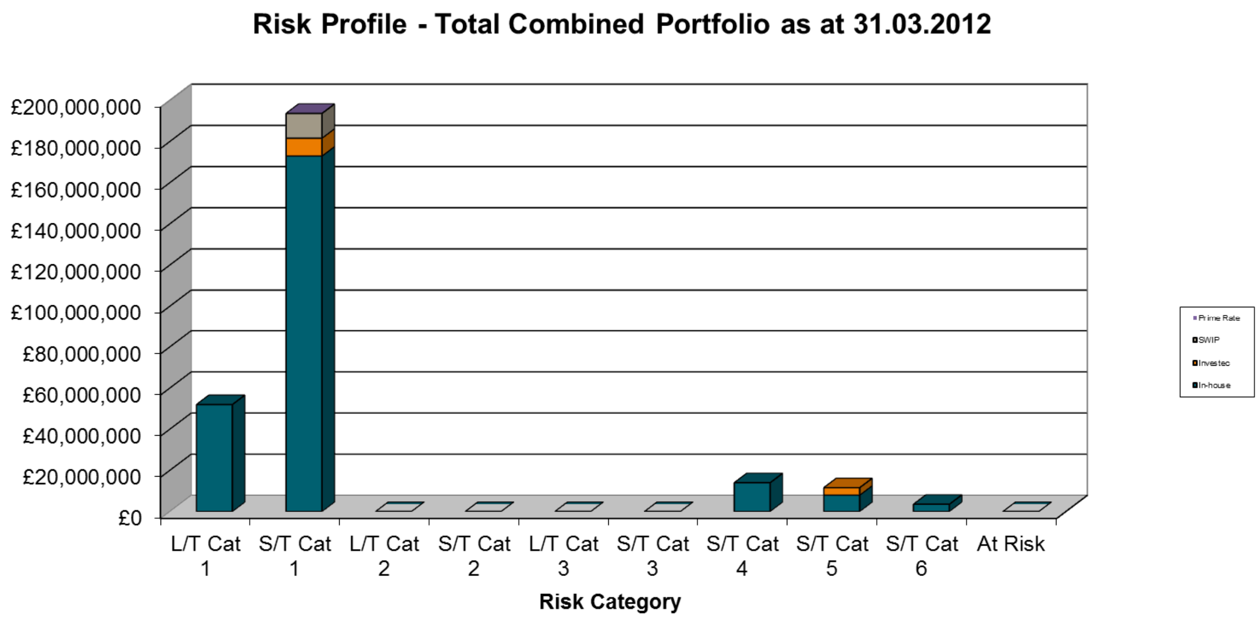
Counterparty period	Balance at 31/03/12 (£)	Notice
SWIP	12,000,513	2 days
Prime Rate Cash Plus Fund	50,295	2 days
Total	**12,050,808**	

Externally Managed Funds

Fund Manager	Value of Fund at 31/03/12 (£)
Investec	12,278,350
Total	**12,278,350**

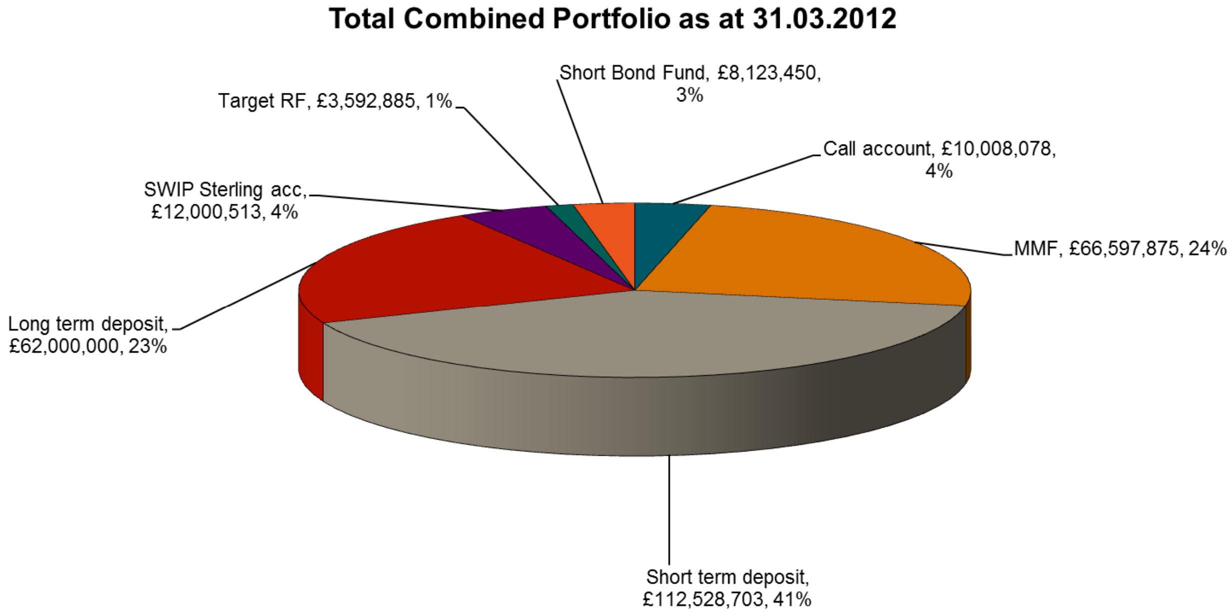
Risk profile of investment portfolio at 31/3/12





Risk Category	L/T rating	S/T rating	Individual rating	Viability rating
1	AA+, AA	F1+	1, 2	aaa, aa
2	AA-	F1+	1, 2	aa, a
3	AA-	F1+	1	bbb

4	AA-	F1+	1	bbb
5	A+, A	F1	1, 2, 3	a, bbb,bb
6	A	F1	2, 3, lower	b or lower



Annex 5

Prudential Indicators Outturn 31 March 2012

Authorised and Operational Limit for External Debt
Authorised Limit for External Debt
£486,000,000
Operational Limit for External Debt
£476,000,000
Actual External Debt at 31 March 2012
£420,728,448

Fixed Interest Rate Exposure

Fixed Interest Net Borrowing limit	150.00%
Actual at 31 March 2012	139.04%

Variable Interest Rate Exposure

Variable Interest Net Borrowing limit	25.00%
Actual at 31 March 2012	- 39.04%

Sums Invested over 365 days
Total sums invested for more than 364 days maximum limit
£100,000,000

Actual sums invested for more than 364 days at 31 March 2012 £ 67,000,000

Maturity Structure of Borrowing at 31/03/12

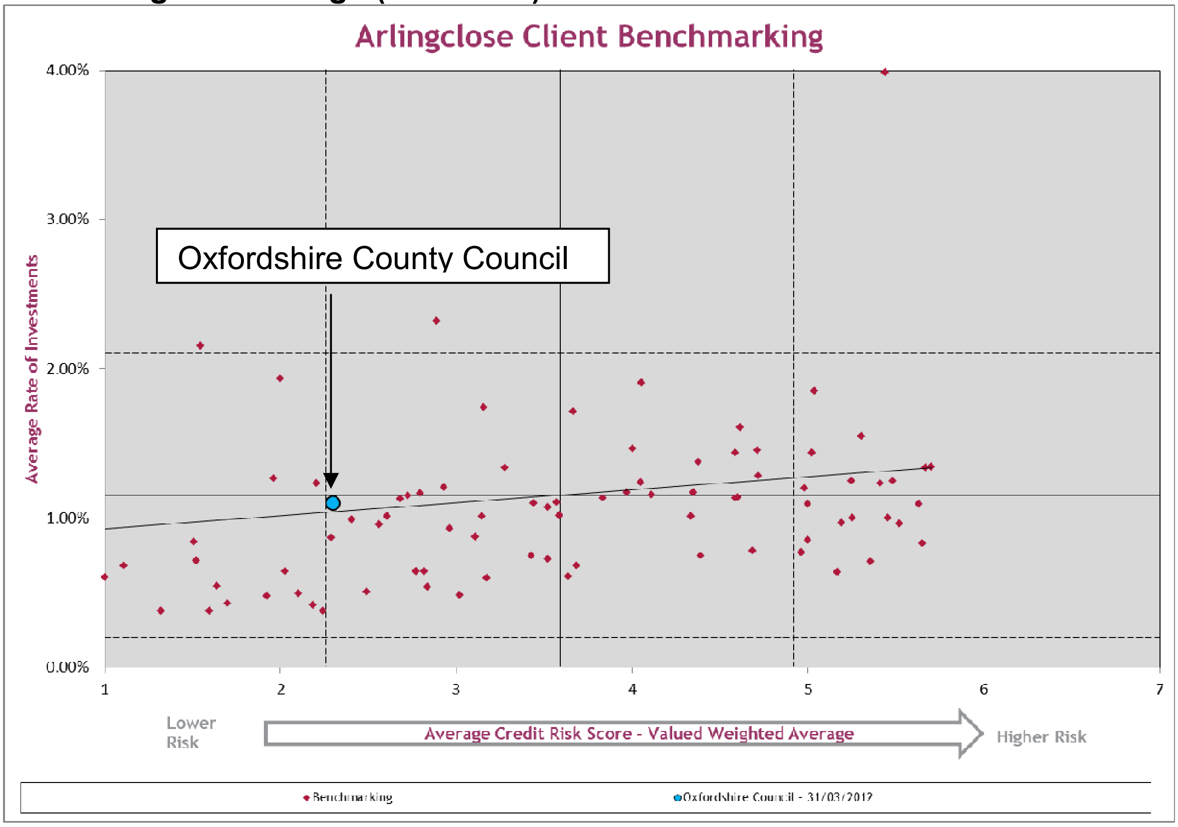
	Limit %	**Actual %**
From 01/04/11		
Under 12 months	0 - 20	0
12 – 24 months	0 - 25	7.93
24 months – 5 years	0 - 35	9.27
5 years – 10 years	5 - 40	14.97
10 years +	50 - 95	67.83

The Prudential indictors for Maturity structure are set with reference to the start of the financial year. The actual % shown above relates to the maturity period remaining at 01/04/11 on loans still outstanding at 31/03/12.

Actual Maturity Structure of Borrowing at 01/04/12

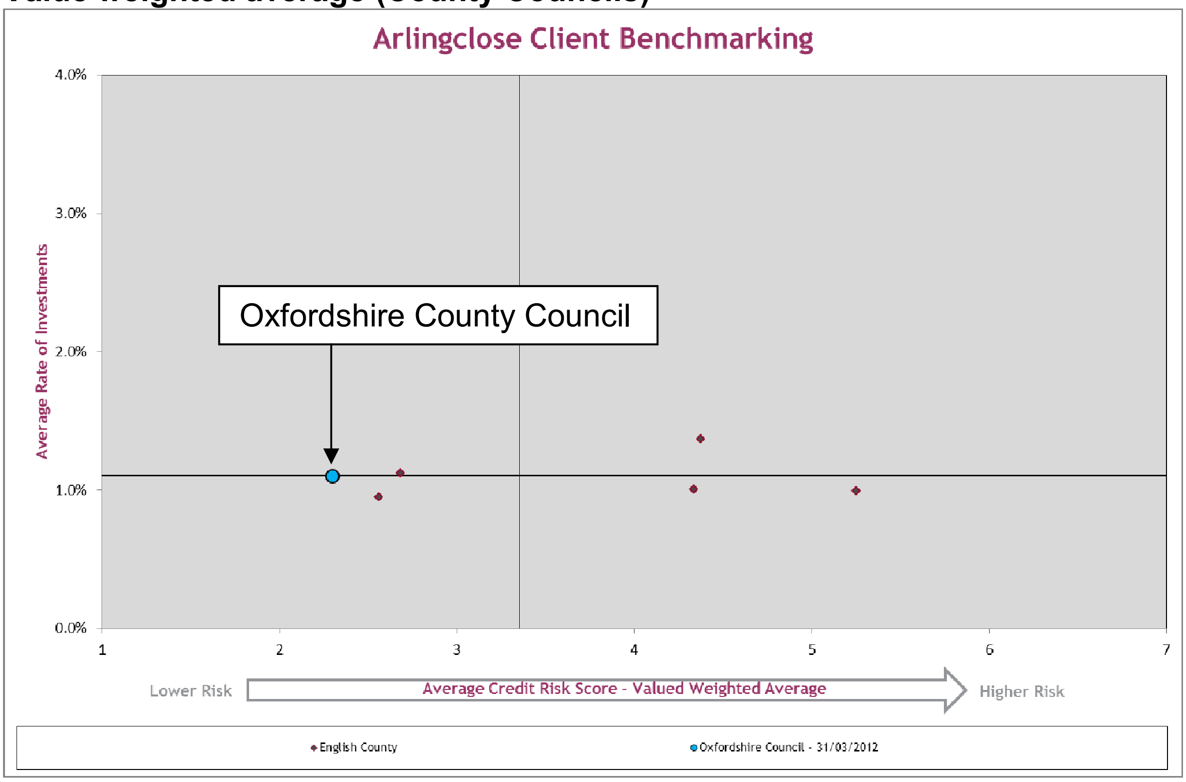
	Limit %	**Actual %**
From 01/04/12		
Under 12 months	0 - 20	6.74
12 – 24 months	0 - 25	3.80
24 months – 5 years	0 - 35	8.56
5 years to 10 years	5 – 40	18.30
10 years +	50 – 95	62.60

Value weighted average (all clients)



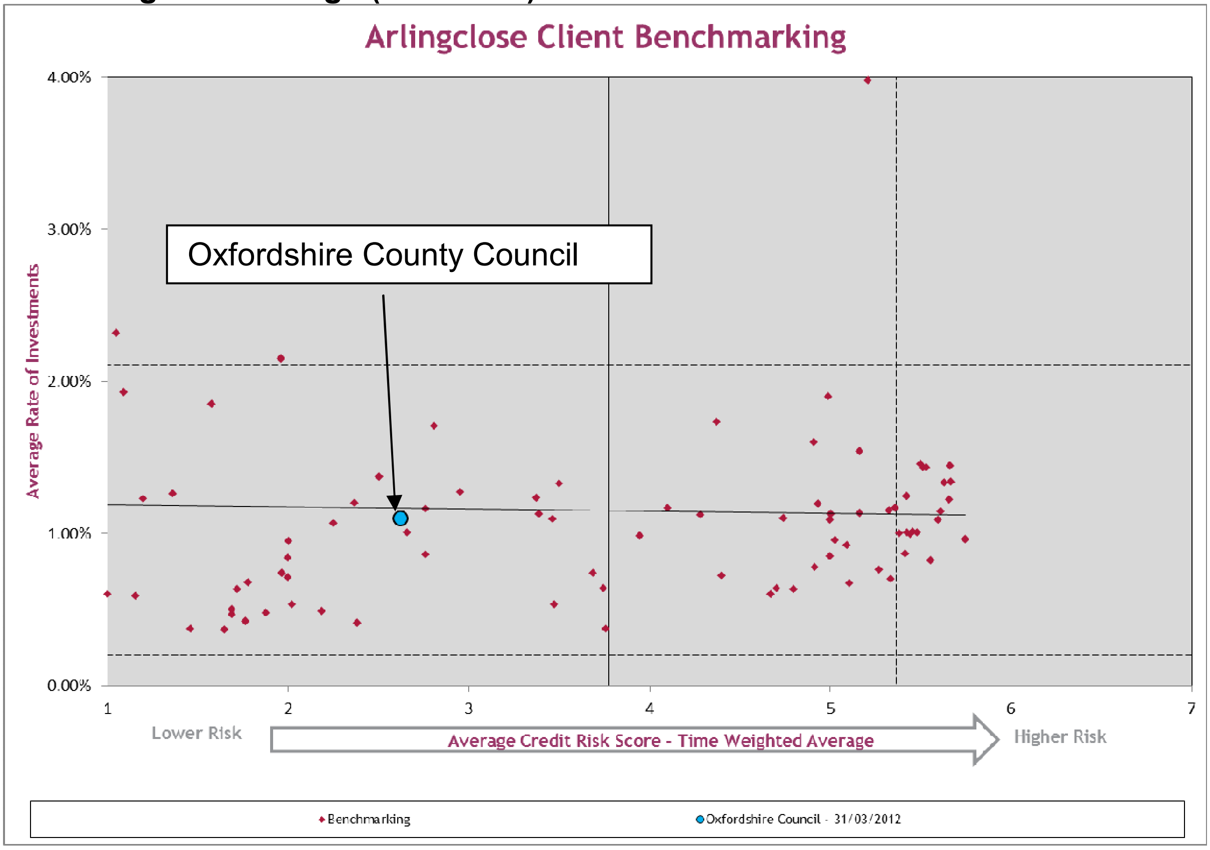
The above graph shows that Oxfordshire County Council achieved the average interest rate for the credit weighting of all clients of Arlingclose as at 31/03/2012.

Value weighted average (County Councils)



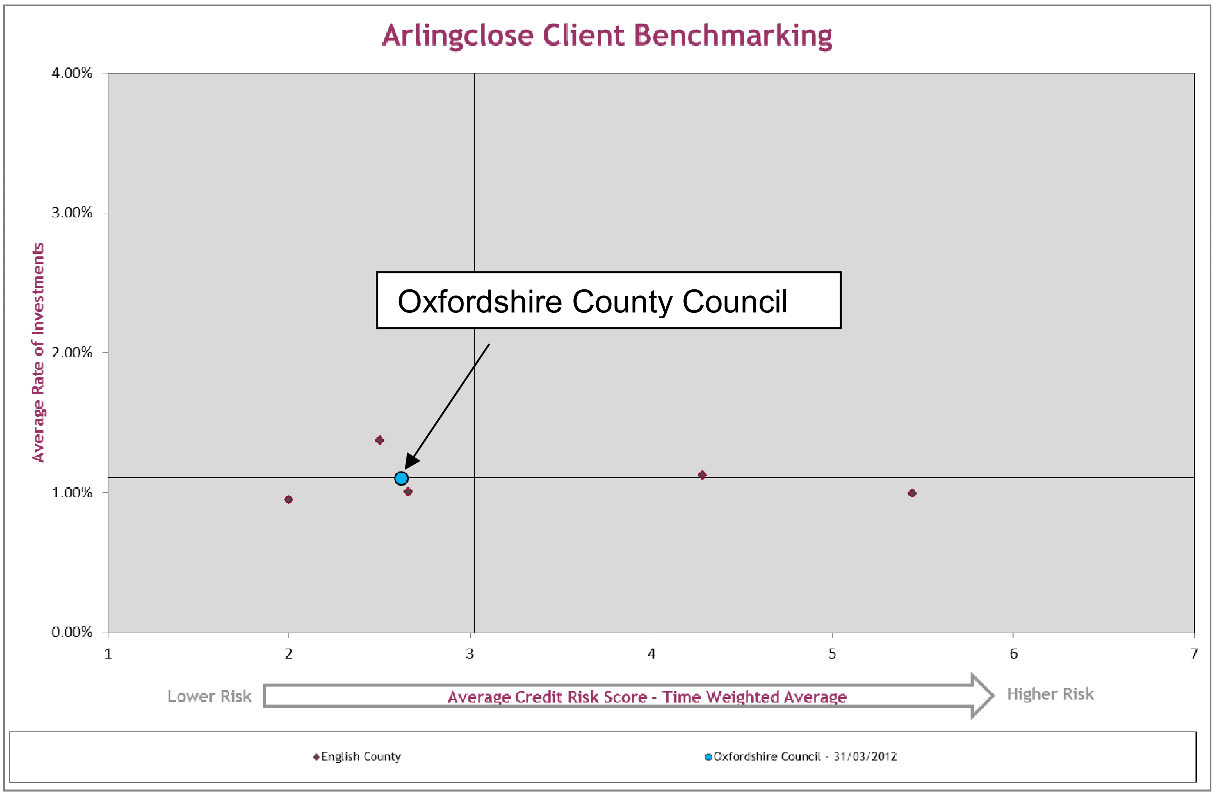
The above graph shows that Oxfordshire County Council achieved a similar interest rate for less credit risk compared to 5 other County Councils as at 31/03/2012.

Time weighted Average (all clients)



The above graph shows that Oxfordshire County Council achieved a near average interest rate on deposits whilst maintaining a relatively low credit risk at 31/03/2012.

Time weighted Average Credit Risk (County Councils)



The above graph shows that Oxfordshire County Council achieved a similar interest rate to the other County Councils in the sample, whilst it maintained a significantly lower time weighted credit risk as at 31/03/2012.

Division(s): N/A

AUDIT COMMITTEE - 4 JULY 2012

STATEMENT OF ACCOUNTS 2011/12

Report by the Assistant Chief Executive and Chief Finance Officer

1. The Accounts and Audit Regulations 2011 require the Assistant Chief Executive and Chief Finance Officer to sign the Statement of Accounts no later than 30 June, and certify that they give a true and fair view of the County Council's position. This report presents the accounts certified by the Chief Finance Officer to the Audit Committee for information, before the start of the public inspection period and the commencement of the audit. The Audit Committee will be asked to consider and approve the accounts at its meeting on 19 September, when the findings of the audit are available.

2. The 2011/12 Statement of Accounts is attached at Annex 1. An overview of the financial position of the Council at 31 March 2012 is contained in the explanatory foreword.

Changes to the Statement of Accounts

3. The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 ("the Code") and the 2011/12 Code Update. Following the significant changes made to accounting policies and presentation of the accounts last year with the implementation of International Financial Reporting Standards, there are only limited changes to the Code this year.

4. There is a change in accounting policy with the Code's adoption of Financial Reporting Standard (FRS) 30 *Heritage Assets.* This requires heritage assets to be recognised as a separate class of assets on the Balance Sheet where the County Council has information on the cost or value of heritage assets. The majority of the County Council's heritage assets have been donated or acquired by excavation and therefore information on cost is not available. The cost of obtaining valuations is considered to be disproportionate in comparison to the benefits to the users of the accounts and therefore the heritage assets have not been recognised on the Balance Sheet. Details of the nature and scale of heritage assets held by the County Council are disclosed in the notes to the accounts.

5. There is a new disclosure note on exit packages agreed in the year and minor changes to the financial instrument disclosures.

Local Government Pension Fund Accounts

6. The 2010/11 figures have been restated to reflect changes in accounting policy in relation to employer contributions and cash. An explanation of the change is set out in note 3 to the Pension Fund accounts and a summary of the changes to the fund account and net assets statement is given in note 30.

7. In line with recent guidance, additional disclosure notes have been included in the Pension Fund accounts this year.

Summary Accounts

8. The Summary Accounts (Annex 2) provide a much simplified presentation of the financial position of the County Council. These will be made available to members of the public on the County Council's website alongside the Statement of Accounts.

9. Any questions of detail that members of the Committee may have regarding the accounts can be raised with Stephanie Skivington, Corporate Finance Manager (Tel. 01865 323995).

RECOMMENDATION

10. The Committee is RECOMMENDED to:

a) note the Statement of Accounts for 2011/12 to be submitted to the auditor; and

b) note the Summary Accounts 2011/12.

SUE SCANE
Assistant Chief Executive and Chief Finance Officer

Background Papers: Nil

Contact Officer: Stephanie Skivington, Corporate Finance Manager
Tel: (01865) 323995

June 2012

OXFORDSHIRE COUNTY COUNCIL

STATEMENT OF ACCOUNTS

2011/12

CONTENTS

FOREWORD BY THE ASSISTANT CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER

Introduction
These accounts set out the financial results of Oxfordshire County Council's activities for the twelve months up to 31 March 2012. They have been compiled in accordance with the statutory requirements of the Accounts and Audit Regulations 2011 and in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 ("the Code") (in conjunction with the 2011/12 Code Update published in February 2012). To meet statutory requirements, the Assistant Chief Executive and Chief Finance Officer is required to sign the accounts no later than 30 June 2012 and certify that they give a true and fair view of the County Council's position. This was achieved on 26 June 2012 when the Assistant Chief Executive and Chief Finance Officer authorised the accounts for issue. The County Council is required to consider and approve the accounts no later than 30 September 2012. The Audit Committee is scheduled to meet on 19 September 2012 to fulfil this requirement.

The purpose of this foreword is to provide the reader with:

- an explanation of the statements which follow;
- an indication of the County Council's financial position;
- an overview of the major influences affecting the County Council's income and expenditure and cash flow;
- an overview of the County Council's future plans for service delivery and how they will be funded.

A glossary of terms is provided on page 189 to assist the reader in interpreting the accounts.

The Statements
The principal statements and their purpose within the accounts are as follows:

- ***Statement of Responsibilities for the Statement of Accounts*** which outlines the respective responsibilities of the County Council and the Assistant Chief Executive and Chief Finance Officer for preparing the accounts;
- ***Movement in Reserves Statement*** which shows the movement in the year on the different reserves held by the County Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the County Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the County Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory County Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the County Council. For 2011/12 the net increase in the County Fund Balance before transfers to earmarked reserves was £31.931m. After transfers to earmarked reserves the closing balance for the County Fund was £13.893m.
- ***Comprehensive Income and Expenditure Statement*** which shows the accounting cost in the year of providing services in accordance with generally accepted accounting principles based on International Financial Reporting Standards, rather than the amount to be funded from taxation. The County Council raises taxation to cover expenditure in accordance with regulations; this is different from the accounting

cost which takes into account, for example, charges for the use of assets. The taxation position is shown in the Movement in Reserves Statement. The Deficit on the Provision of Services for 2011/12 was £61.343m.

- ***Balance Sheet*** which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the County Council. The net assets of the County Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the County Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Unapplied reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the County Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The net assets as at 31 March 2012 were £473.480m.
- ***Cash Flow Statement*** which shows the changes in cash and cash equivalents of the County Council during the reporting period. The statement shows how the County Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the County Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the County Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the County Council. The net increase in cash and cash equivalents for 2011/12 was £49.021m.
- ***Pension Fund Accounts*** which set out the accounts of the Oxfordshire Local Government Pension Scheme and the Firefighters' Pension Scheme, both of which the County Council administer.
- ***Annual Governance Statement*** which describes the arrangements by which the County Council conducts its business. This statement does not form part of the statements on which the auditor's opinion is given, but has been included as part of this document for completeness.

Following the significant changes made to accounting policies and presentation of the accounts last year with the implementation of International Financial Reporting Standards, there are only limited changes this year. There is a change in accounting policy with the Code's adoption of FRS 30 *Heritage Assets.* This requires heritage assets to be recognised as a separate class of assets on the Balance Sheet where the County Council has information on the cost or value of heritage assets. The majority of the County Council's heritage assets have been donated or acquired by excavation and therefore information on cost is not available. The cost of obtaining valuations is considered to be disproportionate in comparison to the benefits to the users of the accounts and therefore the heritage assets have not been recognised on the Balance Sheet. Note 28 provides details of the nature and scale of the heritage assets held by the County Council.

Revenue Expenditure
The County Council set a net revenue budget for 2011/12 of £408.616m. Savings of £54.568m were planned to be achieved in 2011/12 as part of the four year Business Strategy aiming to deliver £119m savings over the period 2010/11 – 2014/15. The County Council was able to freeze the level of Council Tax for 2011/12 with the benefit of central government funding equivalent to a 2.5% increase.

In terms of the County Council's actual expenditure, the Code requires the presentation set out in the Comprehensive Income and Expenditure Statement (page 10). However for internal purposes, expenditure is reported on a directorate basis.

The Revenue and Capital Outturn Report to Cabinet on 19 June 2012 set out the directorates' outturn position compared to budget, based on directorate net revenue expenditure of £418.962m. However, changes were required following the Secretary of State for Transport's decision on the Cogges Link Road Development. £4.550m costs relating to the scheme have been written off to revenue, offset by developer contributions and revenue previously applied to capital spend totalling £3.069m. This has increased directorate net revenue expenditure by £1.481m to £420.443m. The revised position is set out in the table below:

Directorate	**Original budget £'000**	**Latest budget £'000**	**Actual net expenditure £'000**	**Variation against latest budget £'000**
Children, Education & Families	112,817	111,564	107,829	-3,735
Social & Community Services	219,442	222,761	221,026	-1,735
Environment & Economy	75,561	84,329	83,387	-942
Chief Executive's Office	7,751	8,978	8,201	-777
Total for Directorates	**415,571**	**427,632**	**420,443**	**-7,189**
Strategic Measures:				
Contributions to / from (-) Reserves	1,872	-6,877	4,288	11,165
Contributions to Balances	1,619	-672	-428	244
Pension Past Service Deficit Funding	1,500	1,500	1,500	0
Capital Financing	38,400	38,400	39,023	623
Interest on Balances	-1,826	-3,657	-4,901	-1,244
Additional funding to be allocated		2,044	0	-2,044
Un-ringfenced Grants	-48,520	-49,754	-50,465	-711
Budget Requirement	**408,616**	**408,616**	**409,460**	**844**
General Government Grants	28,844	28,844	28,844	0
Business Rates	93,316	93,316	93,316	0
Council Tax	286,456	286,456	286,456	0
External Financing	**408,616**	**408,616**	**408,616**	**0**
Overall impact on County Fund				**844**

A breakdown of expenditure met from the County Fund and how it is financed is shown in the pie charts on page 7.

The directorates' variation against budget of -£7.189m is the position after achieving the savings built into the budget and reflects the early achievement of savings through a firm focus on cost minimisation.

The overspend of £0.844m shown in the previous table compares to a Deficit on the Provision of Services of £61.343m. The significant difference between the provisional outturn position and the deficit in the accounts relates to a number of items that are included within the Surplus or Deficit on the Provision of Services for accounting purposes but are not met from the County Fund under regulations. These items are set out in Note 4. The largest element of the deficit is from a loss on the disposal of assets of £123.833m, the majority of which relates to the transfer of school land and buildings to academy trusts for nil consideration. A reconciliation between the directorates' outturn position and the Surplus or Deficit on the Provision of Services is provided in Note 5 (page 36).

New responsibilities for Learning Disability Services transferred from Oxfordshire Primary Care Trust to the County Council on 1 April 2011, funded by a new grant from the Department of Health. The provision of a concessionary travel fare scheme in Oxfordshire transferred from the district councils to the County Council on 1 April 2011. The costs of these newly acquired services are shown separately in Note 6 (page 42).

Balances and reserves

The provisional outturn position for the County Fund balance is shown in the following table:

	Budget £'000	Actual £'000
County Fund balance 1 April 2011	**13,056**	**14,737**
Additions to / calls on (-) balances	-381	-844
County Fund balance 31 March 2012	**12,675**	**13,893**

County Council balances as at 31 March 2012 were £1.218m higher than planned. This is partly explained by the opening balance position being £1.681m higher than had been anticipated at the time the 2011/12 budget was set. The remaining difference (-£0.463m) primarily relates to writing-off the net costs of the Cogges Link Road Development, offset by higher interest on balances than had been anticipated and a reduction in the impairment of the deposits with the Icelandic bank Landsbanki (see Note 39, page 91).

Earmarked reserves have increased from £84.739m at the start of the year to £117.061m by the year end, an increase of £32.322m. This large increase reflects funds being set aside to support key projects and pressures in 2012/13 and future years. The increase includes £5.413m underspend on the Council's element of the Older People's Pooled Budget, which has been transferred to reserves in line with the Pooled Budget agreement, an increase in the Efficiency Reserve of £7.053m (where funds are being set aside in line with the Medium Term Financial Plan and as part of the implementation of the Council's Business Strategy), and an increase of £7.729m for school reserves. The latter reflects uncertainty over future funding levels (with the Guaranteed Unit of Funding for pupils expected to remain frozen over the medium term) and a reduction in the number of deficit balances.

Capital

Capital spend in 2011/12 was £75.724m including £7.365m of capitalised repair and maintenance, vehicles and equipment, and £0.324m of loans for works/equipment of a capital nature. Of the total capital spend £39.032m was spent on schools and other educational buildings, young people's centres and children's homes, £26.475m on highways and transport schemes and the balance, £10.217m, on a range of other projects. Details of capital spending are provided in Note 32 (page 84). The capital spend was funded mainly from grants and contributions (£62.671m), with the remainder being from revenue (£11.705m) and prudential borrowing (£1.348m) (Note 34, page 86).

Overall the balance for Property Plant and Equipment has reduced by £106.849m, largely as a result of the transfer of land and buildings to academy trusts as set out above.

Pension Liability
The County Council's net liability for retirement benefits is £661.446m, which reduces the County Council's net worth by 58%. The pensions liability has increased significantly compared to last year (by £224.664m). The majority of this increase (£218.037m) relates to changes to actuarial assumptions, such as the rate for discounting liabilities. Note 20 on retirement benefits (page 59) gives a better perspective on the County Council's pension commitments and the assets and liabilities of the schemes but these have no immediate effect on Council Tax levels.

Other Liabilities
The County Council has finance liabilities of £49.809m, comprising £25.000m for forward investments (deposits to be made in 2012/13 that were agreed during 2011/12), £24.330m for property built by Oxfordshire Care Partnership under a service concession arrangement and £0.479m for assets acquired by way of finance leases. The liability for OCP built homes includes £4.658m for a new property in 2011/12.

The County Council is the accountable body for the Growing Places Fund on behalf of the Oxfordshire Local Enterprise Partnership. £8.370m for the capital element of the grant is held within Capital Grants Receipts in Advance pending allocation to projects.

Plans for future service delivery
The agreed budget for 2012/13 and the Medium Term Financial Plan (MTFP) to 2016/17 reflect the County Council's strategic objectives of World Class Economy, Healthy and Thriving Communities, Enhancing the Environment and Efficient Public Services, along with the principles of low taxes, real choice and value for money.

The Business Strategy and Service & Resource Planning process for 2012/13 built upon the MTFP agreed in February 2011. The latter included savings of £119m for the four year period 2011/12 to 2014/15 in response to the large reductions in Government funding over that period. Changes relating to the timing or phasing of existing savings, and some newly identified pressures and corresponding savings were made to Business Strategies as part of the planning process. In the main, the Strategies are being delivered as planned with the majority of savings for 2012/13 to 2014/15 expected to be achieved.

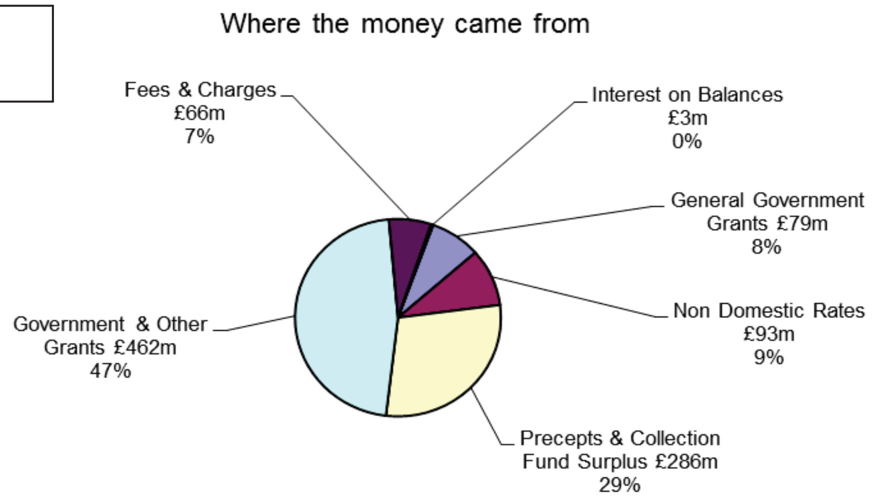
A Council Tax requirement of £284.525m for 2012/13 was approved by Council on 10 February 2012, along with the Medium Term Financial Plan recommended by Cabinet. This was based on a net revenue budget of £403.856m, financed by Revenue Support Grant and Business Rates totalling £115.312m and Council Tax surpluses of £4.019m. For the second year running Council Tax was frozen at 2010/11 levels following receipt of one-off Government funding. 2012/13 is the third year of the County Council's Business Strategy and further savings of £37.183m are planned to be achieved. The capital programme also approved by Council on 10 February included planned expenditure of £55.632m for 2012/13. The majority of this expenditure relates to school buildings and highways improvements. This capital expenditure will be funded by grants and contributions (£52.625m), prudential borrowing (£2.339m) and revenue (£0.668m). As at 31 March 2012 the County Council was contractually committed to £13.572m worth of capital scheme expenditure.

The County Council's wider use of borrowing powers is defined in the approved Treasury Management Strategy Statement and Annual Investment Strategy. This currently sets an authorised limit for borrowing (an upper limit) of £516m for 2012/13, and an operational limit (the target limit for day to day activity) of £506m. The authorised limit is derived from the anticipated borrowing to support capital investment, long-term financial liabilities and day to day cash flow. Borrowing to support the capital programme is currently £426.7m although it will be noted from the balance sheet that this is part-funding assets valued in excess of £1.4bn.

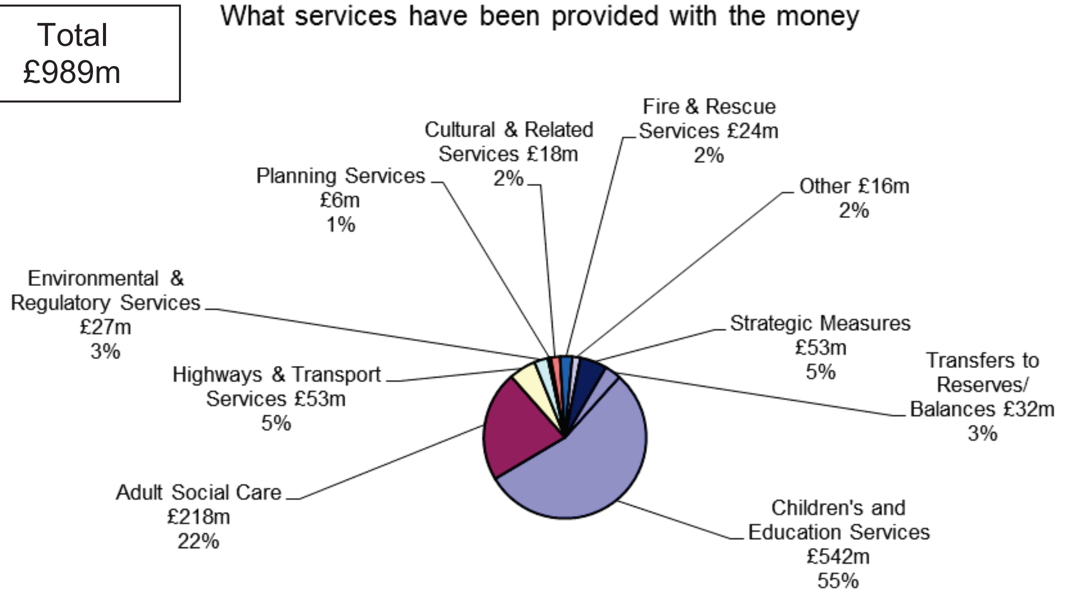
Summary accounts
Whilst the detail of the Statement of Accounts is prescribed by legislation and is therefore long and complex, a summary version (available on the County Council's website) aims to simplify the presentation.

Conclusion
The County Council is in a strong financial position as at 31 March 2012 with the achievement of substantial savings planned for 2011/12 and some elements of the savings programme for future years being delivered ahead of schedule. Some funding from 2011/12 has been carried forward to help the continued delivery of the Business Strategy and to manage key projects and pressures in 2012/13 and beyond. The Council remains well positioned to deliver its services within the reduced funding available in the medium term.

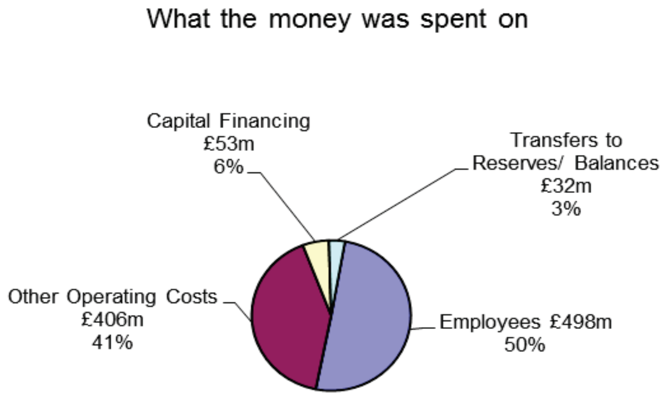
Total £989m



Total £989m



Total £989m



STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The County Council's Responsibilities

The County Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For Oxfordshire County Council, that officer is the Assistant Chief Executive and Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Audit Committee has examined these accounts and authorised the Chairman to approve the statement of accounts on its behalf.

Signed: ……………………………………… Date …………………
Chairman of the Audit Committee

The Responsibilities of the Assistant Chief Executive and Chief Finance Officer

The Assistant Chief Executive and Chief Finance Officer is responsible for the preparation of the County Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 ('the Code of Practice').

In preparing this Statement of Accounts, the Assistant Chief Executive and Chief Finance Officer has:

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

The Assistant Chief Executive and Chief Finance Officer has also:

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

Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the County Council and its income and expenditure for the year ended 31 March 2012.

Signed: ……………………………………… Date …………………

SUE SCANE
Assistant Chief Executive and Chief Finance Officer

MOVEMENT IN RESERVES STATEMENT

A description of the purpose of this Statement is included in the Foreword.

	Notes	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbns Unapplied £'000	**Total Usable Reserves £'000**	**Total Unusable Reserves £'000**	**Total Reserves £'000**
Balance at 31 March 2010		**12,929**	**67,674**	**1,709**	**25,993**	**108,305**	**306,428**	**414,733**
Movement in reserves during 2010/11								
Surplus (+) or Deficit (-) on Provision of Services		89,715				89,715		89,715
Other Comprehensive Income and Expenditure			171			171	243,170	243,341
Total Comprehensive Income and Expenditure		**89,715**	**171**	**0**	**0**	**89,886**	**243,170**	**333,056**
Adjustments between accounting basis & funding basis under regulations	4	-71,013		5,957	2,645	-62,411	62,411	0
Net increase/decrease before transfers to Earmarked Reserves		**18,702**	**171**	**5,957**	**2,645**	**27,475**	**305,581**	**333,056**
Transfers to/from Earmarked Reserves	53	-16,894	16,894			0		0
Increase (+)/Decrease (-) in Year		**1,808**	**17,065**	**5,957**	**2,645**	**27,475**	**305,581**	**333,056**
Balance at 31 March 2011		**14,737**	**84,739**	**7,666**	**28,638**	**135,780**	**612,009**	**747,789**
Movement in reserves during 2011/12								
Surplus (+) or Deficit (-) on Provision of Services		-61,343				-61,343		-61,343
Other Comprehensive Income and Expenditure			-453			-453	-212,513	-212,966
Total Comprehensive Income and Expenditure		**-61,343**	**-453**	**0**	**0**	**-61,796**	**-212,513**	**-274,309**
Adjustments between accounting basis & funding basis under regulations	4	93,274		1,754	11,192	106,220	-106,220	0
Net increase/decrease before transfers to Earmarked Reserves		**31,931**	**-453**	**1,754**	**11,192**	**44,424**	**-318,733**	**-274,309**
Transfers to/from Earmarked Reserves	53	-32,775	32,775			0		0
Increase (+)/Decrease (-) in Year		**-844**	**32,322**	**1,754**	**11,192**	**44,424**	**-318,733**	**-274,309**
Balance at 31 March 2012		**13,893**	**117,061**	**9,420**	**39,830**	**180,204**	**293,276**	**473,480**

Schools' balances are held within Earmarked Reserves (see Note 53).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

A description of the purpose of this Statement is included in the Foreword.

2010/11				Notes	2011/12		
Gross Expenditure £'000	Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Income £'000	Net Expenditure £'000
655,260	-495,747	159,513	Children's and Education Services	7,8	575,246	-456,441	118,805
215,030	-39,347	175,683	Adult Social Care	9	229,483	-47,373	182,110
57,834	-12,184	45,650	Highways and Transport Services		65,071	-10,518	54,553
27,193	-571	26,622	Fire and Rescue Services		27,074	-908	26,166
28,667	-3,001	25,666	Environmental and Regulatory Services		27,286	-1,837	25,449
20,191	-1,940	18,251	Cultural and Related Services		19,114	-1,993	17,121
5,549	-697	4,852	Planning Services		5,460	-1,119	4,341
3,454	-1,597	1,857	Central Services to the Public		4,019	-1,632	2,387
8,603	-90	8,513	Other Corporate Services	11,12	5,422	-431	4,991
-119,554	0	-119,554	Retirement benefits past service gain	20	0	0	0
902,227	**-555,174**	**347,053**	**Cost of Services**	5,6,22	**958,175**	**-522,252**	**435,923**
20,745	-5,848	14,897	Other Operating Expenditure	16	125,262	-1,429	123,833
56,177	-9,339	46,838	Financing and Investment Income and Expenditure	17,18,19	41,838	-10,064	31,774
0	-498,503	-498,503	Taxation and Non-Specific Grant Income	21,22	0	-530,187	-530,187
979,149	**-1,068,864**	**-89,715**	**Surplus (-) or Deficit (+) on Provision of Services**	5	**1,125,275**	**-1,063,932**	**61,343**
		-27,080	Surplus or deficit on revaluation of non-current assets	57			-12,135
		12,945	Impairment losses on non-current assets charged to the revaluation reserve	57			6,713
		-233,164	Actuarial gains (-) or losses (+) on pension assets and liabilities	20			218,037
		4,129	Allowance for future fire-fighters injury pensions	20			0
		0	Surplus or deficit on revaluation of available for sale financial assets				-102
		-171	Other gains or losses				453
		-243,341	**Other Comprehensive Income and Expenditure**				**212,966**
		-333,056	**Total Comprehensive Income and Expenditure**				**274,309**

The 2010/11 Cost of Services has been reclassified to reflect changes in the service analysis specified in the 2011/12 Service Reporting Code of Practice.

BALANCE SHEET

A description of the purpose of this Statement is included in the Foreword.

As at 31 March 2011 £'000		Notes	As at 31 March 2012 £'000	
	Long Term Assets			
1,507,142	Property, Plant and Equipment	24	1,400,293	
4,780	Investment Property	25	4,521	
3,487	Intangible Assets	27	2,098	
29,866	Long Term Investments	37,46	89,493	
5,880	Long Term Debtors	41	6,059	
1,551,155	**Total Long Term Assets**			**1,502,464**
	Current Assets			
1,352	Landfill Allowance Asset Account	42	0	
984	Assets Held for Sale	26	104	
347	Inventories	43	356	
44,239	Debtors	44	37,296	
170,711	Short Term Investments	37,46	134,383	
25,600	Cash and Cash Equivalents	45	74,621	
243,233	**Total Current Assets**			**246,760**
	Current Liabilities			
-28,742	Short Term Borrowing	37,46	-34,324	
-84,193	Short Term Creditors and revenue Receipts in Advance	47	-86,234	
-8,605	Provisions due within 1 year	48,49	-3,080	
-526	Short Term Finance Liability	30,31, 37,46	-25,704	
-21,643	Short Term Capital Grants Receipts in Advance	51	-13,065	
-143,709	**Total Current Liabilities**			**-162,407**
	Long Term Liabilities			
-3,392	Provisions due over 1 year	48,49	-5,160	
-410,742	Long Term Borrowing	37,46	-392,388	
-436,782	Pension Liability	20	-661,446	
-20,669	Long Term Finance Liability	30,31, 37,46	-24,105	
-5,868	Deferred Income	50	-5,481	
-25,437	Long Term Capital Grants Receipts in Advance	51	-24,757	
-902,890	**Total Long Term Liabilities**			**-1,113,337**
747,789	**Net Assets**			**473,480**
	Financed from:			
135,780	**Usable Reserves**	52-55		**180,204**
612,009	**Unusable Reserves**	56-61		**293,276**
747,789	**Total Reserves**			**473,480**

CASH FLOW STATEMENT

A description of the purpose of this Statement is included in the Foreword.

2010/11 £'000		Notes	2011/12 £'000
-89,715	Net surplus (-) or deficit (+) on the provision of services		61,343
7,862	Adjust net surplus or deficit on the provision of services for non-cash movements	62	-179,022
41,297	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		59,714
-40,556	Net cash flows from Operating Activities	63	-57,965
33,673	Investing Activities	64	-5,700
-20,576	Financing Activities	65	14,644
-27,459	**Net increase (-) or decrease (+) in cash and cash equivalents**		-49,021
-1,859	Cash and cash equivalents at the beginning of the reporting period		25,600
25,600	**Cash and cash equivalents at the end of the reporting period**		**74,621**

1. Summary of Significant Accounting Policies

General
The Statement of Accounts summarises the County Council's transactions for the 2011/12 financial year and its position at the year-end 31 March 2012. It has been compiled in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) (*and the 2011/12 Code Update*)*, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and with the Service Reporting Code of Practice 2011/12 (SeRCOP) also issued by CIPFA.

Basis of Accounting
Except where specifically stated otherwise, the Statement of Accounts is prepared on an historic cost basis, i.e. expenditure is included on the basis of the price actually paid rather than any additional allowance being made for changes in the purchasing power of money, modified by the revaluation of certain categories of assets. The following accounting concepts have been applied in preparing the accounts:

- Relevant: The information in the accounts is useful in assessing the County Council's stewardship of public funds and for making economic decisions.
- Reliable: The information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free of deliberate or systematic bias or material errors.
- Comparable: A consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years. Where there is a change in accounting policy that has a material effect on the information, this has been disclosed. Application of the terms of the Code and SeRCOP ensure comparability.
- Understandable: The County Council endeavours to ensure that an interested reader can understand the accounts.
- Materiality: In using its professional judgment, the County Council considers the size and nature of any transaction, or set of transactions. An item is considered material where its omission or misstatement would reasonably change the substance of the information presented in the accounts.
- Going Concern: The accounts have been prepared on the assumption that the functions of the County Council will continue in operational existence for the foreseeable future.
- Primacy of Legislative Requirements: The County Council operates through the power of statute. Where legislation prescribes the treatment of transactions, then the accounting concepts outlined above may not be applied.

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

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

Where a change of accounting policy is required by the Code, the County Council will disclose the information required by the Code. For other changes in accounting policy the following disclosures are made:

- The nature of the change in accounting policy
- The reasons why applying the new accounting policy provides reliable and more relevant information
- For the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected
- The amount of the adjustment relating to periods before those presented, to the extent practicable
- If retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied

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

For corrected prior period errors the following disclosures are made:
- The nature of the prior period error
- For each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected
- The amount of the correction at the beginning of the earliest prior period presented

Acquired Operations
Responsibilities for certain learning disability services transferred from Oxfordshire Primary Care Trust to the County Council with effect from 1 April 2011. Expenditure for these services forms part of Adult Social Care in the Comprehensive Income and Expenditure Statement and forms part of the County Council's contribution to the Learning Disabilities pooled budget.

Responsibility for the concessionary travel fares scheme transferred to the County Council with effect from 1 April 2011. Expenditure and income under the scheme forms part of Highways and Transport Services in the Comprehensive Income and Expenditure Statement.

Note 6 shows the net cost of these newly acquired operations.

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

Estimating Techniques
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Accounts and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates.

Where it is necessary to choose between different estimation techniques, the County Council selects whichever technique is judged to be the most appropriate to its particular circumstances for the purposes of presenting the financial position in the accounts fairly. Estimates are used principally when accounting for certain government grants, financial asset impairment allowances, depreciation, asset revaluations and impairments, employee pension schemes, provisions for liabilities and charges and for reserves. Estimates are also used for debtors and creditors where invoices have yet to be issued or received.

Events After the Balance Sheet Date
Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the end of the reporting period (31 March 2012) and the date the Statement of Accounts is authorised for issue. There are two types of event:

- Those that provide evidence of conditions that existed at the Balance Sheet date – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the Balance Sheet date – the Statement of Accounts is not adjusted to reflect such events, but a disclosure is made if the event has a material effect.

Accruals of Income and Expenditure
The accounts are prepared on an income and expenditure basis with activity accounted for in the year it takes place rather than when cash payments are made or received. The bases for recognition are as follows:

- Revenue from the sale of goods is recognised when the County Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the County Council.
- Revenue from the provision of services is recognised when the County Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the County Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when they are received rather than when payments are made.
- 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.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor is recorded in the Balance Sheet.

Government Grants and Contributions
Government grants and third party contributions are accounted for on an accrual basis and are recognised in the Statement of Accounts when there is reasonable assurance that the County Council will comply with the conditions attached to their payment and that the grants or contributions will be received.

Grants and contributions relating to capital and revenue expenditure are recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the County Council has not satisfied. Conditions are stipulations that require the grant or contribution to be returned to the provider if the terms of the grant or contribution are not met.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (capital monies within Capital Grants Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income line (un-ringfenced revenue grants and all capital grants and contributions) in the Comprehensive Income and Expenditure Statement.

Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement are reversed out of the County Fund Balance in the Movement in Reserves Statement - where the grant/contribution has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve; where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Capital grants and contributions used to finance Revenue Expenditure Funded from Capital Under Statute are accounted for in the same way as other capital grants and contributions i.e. credited to the Taxation and Non-Specific Grant Income line when there are no outstanding conditions and transferred/applied in the same way through the Movement in Reserves Statement.

Revenue grants and contributions that have been credited to the relevant service line in the Comprehensive Income and Expenditure Statement that remain unapplied as at the Balance Sheet Date and are required to meet committed expenditure in future years are transferred to an earmarked reserve through the Movement in Reserves Statement.

Council Tax income

The Council Tax income included in the Comprehensive Income and Expenditure Statement (CIES) for the year is the accrued income for the year. The difference between the income included in the CIES and the amount required by regulation to be credited to the County Fund Balance is taken to the Collection Fund Adjustment Account and included as an adjusting item in the Movement in Reserves Statement.

The district councils in Oxfordshire are acting as agents of the County Council in collecting Council Tax. The cash collected from Council Taxpayers belongs proportionately to the district councils and the major preceptors (the County Council and Thames Valley Police Authority). There is therefore a debtor/creditor position between each district council and the County Council to recognise that the net cash paid to the County Council in the year is not the same as its share of cash collected from Council Taxpayers. The County Council recognises its share of Council Tax debtor and creditor balances and impairment allowances for doubtful debts in its Balance Sheet. The Cash Flow Statement of the County Council includes the net Council Tax cash received from the Collection Fund in the year.

Employee Benefits

<u>Benefits Payable During Employment</u>

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries and wages, paid sick leave and paid annual leave and are recognised as an expense for services in the year in which employees render service to the County Council. An accrual is made for the cost of holiday entitlements (including flexi-time and time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to the County Fund Balance in the financial year in which the absence occurs in accordance with regulations.

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the County Fund Balance to be charged with the amount payable by the County Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

The County Council participates in three pension schemes: the Local Government Pension Scheme, the Fire-fighters' Pension Scheme (1992 and 2006 schemes) and the Teachers' Pension Scheme. An independent actuary carries out actuarial valuations of the schemes every three years to determine the rates of contribution payable in future.

These schemes provide defined benefits to members. However, the arrangements for the teachers' pension scheme mean that liabilities for these benefits cannot be identified to the County Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payment of benefits is recognised in the Balance Sheet and the Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions Agency in the year.

The County Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award are accounted for on the same basis as defined benefit schemes.

For the schemes treated as defined benefit schemes the Cost of Services includes:

- The current service cost of pensions – the increase in the present value of a scheme's liabilities expected to arise from employee service in the current period. This is included in the relevant service line within the Cost of Services.
- Past service costs – the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period. This is included in Non Distributed Costs within the Cost of Services.
- Gains/losses on settlements and curtailments – changes in liabilities relating respectively to actions that relieve the County Council of primary responsibility for a pension obligation or events that reduce the expected years of future service of

employees or reduce the accrual of defined benefits over the future service for some employees. This is included in Non Distributed Costs within the Cost of Services.

The net of the interest cost and the expected return on scheme assets (if any) is included in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. Actuarial gains and losses are recognised in Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement.

Scheme assets attributable to the County Council are measured at fair value as at the Balance Sheet date. Scheme liabilities attributable to the County Council are measured on an actuarial basis using the projected unit method. The net pensions liability is recognised in the Balance Sheet.

The amount chargeable to the County Fund Balance for providing pensions for employees is the amount payable for the year in accordance with the statutory requirements governing each particular pension scheme. Where this amount does not match the amount charged to the Surplus or Deficit on the Provision of Services for the year the difference is taken to the Pensions Reserve via the Movement in Reserves Statement.

Fire-fighters injury awards are disability benefits paid by the County Council that do not form part of the fire-fighters pension scheme. However, the measurement of these long-term benefits is subject to the same degree of uncertainty as the measurement of fire-fighters post-employment benefits and therefore they are accounted for in the same way as fire-fighters post-employment benefits.

Overheads and Support Services
Overheads are charged to services and the corporate and democratic core in accordance with the Service Reporting Code of Practice (SeRCOP).

The costs of central support services supplied by the Chief Executive's Office and the Environment & Economy directorate are charged to services on the basis of time spent and the level of services provided.

The cost of operating non-school buildings is charged to users on a usage basis.

The principles of SeRCOP are applied on the same basis to all services offered by the County Council, including trading operations.

Trading Activities
A trading activity is a method of matching income and expenditure for a particular activity or group of activities where services are provided on a basis other than a straightforward recharge of cost or on a cash-limited vote basis.

Where the County Council operates trading undertakings, the surplus or deficit on the trading operation is disclosed as part of Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement rather than as part of the Cost of Services. Where material, the following disclosures are made:

- The nature of the activity;
- Turnover;
- Surplus or deficit;

- Any reapportionment of the surplus or deficit; and
- Any details placing the financial performance in a context useful to the reader.

Property, Plant and Equipment
Assets that have a physical substance and are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. These include operational land and buildings, vehicles, plant and equipment, surplus assets, assets under construction and infrastructure.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the item will flow to the County Council and the cost of the item can be measured reliably. This excludes expenditure on routine repairs and maintenance, which is charged directly to service revenue accounts as an expense when incurred.

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located (this only applies when the County Council has an obligation to carry out such activities when the item is acquired, constructed or installed)

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

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

Property, Plant and Equipment is subsequently carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historic cost
- All other Property, Plant and Equipment assets – fair value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

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

A *de minimis* level of £20,000 is applied for land and buildings and £15,000 for vehicles and plant, other than for schools local capital spend where a *de minimis* of £2,000 is applied.

Revaluations of property assets are undertaken on a five-year rolling programme, although material changes to asset valuations are adjusted in the interim periods.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service revenue account.

Decreases in valuations are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service revenue account in the Comprehensive Income and Expenditure Statement

Assets are assessed each year as to whether there is an indication of impairment. Where indications exist and the recoverable amount of the asset is materially lower than the carrying amount, an impairment loss is recognised for the shortfall. Where impairment losses are identified they are accounted for in the same way as decreases in valuations.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service revenue account, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation of Property, Plant and Equipment

Depreciation is provided for on all Property, Plant and Equipment with a finite life, which is determined at acquisition or revaluation. Assets in the course of construction are not depreciated until they are brought into use. Depreciation is an estimation technique that is calculated using the straight-line method with the following asset lives:

- Buildings: 60 years (or less if specified by the valuer)
- Vehicles, plant and equipment: between 5 and 30 years
- IT equipment and infrastructure: between 3 and 5 years
- Infrastructure (roads and bridges): 35 years

Land is determined to have an infinite life and is not depreciated.

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Charges to Revenue for Property, Plant and Equipment

Service revenue accounts, central support services and trading accounts are charged with a capital charge for all Property, Plant and Equipment used in the provision of services. The charge covers the annual provision for depreciation and revaluation and impairment losses where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The County Council is not required to raise Council Tax to fund depreciation or revaluation/impairment losses. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (referred to as Minimum Revenue Provision (MRP)). Depreciation and revaluation/impairment losses are therefore replaced by the MRP contribution in the County Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. To be classified as an Asset Held for Sale the asset must meet the following criteria:

- Available for immediate sale in its present condition
- The sale must be highly probable
- Actively marketed at a reasonable sale price
- The sale should be expected to be completed within 1 year

Assets Held for Sale are measured at the lower of their carrying value and fair value less costs to sell at initial reclassification. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Decreases in fair value less costs to sell are recognised in Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to Property, Plant and Equipment and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation or revaluations that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of, the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Receipts in excess of £10,000 are categorised as capital receipts. Capital receipts are appropriated to the Capital Receipts Unapplied reserve from the County Fund Balance in the Movement in Reserves Statement.

The written off value of assets disposed of is appropriated to the Capital Adjustment Account from the County Fund Balance in the Movement in Reserves Statement so that there is no charge against the Council Tax.

Investment Property
Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties in an arm's-length transaction (i.e. market value). Investment properties are not depreciated and are revalued annually according to market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains and losses on disposal are posted to Other Operating Expenditure. The gains and losses are reversed out of the County Fund Balance to the Capital Adjustment Account (or Capital Receipts Unapplied for disposal receipts over £10,000) in the Movement in Reserves Statement so that they do not impact on Council Tax.

Heritage Assets
Tangible heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Intangible heritage assets are intangible assets with cultural, environmental or historical significance.

Tangible assets with heritage characteristics that are used by the County Council in the provision of services are accounted for as operational assets within Property, Plant and Equipment and not treated as heritage assets.

Where the cost or value of a heritage asset is available (subject to the *de minimis* levels set out below) the asset is recognised on the Balance Sheet. Where information on the cost or value of a heritage asset is not available, and the cost of obtaining the information outweighs the benefits to the users of the accounts, the asset is not recognised on the Balance Sheet.

A *de minimis* level of £20,000 is applied to the capitalisation of individual heritage assets and an overall minimum aggregate value of £250,000 before recognition on the Balance Sheet.

The main heritage assets held by the County Council comprise museum collections, history collections and archaeological sites. Information is not available on the cost of these assets, other than for a very small number of items, as the majority have been donated or acquired by excavation. The County Council considers that obtaining valuations for the museum and history collections would involve a disproportionate cost in comparison to the benefits to the users of the accounts and therefore does not recognise these assets on the Balance Sheet. The County Council does not consider that reliable valuation information can be obtained for the archaeological sites because of the diverse nature of the sites and lack of comparable market values, and therefore does not recognise these assets on the Balance Sheet.

Intangible Assets: Software Licenses
Intangible assets are non-monetary assets that do not have a physical substance but are controlled by the County Council as a result of past events and from which future economic benefits or service potential is expected to flow to the County Council.

The County Council policy is to capitalise software licenses for major applications. For this purpose an application is a major application where the initial cost exceeds £20,000. Intangible assets are measured at cost. The cost is amortised and charged to the relevant service revenue account within the Comprehensive Income and Expenditure Statement over a period of up to 6 years using the straight-line method. Amortisations are reversed out of the County Fund Balance in the same way as depreciation, so that there is no impact on Council Tax.

Revenue Expenditure Funded from Capital Under Statute
Capital expenditure on non-current assets not owned by the County Council and grants given by the County Council for capital purposes are charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement. In accordance with statutory provisions this expenditure is transferred from the County Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement, such that there is no impact on Council Tax.

PFI and similar contracts (service concession arrangements)
PFI type contracts involve a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement. Where the County Council controls or regulates the services provided by the operator and controls the residual interest in the property at the end of the term of the arrangement the contract meets the tests for accounting as a service concession arrangement.

Properties used in service concession arrangements are recognised as Property, Plant and Equipment of the County Council. The original recognition of the assets at fair value (based on the cost to purchase the assets) is matched by the recognition of liabilities for amounts due to the operators to pay for the assets. Once recognised on the Balance Sheet these assets are revalued and depreciated in the same way as other Property, Plant and Equipment owned by the County Council.

The amounts payable to the service concession arrangement operators each year are analysed into five elements:

- The value of services received during the year – charged to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance costs – an interest charge on the outstanding finance liability – charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payments towards the finance liability – applied to write down the Balance Sheet liability towards the operator
- Contingent rents – inflationary increases in the amounts to be paid for the property arising during the contract – charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Note for the County Council's current service concession arrangement there is no inflation applied to the elements of the contract payments relating to the property build costs and therefore no contingent rents.
- Lifecycle replacement costs – recognised as a capital prepayment in the Balance Sheet and transferred to Property, Plant and Equipment when capital works are undertaken.

(See also the accounting policy on debt redemption.)

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

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

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

Where the County Council is the lessee, property, plant and equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. The lease payments are apportioned between a charge for the acquisition of the interest in the asset – applied to writing down the liability, and a finance charge – charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Once recognised on the Balance Sheet, assets recognised under finance leases are accounted for in the same way as other Property, Plant and Equipment, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

(See also the accounting policy on debt redemption.)

Where the County Council is the lessee, operating lease rentals are charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement on a straight-line basis over the lease period except where the contractual payment terms are considered to be a more systematic and appropriate basis.

Where the County Council leases an asset to others under a finance lease, the asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the County Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal, matched by a long-term debtor in the Balance Sheet. Finance lease rentals receivable are apportioned between a charge for the acquisition of the interest in the property – applied to write down the long-term debtor (together with any premiums received), and finance income credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is required under statute to be treated as a capital receipt. Where a premium has been received, this is posted out of the County Fund Balance to the Capital Receipts Unapplied reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future years, this is posted out of the County Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the long-term debtor and the deferred capital receipts are transferred to the Capital Receipts Unapplied reserve. The written-off carrying amount of the asset on disposal is appropriated to the Capital Adjustment Account from the County Fund Balance in the Movement in Reserves Statement so that there is no impact on Council Tax.

Where the County Council leases an asset to others under an operating lease, the asset is retained on the Balance Sheet. Rental income is credited to the relevant service revenue account in the Comprehensive Income and Expenditure Statement on a straight-line basis over the lease period (including any premiums received at the commencement of the lease).

Cash and Cash Equivalents

Cash is represented by cash in hand and bank deposits repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The County Council treats the following as cash equivalents:

- Instant Access Call Accounts
- Instant Access Short Term Funds
- Deposits with one working day to maturity from date of deposit

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

Financial Assets

Financial assets are classified into three types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments
- Financial assets at fair value through profit or loss – assets that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking

Loans and receivables are initially measured at fair value and carried in the Balance Sheet at their amortised cost. Credits to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement for external interest receivable are based on the carrying amount of the asset, multiplied by the effective interest rate for the instrument. For the majority of the County Council's investments, the effective interest rate is the same as the actual interest receivable in accordance with the loan agreement. Short duration receivables with no stated interest rates (e.g. debtors) are measured at original invoice amount.

The County Council has made a number of loans to clients and other organisations at less than market interest rates or zero rate (referred to in the Code as soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (charged to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement at the effective (market) rate, with the difference between interest at the effective rate and the contractual rate writing up the amortised cost of the loan on the Balance Sheet. Statutory regulations require that the amount taken to the County Fund Balance is the contractual interest receivable. The reconciliation between the amount charged or credited to the Comprehensive Income and Expenditure Statement and the contractual interest income (if any) is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the carrying value of the asset is reduced through the use of an allowance account and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Any gains and losses arising on the derecognition of assets are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale assets are initially measured and carried in the Balance Sheet at fair value. Where the asset has fixed or determinable payments, credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable.

Assets are maintained in the Balance Sheet at fair value. Values are based on:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss recognised in Other Comprehensive Income and Expenditure (except for impairment losses).

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down through the use of an allowance account and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Any gains and losses arising on the derecognition of assets are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses recognised in the Available-for-Sale Reserve.

Financial assets at fair value through profit or loss are initially measured and carried in the Balance Sheet at fair value. Movements in fair value are balanced by posting gains and losses to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as they arise. Any residual gains and losses arising on derecognition are also credited/debited to the Comprehensive Income and Expenditure Statement.

The carrying amounts of individual financial assets are separated into their current (short-term) and non-current (long-term) elements for presentation within the Balance Sheet.

Financial Liabilities
Financial liabilities are initially measured at fair value and carried in the Balance Sheet at their amortised cost. Charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for external interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. For most of the County Council's borrowings the effective interest rate is the same as the actual interest payable in accordance with the loan agreement. In respect of stepped interest rate loans entered into before 9 November 2007, statutory regulations require that the amount taken to the County Fund Balance is the contractual interest payable. The reconciliation between the amount charged to the Comprehensive Income and Expenditure Statement and the contractual interest payable is managed by a transfer from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The carrying amounts of individual financial liabilities are separated into their current (short-term) and non-current (long-term) elements for presentation with the Balance Sheet.

Gains and losses on the repurchase or early settlement of borrowing are written-down to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase takes place as part of a restructuring exercise that involves the modification or exchange of existing loans, the premium or discount adjusts the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan. All early repayments of PWLB loans are treated as extinguishments rather than modifications, including where a replacement loan has been arranged from PWLB on the same day, and any associated premium or discount is written off immediately. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, statutory regulations allow the impact on the County Fund Balance to be spread over future years. The County Council has a policy of charging all premiums/discounts to the County Fund Balance in the year.

Foreign Currency Translation
Where the County Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Debt Redemption
The County Council complies with legislation by charging the County Fund Balance with 4% of outstanding debt supported by government borrowing and making provision for repayment of prudential borrowing in equal instalments over the estimated life of the asset for which the borrowing is undertaken. In addition the provision for repayment of debt includes an amount equal to the amount that is taken to the Balance Sheet to reduce the finance liability in respect of PFI and similar contracts and for the prepayment of lifecycle costs relating to these contracts, and an amount equal to the amount that is taken to the Balance Sheet to reduce liabilities in respect of finance leases.

Inventories and Long Term Contracts
Inventories are included in the Balance Sheet at the lower of cost and net realisable value, where cost is defined as:

Food and catering supplies	historical cost
Cleaning and other supplies	historical cost
Road salt	historical cost
Fire and rescue stocks	average cost

Where the County Council enters into long-term contracts, these are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Provisions
Provisions are made where the County Council has a present obligation (legal or constructive) as a result of a past event that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed annually and are adjusted to reflect the current best estimate against the appropriate service revenue account in the Comprehensive Income and Expenditure Statement. When payments are eventually made they are charged directly to the provision.

Landfill Allowance Trading Scheme
Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA. The liability is measured as the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date and/or the cash penalty payable.

Carbon Reduction Commitment Scheme
The County Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The County Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As energy is used a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the County Council is recognised and reported in the Cost of Services and is apportioned to services on the basis of energy consumption.

Contingent assets
The County Council discloses contingent assets in the notes to the accounts. Contingent assets are possible assets arising from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the County Council's control.

Contingent liabilities
The County Council discloses contingent liabilities in the notes to the accounts. Contingent liabilities are possible obligations arising from past events and whose existence will be confirmed by one or more uncertain events occurring in the future and are not wholly under the County Council's control. The County Council does not disclose contingent liabilities where it is not probable that there will be a transfer of economic benefits or where the obligation cannot be measured with sufficient reliability.

Financial guarantee contracts come under the definition of financial instruments and are initially recognised in the accounts at fair value. This only applies to guarantees entered into after 1 April 2006. Any entered into before that date continue to be recognised as contingent liabilities. If payment under the guarantee becomes probable the liability would be determined in accordance with the requirement for provisions.

Reserves
A reserve, whether capital or revenue, results from events that have allowed monies to be set aside, surpluses or decisions causing anticipated expenditure to have been postponed or cancelled. These can be spent or earmarked at the discretion of the County Council. Earmarked revenue reserves can be used to set aside available monies for major anticipated capital schemes, for projects or service arrangements that the County Council may wish to carry out, business unit surpluses, service efficiency savings and contingent liabilities where a provision is not required.

Reserves are established and used for different reasons. These include:

- Usable reserves - reserves that can be used at the County Council's discretion to fund either revenue or capital spend
- Unusable reserves - reserves relating to unrealised gains, such as the Revaluation Reserve, that are not "cash backed" and cannot be used to fund future capital or revenue spending and reserves relating to differences between accounting policy and statutory requirements, such as the Capital Adjustment Account.

Earmarked reserves are created by appropriating amounts from the County Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service revenue account. The reserve is then appropriated back into the County Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Group Accounts
The County Council is required to prepare group accounts where it has interests in subsidiaries, associates and/or jointly controlled entities. The County Council does not have any such interests and therefore prepares accounts only as a single entity rather than group accounts.

The County Council participates in a number of jointly controlled operations (e.g. pooled budget arrangements with the health sector). The County Council accounts directly (in its single entity accounts) for its part of the assets, liabilities, income, expenditure and cash flows held within or arising from such an arrangement.

There are a number of circumstances where the County Council exercises limited influence and these are disclosed as related parties. Under these circumstances, transactions with these bodies are charged against the appropriate service in the Comprehensive Income and Expenditure Statement, and balances owed by them or to them are included in debtors and creditors.

Taxation
The County Council is exempt from income tax under Section 838 of the Income Tax Act 2007, from Corporation Tax under Section 519 of the Income and Corporation Taxes Act 1988 and from capital gains tax under Section 271 of the Taxation of Capital Gains Act 1992.

Value Added Tax is excluded from both revenue and capital in terms of both income and expenditure except where the County Council is not able to recover VAT on expenditure.

The County Council incurs landfill tax, which is charged on a tonnage basis to the County Council by its waste disposal contractors.

In addition, the County Council incurs stamp duty land tax on the acquisition of property freeholds and leaseholds, climate change levy on its energy bills and insurance premium tax on its insurance costs. Also, the County Council incurs employer's national insurance contributions based on a percentage of staff salaries.

Where the County Council incurs tax, this cost is charged to services in the Comprehensive Income and Expenditure Statement in accordance with SeRCOP.

Pension Fund Accounts
The County Council administers the Oxfordshire Pension Fund that provides pensions and other benefits for former employees of the County and District Councils and other approved bodies (excluding fire-fighters and teachers, who have their own schemes). The County Council makes a contribution to the fund (in addition to employee contributions). An independent actuary determines the level of the contribution, following a review that takes place every three years. The accounting policies that are used in the Oxfordshire Pension Fund accounts are shown in the Notes to the Pension Fund Accounts.

The County Council also administers the Fire-fighters Pension Fund scheme for Oxfordshire. The notes to the Fire-fighters Pension Fund accounts include the accounting policies used for those accounts.

2. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the County 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:

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

- School land and buildings that have transferred to academy trusts under 125 year leases (or where the freehold has transferred) have been written out of the County Council's Balance Sheet. School land and buildings that are the subject of short-term lease/license agreements with academy trusts have been retained on the County Council's Balance Sheet as at 31 March 2012.

- The County Council is deemed to control the residential care services provided under the agreement with Oxfordshire Care Partnership (OCP) and the residual value of all but one of the homes at the end of the agreement. Except for the home where the residual value at the end of the contract rests with OCP, the accounting policies for PFI and similar contracts have been applied to the arrangement and the homes (valued at £17.646m as at 31 March 2012) are recognised as Property, Plant and Equipment on the Balance Sheet. A finance liability has been recognised on the Balance Sheet for the amounts due to be paid under the contract for the new homes built by OCP. Changes to the provisions of the contract are currently the subject of negotiations between the County Council and OCP. As these contract negotiations are on-going potential changes to the financing of new builds are not reflected in the accounts as at 31 March 2012.

- The 2011/12 Code introduced a new requirement to recognise heritage assets as a separate category of assets on the Balance Sheet, subject to the proviso that where information on cost or valuation is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not required to be recognised on the Balance Sheet. The County Council considers that obtaining valuations for its heritage assets would involve a disproportionate cost in comparison to the benefits to the users of the accounts and therefore does not recognise these assets on the Balance Sheet. Note 28 provides further details on the heritage assets held by the County Council.

- The County Council entered into £25m of forward investments (deposits) in the period January – March 2012 with settlement dates in 2012/13. These contracts have been recognised as financial liabilities (and corresponding investments) as at 31 March 2012. Derivatives for the forward loans have not been recognised because the difference between the values at trade date and the fair value of the underlying financial assets as at 31 March 2012 is immaterial.

- The County Council is acting as the Accountable Body for the Oxfordshire Local Enterprise Partnership (LEP) and received £9.054m Growing Places Fund in 2011/12 on behalf of the Partnership. £8.370m of the funding is required to be spent on capital projects by the LEP or be returned to the Department of Communities and Local Government. As the LEP has not yet made decisions on the allocation of the capital funding and there is a return obligation if it is not spent on capital projects this element of the Growing Places Fund has been recognised as a capital grant receipt in advance as at 31 March 2012.

- A decision has been received from the Secretary of State for Transport following the public inquiry which means the County Council cannot compulsorily purchase the land required to progress with the Cogges Link Road Development. The County Council has written off £4.550m costs incurred to date on the scheme to the Comprehensive Income and Expenditure Statement, offset by £3.009m developer contributions and £0.060m revenue funding previously applied to capital. In addition, £4.790m developer contributions relating to the scheme have been recognised within creditors, as the County Council is no longer able to comply with the conditions attached.

- The County Council has received a claim of £1.35m from the purported beneficiaries for the sale proceeds of Nettlebed School site. Counsel's advice is that the claim is not valid and therefore no provision has been made for the claim.

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

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

The items in the County Council's Balance Sheet as at 31 March 2012 for which there is significant risk of material adjustment in the forthcoming year are as follows:

Pensions Liability
Estimation of the net liability to pay pensions (£661.446m as at 31 March 2012) depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, mortality rates and expected returns on pension fund assets. The assumptions used are set out in the Retirement Benefits note. The County Council uses a firm of actuaries, Barnett Waddingham Public Sector Consulting, to provide expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in the discount rate or mortality rates are provided in the sensitivity analysis table in the Retirement Benefits note. However, the assumptions interact in complex ways. During 2011/12, the County Council's actuaries advised that the net pensions liability had increased by £39.385m as a result of estimates being corrected as a result of experience and by £178.652m attributable to updating of the assumptions.

Debtors
As at 31 March 2012 the County Council had a balance for current debtors of £44.597m and has estimated an impairment allowance for doubtful debts of £7.301m. The impairment allowance comprises £1.327m for the County Council's own debts based on the age and type of each debt and £5.974m for the County Council's share of Council Tax debts within the Collection Funds administered by the district councils. However, if collection rates deteriorate this impairment allowance may not be sufficient. A 10% increase in the amount of the impairment allowance for doubtful debts would require an additional £0.133m to be set aside as an allowance by the County Council and £0.597m from the Collection Funds.

Provisions
As at 31 March 2012 the County Council made a provision of £5.664m for the settlement of insurance claims. The County Council uses an insurance actuary to help estimate settlement amounts. A variation of 10% in the average amount of each settlement or in the number of claims would have a £0.566m effect on the provision required.

Property, Plant and Equipment
As at 31 March 2012 the County Council had £988m of land and buildings on its Balance Sheet. Buildings are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance of those buildings. Reductions in the budget for repairs and maintenance spending brings into doubt the useful lives assigned to buildings. If the useful life of buildings is reduced, depreciation increases and the carrying amount of the building falls. It is estimated that the annual depreciation charge for buildings would increase by £0.396m for every year that useful lives had to be reduced.

This list does not include assets and liabilities that are carried at fair value based on recently observed market price.

4. Adjustments between accounting basis and funding basis under regulations

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

2011/12	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contributions Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u>					
Charges for depreciation and amortisation	38,249				-38,249
Impairment losses	17,591				-17,591
Revaluation losses	3,966				-3,966
Movement in the market value of investment property	-113				113
Capital grants and contributions applied to capital net of capital financing reversed	-55,567			-4,070	59,637
Donated assets fair value less consideration	-602				602
Revenue expenditure funded from capital under statute	7,351				-7,351
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	125,189				-125,189
<u>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>					
Statutory provision for the repayment of debt	-20,154				20,154
Capital expenditure charged to the County Fund Balance net of capital financing reversed	-11,645				11,645
Repayment of loans			401		-401

2011/12 continued	**County Fund Balance £'000**	**Earmarked Reserves £'000**	**Capital Receipts Unapplied £'000**	**Capital Grants & Contributions Unapplied £'000**	**Unusable Reserves £'000**
Adjustments primarily involving the Capital Grants and Contributions Unapplied Account					
Capital grants and contributions unapplied credited to the CIES	-15,262			15,262	0
Adjustments primarily involving the Capital Receipts Unapplied					
Transfer of net sale proceeds credited as part of the gain/loss on disposals	-1,353		1,353		0
Adjustments primarily involving the Pensions Reserve					
Net charge made for retirement benefits debited or credited to the CIES	6,627				-6,627
Adjustments primarily involving the Financial Instrument Adjustment Account					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	-208				208
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	-289				289
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-506				506
Total	**93,274**	**0**	**1,754**	**11,192**	**-106,220**

2010/11	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contributions Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and amortisation	34,046				-34,046
Charges for impairment and revaluation losses	48,220				-48,220
Movement in the market value of investment property	-312				312
Capital grants and contributions applied	-58,748			-3,121	61,869
Revenue expenditure funded from capital under statute	12,856				-12,856
Amount of non-current assets written off on derecognition as part of the gain/loss on disposal	20,596				-20,596
Inclusion of items not debited or credited to the CIES					
Statutory provision for the repayment of debt	-19,051				19,051
Capital expenditure charged to the County Fund Balance	-7,494				7,494
Repayment of loans			184		-184
Adjustments primarily involving Capital Grants and Contributions Unapplied					
Capital grants and contributions unapplied credited to the CIES	-5,766			5,766	0
Adjustments primarily involving Capital Receipts Unapplied					
Transfer of net sale proceeds credited as part of the gain/loss on disposals	-5,773		5,773		0
Adjustments primarily involving the Pensions Reserve					
Net charge made for retirement benefits debited or credited to the CIES	-86,223				86,223

2010/11 continued	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contributions Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving the Financial Instrument Adjustment Account					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in accordance with statutory requirements	-1,552				1,552
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	-1,475				1,475
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-337				337
Total	**-71,013**	**0**	**5,957**	**2,645**	**62,411**

5. Amounts reported internally

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified in the Service Reporting Code of Practice. However budget monitoring and outturn reports received by the County Council's Cabinet are analysed across directorates. These reports are prepared on a different accounting basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure other than for capital expenditure financed from the revenue budget, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement, together with Revenue Expenditure Funded by Capital Under Statute.
- The cost of retirement benefits is based on payment of employer's pension contributions rather than current service cost of benefits accrued in the year.

- The cost of short term employee benefits excludes accruals for short-term compensated absences.
- Directorate expenditure includes transfers to earmarked reserves and some costs that fall outside of the Cost of Services such as principal and interest payable in relation to finance leases and service concession arrangements.

The income and expenditure of the County Council's directorates recorded in the updated outturn position for the year is as follows:

2011/12	Children, Education & Families £'000	Social & Community Services £'000	Environment & Economy £'000	Chief Executive's Office £'000	Total £'000
Fees, charges & other service income	-47,575	-64,031	-76,540	-12,477	**-200,623**
Government grants and contributions	-435,513	-17,527	-13,023	-1,267	**-467,330**
Total income	**-483,088**	**-81,558**	**-89,563**	**-13,744**	**-667,953**
Employee expenses	374,309	67,336	52,906	11,347	**505,898**
Other operating expenses	198,286	184,739	110,412	5,159	**498,596**
Support service recharges	18,322	50,509	9,632	5,439	**83,902**
Total operating expenses	**590,917**	**302,584**	**172,950**	**21,945**	**1,088,396**
Directorate Provisional Outturn	**107,829**	**221,026**	**83,387**	**8,201**	**420,443**

Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement

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

2011/12	£'000
Directorate Provisional Outturn	**420,443**
Add services not included in main analysis	1,287
Add amounts not reported in provisional outturn	101,325
Remove amounts reported in the provisional outturn not included in Comprehensive Income and Expenditure Statement	-87,132
Cost of Services in the Comprehensive Income and Expenditure Statement	**435,923**

Reconciliation to Subjective Analysis

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

2011/12	Directorate Analysis £'000	Services not in analysis £'000	Not reported in provisional outturn £'000	Not included in Cost of Services £'000	Allocation of recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	-200,623	-12	2,292	3,030	131,743	**-63,570**	-2,304	**-65,874**
Proceeds from the disposal of non-current assets						**0**	-1,429	**-1,429**
Interest and investment income						**0**	-2,626	**-2,626**
Income from council tax						**0**	-286,745	**-286,745**
Government grants and contributions	-467,330		-363	3,712	5,299	**-458,682**	-248,576	**-707,258**
Total Income	**-667,953**	**-12**	**1,929**	**6,742**	**137,042**	**-522,252**	**-541,680**	**-1,063,932**
Employee expenses	505,898	1,500	34,547	-45,350	-9,165	**487,430**	3,572	**491,002**
Other service expenses	498,596	-201	7,480	-48,524	-46,412	**410,939**	2,225	**413,164**
Support Service recharges	83,902		-2,437		-81,465	**0**		**0**
Depreciation, amortisation, impairments and revaluations			59,806			**59,806**	-113	**59,693**
Pension interest costs and expected return on assets							15,549	**15,549**
Interest payable and similar charges						**0**	20,605	**20,605**
Costs from the disposal of non-current assets						**0**	125,262	**125,262**
Total operating expenses	**1,088,396**	**1,299**	**99,396**	**-93,874**	**-137,042**	**958,175**	**167,100**	**1,125,725**
Surplus or deficit on the provision of services	**420,443**	**1,287**	**101,325**	**-87,132**	**0**	**435,923**	**-374,580**	**61,343**

Comparative figures for 2010/11 for the directorate analysis and reconciliations are set out below. The directorate income and expenditure analysis has been restated to reflect directorate restructurings that took place in 2011/12.

2010/11	Children, Education & Families £'000	Social & Community Services £'000	Environment & Economy £'000	Chief Executive's Office £'000	Total £'000
Fees, charges & other service income	-54,973	-52,182	-85,860	-13,013	**-206,028**
Government grants and contributions	-488,071	-13,754	-31,618	-1,267	**-534,710**
Total income	**-543,044**	**-65,936**	**-117,478**	**-14,280**	**-740,738**
Employee expenses	399,907	78,963	56,264	12,563	**547,697**
Other operating expenses	216,306	155,172	113,682	4,419	**489,579**
Support service recharges	22,264	36,507	13,715	6,362	**78,848**
Total operating expenses	**638,477**	**270,642**	**183,661**	**23,344**	**1,116,124**
Directorate Provisional Outturn	**95,433**	**204,706**	**66,183**	**9,064**	**375,386**

Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement

2010/11	£'000
Directorate Provisional Outturn	**375,386**
Add services not included in main analysis	63
Add amounts not reported in provisional outturn	24,256
Remove amounts reported in the provisional outturn not included in Comprehensive Income and Expenditure Statement	-52,652
Cost of Services in Comprehensive Income and Expenditure Statement	**347,053**

Reconciliation to Subjective Analysis

2010/11	Directorate Analysis £'000	Services not in analysis £'000	Not reported in provisional outturn £'000	Not included in Cost of Services £'000	Allocation of recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	-206,028	-29	2,747	3,667	136,553	**-63,090**	-1,922	**-65,012**
Proceeds from the disposal of non-current assets						**0**	-5,848	**-5,848**
Interest and investment income						**0**	-1,750	**-1,750**
Income from council tax						**0**	-285,025	**-285,025**
Government grants and contributions	-534,710		-363	7,371	35,618	**-492,084**	-219,145	**-711,229**
Total Income	**-740,738**	**-29**	**2,384**	**11,038**	**172,171**	**-555,174**	**-513,690**	**-1,068,864**
Employee expenses	547,697	5	-70,517	-45,934	-17,640	**413,611**	3,004	**416,615**
Other service expenses	489,579	87	12,870	-17,756	-78,430	**406,350**	2,684	**409,034**
Support service recharges	78,848		-2,747		-76,101	**0**		**0**
Depreciation, amortisation, impairments and revaluations			82,266			**82,266**	-312	**81,954**
Pension interest costs and expected return on assets						**0**	29,173	**29,173**
Interest payable and similar charges						**0**	21,628	**21,628**
Costs from the disposal of non-current assets						**0**	20,745	**20,745**
Total operating expenses	**1,116,124**	**92**	**21,872**	**-63,690**	**-172,171**	**902,227**	**76,922**	**979,149**
Surplus or deficit on the provision of services	**375,386**	**63**	**24,256**	**-52,652**	**0**	**347,053**	**-436,768**	**-89,715**

6. Service Expenditure Analysis

The net Cost of Services within the Comprehensive Income and Expenditure Statement is presented using the service expenditure analysis set out in the Service Reporting Code of Practice (SeRCOP). 2010/11 figures have been reclassified following changes to the service and divisions of service specified in SeRCOP. Set out below is a breakdown by division of service:

Service	Division of Service	2010/11 £'000	2011/12 £'000
Children's and Education Services	Early Years	7,186	16,791
	Primary schools	42,146	12,749
	Secondary schools	25,188	11,096
	Special schools	1,867	3,566
	Services to young people	10,064	8,120
	Other school-related education functions	35,727	29,479
	Service strategy	4,069	3,857
	Children looked after	15,717	14,975
	Family support services	10,072	10,816
	Youth justice	4,424	3,942
	Children and young people's safety	1,124	1,021
	Asylum seekers	291	719
	Other children's & family services	1,638	1,674
	Total Children's and Education Services	159,513	118,805
Adult Social Care	Service strategy	379	401
	Older people (aged 65 and over)	93,839	81,446
	Adults under 65 with a physical disability or sensory impairment	15,051	16,051
	Adults under 65 with learning disabilities (existing responsibilities)	45,932	46,170
	Adults under 65 with learning disabilities (new responsibilities)		19,224
	Adults under 65 with mental health needs	8,752	8,874
	Other adult services	919	600
	Other housing (supporting people)	10,811	9,344
	Total Adult Social Care	175,683	182,110
Highways and Transport Services	Transport planning, policy & strategy	5,386	6,614
	Structural Maintenance	8,424	13,868
	Environment, Safety & Routine Maintenance	15,503	13,787
	Street lighting (including energy costs)	4,075	4,099
	Winter Service	2,544	1,574
	Traffic management & road safety	3,441	1,828
	On street parking services	-1,143	-1,762
	Off street parking services	1,270	965
	Public transport (excl. concessionary fares)	6,150	5,649
	Public transport (concessionary fares - new)		7,931
	Total Highways & Transport Services	45,650	54,553

Service	Division of Service	2010/11 £'000	2011/12 £'000
Fire and Rescue Services	Fire-fighting and Rescue Operations	25,489	25,377
	Safer Communities	1,133	789
	Total Fire and Rescue Services	26,622	26,166
Environmental and Regulatory Services	Regulatory services	3,005	2,543
	Flood defence & land drainage	480	478
	Waste disposal	17,612	17,309
	Trade waste	47	-30
	Recycling	4,395	5,021
	Waste minimisation	127	128
	Total Environmental and Regulatory Services	25,666	25,449
Cultural and Related Services	Culture & heritage	3,490	4,034
	Open spaces	2,813	2,047
	Recreation and sport	164	90
	Library service	11,784	10,950
	Total Cultural and Related Services	18,251	17,121
Planning Services	Planning Policy	900	683
	Development Control	1,540	1,206
	Economic Development	641	744
	Economic Research	7	248
	Business Support	421	586
	Environmental Initiatives	904	653
	Community Development	439	221
	Total Planning Services	4,852	4,341
Central Services to the Public	Registration of Births, Deaths & Marriages	380	260
	Emergency Planning	413	371
	Coroners Court Services	682	755
	Other (including Big Society Fund)	382	1,001
	Total Central Services to the Public	1,857	2,387
Other Corporate Services	Democratic Representation & Management	3,834	2,768
	Corporate Management	3,602	2,309
	Non Distributed Costs	1,077	-86
	Total Other Corporate Services	8,513	4,991
Retirement benefits past service gain		-119,554	
	Total Net Cost of Services	**347,053**	**435,923**

Newly acquired services in 2011/12 are reported separately in the above table.

7. Dedicated Schools Grant (DSG)

The Dedicated Schools Grant (made under section 14 of the Education Act 2002) has been deployed in accordance with regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of Schedule 14 to, the Schools Standards and Framework Act 1998. The DSG is allocated through the local schools funding model as reviewed by the Schools Forum. DSG can only be used to support the Schools Budget. The central elements are compliant with the classification for use and the central expenditure limit. The table below sets out the allocation of the grant.

2010/11		2011/12							
		Individual Schools Budgets (ISB)						Central	Total
£'000		Early Years £'000	Primary £'000	Secondary £'000	Special £'000	Unallo-cated £'000	Total ISB £'000	£'000	£'000
333,471	Final DSG allocation	21,038	170,947	127,114	16,575	926	336,600	42,022	378,622
1,417	Brought forward from previous year	0	0	0	0	0	0	961	961
0	Carry forward to next year agreed in advance	0	0	0	0	0	0	0	0
334,888	Agreed budgeted distribution	21,038	170,947	127,114	16,575	926	336,600	42,983	379,583
0	In-year adjustments	0	0	0	0	0	0	4,064	4,064
0	Final budget distribution	21,038	170,947	127,114	16,575	926	336,600	47,047	383,647
289,241	Actual ISB deployed to schools	21,038	170,947	127,114	16,575	926	336,600		336,600
44,686	Actual central expenditure							42,330	42,330
0	County Council contribution	0	0	0	0	0	0	0	0
961	Carry forward to next year	0	0	0	0	0	0	4,717	4,717

8. Youth Offending Service

The Youth Offending Service was set up under the Crime and Disorder Act 1998. It is a multi-agency service comprising the County Council, Thames Valley Police Authority, National Probation Service, the Oxfordshire Primary Care Trust, Huntercombe Young Offenders Institute and the Youth Justice Board. The service operates a pooled budget and in 2011/12 the gross income and expenditure were £2.466m and £2.066m respectively (2010/11 £4.559m and £4.578m). The County Council's contribution to the pooled budget was £1.180m (£1.986m in 2010/11).

9. Partnership schemes under section 75 of the National Health Service Act 2006

The County Council and the Oxfordshire Primary Care Trust signed a partnership agreement to set up a joint commissioning and pooled budgets arrangement for Older People and Physical Disabilities on 1 April 2002.

The County Council is the "host" or lead in this arrangement, which in the main commissions care home provision for continuing care, nursing and residential placements in Oxfordshire.

For 2011/12, the County Council contributed £87.218m to the pooled budget (2010/11 £88.945m). A summary of the pooled budget memorandum account shows:

2010/11		2011/12			
£'000		Older People £'000	Physical Disability £'000	Equipment £'000	Total £'000
115,214	Gross income	105,349	13,201	1,786	120,336
114,891	Gross expenditure	100,634	14,986	1,801	117,421
88,945	Authority's contribution	78,974	6,917	1,327	87,218

A number of other partnership arrangements were set up with effect from 1 April 2006.

- The County Council and the Oxfordshire Primary Care Trust have a joint commissioning and pooled budget arrangement for Learning Disabilities. The County Council is the lead in this arrangement, which in the main commissions both care and support and residential/supported living placements for learning disabilities clients. In 2011/12 the gross income and expenditure were £75.006m and £74.048m respectively (2010/11 74.858m and £76.284m). The County Council contributed £62.883m to the pooled budget (2010/11 £42.424m). The increase in the County Council's contribution reflects a transfer of £19.224m Department of Health funding to the County Council for the provision of services through the Learning Disabilities pooled budget.

- The County Council has a pooled budget arrangement with the Oxfordshire and Buckinghamshire Mental Health Partnership NHS Trust for the provision of mental health services. The NHS Trust is the lead in this arrangement. In 2011/12 the gross income and expenditure were £25.173m and £25.173m respectively (2010/11 £28.354m and £28.354m). The County Council contributed £2.583m to the pooled budget via the mental health commissioning pooled budget. (2010/11 £2.804m).

- The County Council and the Oxfordshire Primary Care Trust have a joint commissioning and pooled budget arrangement to streamline mental health commissioning. The

Oxfordshire Primary Care Trust is the lead in this arrangement. In 2011/12 the gross income and expenditure were £42.013m and £41.951m respectively (2010/11 £43.810m and £43.728m). The County Council contributed £6.589m to this pool, of which £2.583m was paid to the Oxfordshire and Buckinghamshire Mental Health Partnership NHS Trust as the County Council's contribution to the mental health provision pooled budget above. (The County Councils' contribution in 2010/11 was £7.014m, including £2.804m relating to the mental health provision pooled budget).

10. Agency Services

Agency services provided by another authority on behalf of the County Council

The District Councils perform certain highway-related duties on an agency basis on behalf of the County Council. These are:

(i)	All District Councils (except Oxford City Council see (ii) below)	Verge maintenance – within town boundaries. Charged to the Surplus or Deficit on the Provision of Services: £277,894 (£277,745 in 2010/11)
(ii)	Oxford City Council only	Highways Act 1980 Section 42. All maintenance work undertaken by the City Council on all highways not deemed to be classified numbered or non-classified un-numbered designated routes. Charged to the Surplus or Deficit on the Provision of Services: £893,892 (£938,385 in 2010/11) Charged to capital : £910,476 (£432,261 in 2010/11)

Agency services provided by the County Council on behalf of another authority

The County Council operates ICT services on an agency basis on behalf of Oxford City Council. There are two parts to the agency agreement with Oxford City Council – provision of services and replacement of equipment. The revenue expenditure for 2011/12 was £975,494, including a contribution to the County Council's overheads of £690,438 (£1,011,993 for 2010/11 including a contribution to the County Council's overheads of £531,019). This was matched by income for 2011/12 of £975,494 (£1,011,993 for 2010/11). Capital expenditure under the agreement for 2011/12 was £192,979 (£275,254 for 2010/11). The cost of the capital expenditure is being repaid by the City Council over the life of the contract, with £312,403 being paid in 2011/12 (£248,077 in 2010/11).

11. Members' Allowances

Allowances & expenses	2010/11 £'000	2011/12 £'000
Basic Allowance	868	847
Travel and subsistence	49	38
Total	**917**	**885**

Some allowances were reduced in 2011/12 after the adoption of the recommendations of the independent remuneration panel. The mileage rate payable for official business was also reduced with effect from 1 April 2011 from 40 pence per mile to 35 pence per mile, in line with officers' rates.

12. Audit and Inspection Fee

The County Council's external auditors are the Audit Commission. The following fees were incurred relating to external audit and inspection work:

Fees	2010/11 £'000	2011/12 £'000
Code of Practice Work	273	226
Statutory Inspection	0	0
Certification of Grant Claims and Returns	17	18
Other Related Costs	-2	2
Total	**288**	**246**

The reduction in Code of Practice work from 2010/11 represents a reduction in the scale fee charged by the Audit Commission, plus an additional rebate of £0.019m applied by the Audit Commission in the year. There was no statutory inspection work in 2010/11 or 2011/12.

13. Senior Officers' Remuneration

The Accounts and Audit Regulations 2011 require disclosure of remuneration for senior staff. Remuneration for these purposes includes all sums paid to or receivable by an employee including expense allowances chargeable to tax and non-taxable termination payments including enhancement, redundancy and pay in lieu of notice.

Two sets of disclosures are required. Firstly, the number of employees whose total remuneration (excluding employer pension contributions) exceeded £50,000, shown in multiples of £5,000. Secondly, individual remuneration details (including employer pension contributions) for each senior employee, as defined by the regulations, whose salary is more than £50,000 per year (pro-rata for part-time staff). Senior employees whose salary is over £150,000 are disclosed by name, the remaining senior employees are disclosed by post title.

The number of employees whose remuneration (excluding employer pension contributions) exceeded £50,000 are set out in the following table. In accordance with the 2011 regulations, the figures exclude senior employees whose remuneration is disclosed separately.

Band (£)	Number of Employees					
	School	Non-School	Total	School	Non-School	Total
	2010/11	2010/11	2010/11	2011/12	2011/12	2011/12
50,000-54,999	141	100	241	124	73	197
55,000-59,999	81	58	139	104	47	151
60,000-64,999	55	27	82	54	22	76
65,000-69,999	25	16	41	26	7	33
70,000-74,999	5	17	22	9	16	25
75,000-79,999	10	5	15	9	6	15
80,000-84,999	12	1	13	11	8	19
85,000-89,999	2	4	6	3	3	6
90,000-94,999	2	0	2	3	1	4
95,000-99,999	2	2	4	1	0	1
100,000-104,999	1	0	1	2	0	2
105,000-109,999	1	0	1	0	0	0
110,000-114,999	0	0	0	1	0	1
115,000-119,999	1	0	1	1	1	2
120,000-124,999	0	0	0	0	0	0

The change in the profile of number of employees within each band reflects salary increments and compensation for loss of office, early retirements, redundancies and part-year effects of staff joining or leaving the County Council within the year.

Remuneration details for senior employees as defined by the regulations are provided in the following tables. The category “bonuses” is excluded from the tables as these are not paid by the County Council.

2011/12 Post Holder Information	Salary (Including Fees & Allowances) £	Expense Allowances £	Other Emoluments £	Compensation for loss of employment £	Total Remuneration Excluding Pension Contributions £	Employer's Pension Contribution £	Total Remuneration Including Pension Contributions £
Chief Executive - Joanna Simons	182,431				182,431	35,209	217,640
Assistant Chief Executive and Chief Finance Officer	106,282				106,282	20,513	126,795
Monitoring Officer and Head of Law & Governance	97,180				97,180	18,756	115,936
Head of Human Resources	98,513				98,513	19,013	117,526
Head of Strategy & Communications – from May 2011 to March 2012	89,082				89,082	17,193	106,275
Acting Head of Corporate Finance – to February 2012	72,316				72,316	13,957	86,273
Deputy Chief Finance Officer – from March 2012	6,860				6,860	1,324	8,184
Director for Children, Education & Families – to November 2011	93,148				93,148	16,807	109,955
Deputy Director Education & Early Intervention – to December 2011	76,799				76,799	14,067	90,866
Deputy Director Children's Social Care – from November 2011	31,791				31,791	6,136	37,927
Joint Interim Head of Raising Achievement Service – to September 2011	36,348			55,349	91,697	7,015	98,712
Joint Interim Head of Raising Achievement Service – to August 2011	32,632				32,632	6,298	38,930
Director for Environment & Economy	128,194				128,194	24,510	152,704
Deputy Director – Highways and Transport – to March 2012	97,180			48,590	145,770	18,756	164,526
Deputy Director – Growth & Infrastructure	94,131				94,131	18,167	112,298
Deputy Director – Oxfordshire Customer Services – to March 2012	91,082				91,082	17,579	108,661
Director for Social & Community Services	128,194				128,194	24,741	152,935
Deputy Director Joint Commissioning – from August 2011	58,691				58,691	11,327	70,018
Head of Services Strategy & Transformation	85,750				85,750	16,550	102,300

2011/12 continued Post Holder Information	Salary (Including Fees & Allowances) £	Expense Allowances £	Other Emoluments £	Compensation for loss of employment £	Total Remuneration Excluding Pension Contributions £	Employer's Pension Contribution £	Total Remuneration Including Pension Contributions £
Head of Adult Social Care - to March 2011	0			48,590	48,590		48,590
Chief Fire Officer	120,645		581		121,226	25,697	146,923
Deputy Chief Fire Officer	97,722		883		98,605	20,815	119,420
Assistant Chief Fire Officer	88,071		1,568		89,639	18,759	108,398
	1,913,042	**0**	**3,032**	**152,529**	**2,068,603**	**373,189**	**2,441,792**

2010/11 Post Holder Information	Salary (Including Fees & Allowances) £	Expense Allowances £	Other Emoluments £	Compensation for loss of employment £	Total Remuneration Excluding Pension Contributions £	Employer's Pension Contribution £	Total Remuneration Including Pension Contributions £
Chief Executive - Joanna Simons	182,431				182,431	35,209	217,640
Assistant Chief Executive (Strategy)	106,282	27			106,309	20,512	126,821
Assistant Chief Executive & Chief Finance Officer	106,282				106,282	20,512	126,794
Monitoring Officer and Head of Law & Governance	97,180				97,180	18,756	115,936
Head of Human Resources	85,750				85,750	16,550	102,300
Head of ICT Service – to July 2010	28,475		3,168	63,280	94,923	5,496	100,419
Head of Strategy – to December 2010	64,313			97,293	161,606	12,412	174,018
Head of Communications, Marketing & Public Affairs – to December 2010	64,313			31,430	95,743	12,412	108,155
Head of Partnership Working – to December 2010	55,738			65,742	121,480	10,757	132,237
Head of Finance & Procurement – to January 2011	64,313	34			64,347	12,412	76,759
Acting Head of Corporate Finance – from January 2011	19,723				19,723	3,806	23,529
Director for Children, Young People & Families	137,500				137,500	26,538	164,038
Head of Service – Southern Area, Young People & Access to Education	97,180				97,180	18,756	115,936
Head of Service – Northern Area, Raising Achievement – to October 2010	56,688				56,688	10,941	67,629
Joint Interim Head of Raising Achievement Service – from November 2010	32,632				32,632	6,298	38,930
Joint Interim Head of Raising Achievement Service – from November 2010	32,632	148			32,780	6,298	39,078
Director for Environment & Economy	128,194				128,194	24,741	152,935
Head of Transport	97,180				97,180	18,756	115,936
Head of Sustainable Development – to January 2011	67,540	36		93,995	161,571	13,035	174,606
Head of Sustainable Development – from August 2010 to November 2010	25,126				25,126	4,849	29,975

2010/11 continued **Post Holder Information**	**Salary (Including Fees & Allowances)** **£**	**Expense Allowances** **£**	**Other Emoluments** **£**	**Compensation for loss of employment** **£**	**Total Remuneration Excluding Pension Contributions** **£**	**Employer's Pension Contribution** **£**	**Total Remuneration Including Pension Contributions** **£**
Deputy Director Growth & Infrastructure – from December 2010	31,377				31,377	6,056	37,433
Head of Property – to December 2010	60,221	36	2,464	88,016	150,737	11,579	162,316
Associate Director for Shared Services – to February 2011	68,364	268			68,632	0	68,632
Head of Shared Services – to July 2010	28,583		1,645	69,538	99,766	5,517	105,283
Deputy Director – Oxfordshire Customer Services – from January 2011	22,771				22,771	4,395	27,166
Director for Social & Community Services	128,194				128,194	24,741	152,935
Head of Strategy & Transformation	85,750				85,750	16,550	102,300
Head of Community Services – to August 2010	36,878				36,878	7,118	43,996
Head of Major Programmes – to March 2011 (part-time)	42,875				42,875	8,275	51,150
Head of Adult Social Care – to March 2011	97,180				97,180	18,756	115,936
Chief Fire Officer and Head of Community Safety – from June 2010	94,840		252		95,092	20,201	115,293
Deputy Chief Fire Officer:							
Post holder to June 2010	20,902		68		20,970	4,452	25,422
Post holder from June 2010	76,006		706		76,712	16,189	92,901
Assistant Chief Fire Officer and Head of Service Support:							
Post holder to June 2010	20,739		201		20,940	4,417	25,357
Post holder from June to October 2010	31,803	60			31,863	6,774	38,637
Post holder from November 2010 to January 2011	22,018				22,018	4,690	26,708
Post holder from February 2011	14,679				14,679	3,127	17,806
Head of Community Safety – to December 2010	55,738			85,751	141,489	10,757	152,246
	2,488,390	**609**	**8,504**	**595,045**	**3,092,548**	**472,640**	**3,565,188**

14. Exit Packages

The number of exit packages agreed in the year and the cost of those packages is given in the tables below. Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years and costs of early retirements without actuarial reduction in benefits, ex-gratia payments and other departure costs. Ill-health retirements are excluded because they do not meet the Code's definition of termination benefits.

The bandings in the tables include exit packages in the year they were individually agreed. The bandings exclude exit packages provided for as part of redundancy provision in the year the provision was created – the individual exit packages charged against redundancy provisions are included in the bandings in the year of departure.

	Exit Packages 2011/12					
	Compulsory		**Other**		**Total**	
Band (£)	**No.**	**£000**	**No.**	**£000**	**No.**	**£000**
Up to 19,999	437	2,721	63	435	500	3,156
20,000 – 39,999	81	2,183	13	343	94	2,526
40,000 – 59,999	23	1,100	12	577	35	1,677
60,000 – 79,999	6	410	1	74	7	484
80,000 – 99,999	3	282	1	99	4	381
100,000 – 149,999*	0	11	0	0	0	11
150,000 – 199,999	0	0	0	0	0	0
Total	**550**	**6,707**	**90**	**1,528**	**640**	**8,235**
Add new provisions created in year						1,177
Less provision created in previous year						-4,875
Total cost of exit packages in the Comprehensive Income and Expenditure Statement						**4,537**

	Exit Packages 2010/11					
	Compulsory		**Other**		**Total**	
Band (£)	**No.**	**£000**	**No.**	**£000**	**No.**	**£000**
Up to 19,999	97	584	47	317	144	901
20,000 – 39,999	18	544	12	354	30	898
40,000 – 59,999	12	565	12	591	24	1,156
60,000 – 79,999	8	538	1	77	9	615
80,000 – 99,999	7	624	2	166	9	790
100,000 – 149,999	5	584	0	0	5	584
150,000 – 199,999	0	0	0	0	0	0
Total	**147**	**3,439**	**74**	**1,505**	**221**	**4,944**
Add new provisions created in year						4,875
Less provision created in previous year						0
Total cost of exit packages in the Comprehensive Income and Expenditure Statement						**9,819**

*The £0.011m shown in the table above relates to the difference between the amount accrued in 2010/11 for an agreed leaver (and included in the 2010/11 data) and the actual amount paid in 2011/12.

15. Operating Leases

From time to time, the County Council acquires assets under operating leases. The minimum lease payments and contingent rents charged, and sublease payments received for the year, together with future commitments and future sublease payments receivable are set out below, together with comparative figures for 2010/11.

	2010/11		2011/12	
	Plant, Vehicles & Equipment £'000	**Total land and buildings £'000**	**Plant, Vehicles & Equipment £'000**	**Total land and buildings £'000**
Minimum lease payments charged in year	2,412	3,926	2,380	3,931
Contingent rents charged in year	561	53	509	58
Sublease payments received in year	0	-47	0	-5
Future minimum lease payments:				
Within 1 year	2,094	3,681	1,887	3,669
Within 2nd - 5th years	2,350	8,698	2,092	7,526
6th year and beyond	6	8,146	10	6,848
Total commitments	4,450	20,525	3,989	18,043
Total future sublease payments receivable	0	-144	0	-149

The County Council also leases out premises. The minimum lease payments and contingent rents receivable for the year, together with total future minimum lease payments receivable are set out below, together with comparative figures for 2010/11. The County Council leases out property under operating leases for the provision of accommodation for services, such as Children's Centres, Homes for Older People, pre-schools and waste re-cycling centres.

	2010/11		2011/12	
	Plant, Vehicles & Equipment £'000	**Total land and buildings £'000**	**Plant, Vehicles & Equipment £'000**	**Total land and buildings £'000**
Minimum lease payments receivable in year	0	1,027	0	1,322
Contingent rents received in year	0	44	0	1,494
Future minimum lease payments receivable:				
Within 1 year	0	930	0	933
Within 2nd - 5th years	0	2,609	0	2,487
6th year and beyond	0	15,723	0	17,755
Total receivable	0	19,262	0	21,175

The increase in contingent rents received relates to backdated rent increases relating to the Homes for Older People.

16. Other Operating Expenditure

Other Operating Expenditure comprises the gain or loss on the derecognition of non-current assets. The gain or loss is the amount by which the disposal proceeds (if any) are more (gain) or less (loss) than the amount which the non-current asset is held on the balance sheet together with the costs of disposal. In order to comply with statutory/proper practices, the entry is reversed in the Movement in Reserves Statement leaving the cost of disposals chargeable to revenue net of other receipts as a charge against the County Fund. Regulations permit disposal costs of up to 4% of the sale proceeds to be charged against the capital receipt.

Gain/loss on derecognition	**2010/11** £'000	**2011/12** £'000
Capital receipts	-5,862	-1,378
Disposal costs charged against capital receipts	89	25
Net capital receipts	-5,773	-1,353
Other receipts	-75	-76
	-5,848	-1,429
Carrying value of non-current assets derecognised	20,596	125,189
Disposal costs charged to the County Fund	149	73
	20,745	125,262
Gain (-) or loss (+) on derecognition	**14,897**	**123,833**
Adjustments between accounting basis and funding basis	-14,823	-123,836
Net charge to County Fund	**74**	**-3**

17. Financing and Investment Income and Expenditure

A breakdown of the items within the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement is as follows:

	2010/11 £'000	**2011/12 £'000**
Surplus/deficit on trading operations	367	512
Interest payable and similar charges	21,628	20,605
Interest receivable and similar income	-1,750	-2,626
Income and expenditure in relation to investment properties and changes in their fair value	-313	-109
Pensions interest cost and expected return on pensions assets	29,173	15,549
Net fire-fighters Pension Fund Top-Up Grant	-2,267	-2,157
Total Financing and Investment Income & Expenditure	**46,838**	**31,774**

18. Trading Operations

The County Council operates trading accounts for a number of services supplied to directorates and schools within the authority. Details of their financial performance during 2011/12 are as follows:

2010/11		2011/12		
Surplus (-) / Deficit £'000	Trading Unit	Turnover £'000	Expenditure £'000	Surplus (-) / Deficit £'000
199	**Central Support Services** Provision of financial, legal, personnel, IT, printing, property and other support to services within the authority.	63,992	63,992	0
-51	**Catering** Provision of school meals and catering services in the central offices.	7,496	7,599	103
-68	**Cleaning** Provision of cleaning services for schools and Council establishments.	2,625	2,505	-120
287	**Integrated Transport Unit**	3,267	3,796	529
367	**Total**	**77,380**	**77,892**	**512**

19. Financial Instruments - Income, Expenses, Gains or Losses

Financial instruments include bank deposits, investments, debtors (excluding statutory debtors), long-term debtors (excluding lifecycle prepayments), creditors (excluding statutory creditors), borrowings, finance leases and the finance liability element of service concession arrangements. The Code requires financial instruments to be classified into defined categories of assets and liabilities. These are explained in the Summary of Significant Accounting Policies in Note 1.

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

	2011/12				
	Financial Liabilities	**Financial Assets**			**Total**
	Liabilities at amortised cost £'000	**Loans and receivables £'000**	**Available-for-sale assets £'000**	**Assets at fair value through profit & loss £'000**	**£'000**
Interest expense	20,848				20,848
Losses on derecognition		1			1
Reductions in fair value		3			3
Impairment losses		-247			-247
Fee expense			33	20	53
Total expense in Surplus or Deficit on the Provision of Services	**20,848**	**-243**	**33**	**20**	**20,658**
Interest income		-2,070	-334		-2,404
Interest income accrued on impaired financial assets		-42			-42
Increases in fair value				-180	-180
Gains on derecognition					0
Fee income					0
Total income in Surplus or Deficit on the Provision of Services	**0**	**-2,112**	**-334**	**-180**	**-2,626**
Gains/losses on revaluation			-102		-102
Amounts recycled to the Surplus or Deficit on the Provision of Services			0		0
Surplus/deficit arising on the revaluation of financial assets in Other Comprehensive Income and Expenditure			**-102**		**-102**
Net gain(-)/loss for the year	**20,848**	**-2,355**	**-403**	**-160**	**17,930**

Details of the Icelandic bank deposits impairment are provided in Note 39.

Comparative figures for 2010/11 are as follows:

	2010/11				
	Financial Liabilities	**Financial Assets**			**Total**
	Liabilities at amortised cost £’000	**Loans and receivables £’000**	**Available-for-sale assets £’000**	**Assets at fair value through profit & loss £’000**	**£’000**
Interest expense	21,420				21,420
Losses on derecognition					0
Reductions in fair value					0
Impairment losses		208			208
Fee expense	11			45	56
Total expense in Surplus or Deficit on the Provision of Services	**21,431**	**208**	**0**	**45**	**21,684**
Interest income		-1,023	-209		-1,232
Interest income accrued on impaired financial assets		-216			-216
Increases in fair value				-302	-302
Gains on derecognition					0
Fee income		-17			-17
Total income in Surplus or Deficit on the Provision of Services	**0**	**-1,256**	**-209**	**-302**	**-1,767**
Gains/losses on revaluation					0
Amounts recycled to the Surplus or Deficit on the Provision of Services					0
Surplus/deficit arising on the revaluation of financial assets in Other Comprehensive Income and Expenditure			**0**		**0**
Net gain(-)/loss for the year	**21,431**	**-1,048**	**-209**	**-257**	**19,917**

20. Retirement Benefits

As part of the terms and conditions of employment of its employees, the County Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the County Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The County Council participates in three pension schemes:

- The Local Government Pension Scheme. This is a funded scheme, meaning that the County Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

- The Fire-fighters' Pension Scheme. This is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pension payments as they fall due. The County Council and employees pay contributions into a fund and where these are not sufficient to meet pension payments for the year, the deficit is met by central government top-up grant. Any surplus in the pension fund in the year is paid back to central government. There are two fire-fighters pension schemes in operation, the 1992 scheme and the 2006 scheme. These schemes are disclosed separately within the notes which follow, together with injury pensions and ill health retirements which are funded directly by the County Council and are not met from the pension fund account.

- The Teachers' Pension Scheme. This is an unfunded scheme administered by the Teachers' Pension Agency and provides teachers with defined benefits upon their retirement. The County Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2011/12 the County Council paid £24.469m (2010/11 £25.533m) to the Teachers' Pension Agency in respect of teachers' pension costs. The percentage of pensionable pay was 14.1% (14.1% in 2010/11). As at 31 March 2012 there was £2.815m owed to the Teachers' Pension Agency in respect of accrued pensions contributions (£3.083m in 2010/11). The County Council did not award any termination benefits during the year.

The Local Government Pension Scheme and Fire-fighters' Pension Scheme are classified as defined benefit final salary schemes for accounting purposes (see Post-Employment Benefits within the Summary of Significant Accounting Policies, page 17). Both the Local Government Pension Scheme and the Fire-fighters Pension Scheme have their own fund accounts through which pension transactions are paid (see pages 124 and 162 respectively).

The Teachers' Pension Scheme is a defined benefit final salary scheme, but because of the way the scheme is centrally managed the County Council is unable to identify its share of the underlying assets and liabilities of the scheme and it is therefore classified as a defined contribution scheme for accounting purposes. Charges are included in the Surplus or Deficit in the Provision of Services but there are no liabilities to disclose in the Balance Sheet with the exception of all pension payments relating to added years which the County Council has awarded to teachers. As the County Council is responsible for funding these added years payments they are treated as a defined benefit scheme.

The cost of retirement benefits arising from defined benefit schemes are recognised in the Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge the County Council is required to make against the County Fund Balance (and hence Council Tax) is based on cash payable in the year so the real cost of pension benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the accounts this year:

	Local Government Pension Scheme		Fire-fighters' 1992 Pension Scheme		Fire-fighters' 2006 Pension Scheme		Fire-fighters' Injury Pensions & unfunded ill health retirements		Teacher's Added Years		Total	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Cost of Services												
Current service cost	44,102	32,947	3,887	2,973	510	365					48,499	36,285
Past service costs	-94,918		-12,984		-285		-557		-10,810		-119,554	0
Curtailments & settlements	857	-1,273									857	-1,273
	-49,959	31,674	-9,097	2,973	225	365	-557	0	-10,810	0	-70.198	35,012
Financing and Investment Income & Expenditure												
Pension interest cost	54,931	48,301	7,650	6,289	141	146	301	515	3,137	2,060	66,160	57,311
Expected return on assets in the scheme	-36,987	-41,762									-36,987	-41,762
Government Top-Up Grant/Surplus payable to Government			-2,934	-2,819	667	662					-2,267	-2,157
Surplus/Deficit on the Provision of Services	-32,015	38,213	-4,381	6,443	1,033	1,173	-256	515	-7,673	2,060	-43,292	48,404
Amounts by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	69,326	-2,010	5,874	-4,930	-688	-804	642	-223	11,069	1,340	86,223	-6,627
Actual amount charged against the County Fund Balance for pensions in the year:												
Employer's contributions payable to the scheme	37,311	36,203	1,493	1,513	345	369					39,149	38,085
Retirement benefits payable to pensioners							386	292	3,396	3,400	3,782	3,692

The total contributions expected to be made by the County Council to the Local Government Pension Scheme (LGPS) in 2012/13 are £32.185m for funded benefits (£34.427m in 2011/12). £1.403m of LGPS unfunded benefits are expected to be paid to beneficiaries in 2012/13 (£1.398m in 2011/12). Expected contributions to the Fire-fighters Pension Scheme in 2012/13 (including Government Top-Up Grant) are £4.251m for the 1992 Scheme and a credit of £0.249m (due to the Top-Up Grant arrangement) for the 2006 Scheme (£4.564m and a credit of £0.345m in 2011/12 respectively). Expected payments to beneficiaries in 2012/13 are £3.759m for Teachers Added Years and £0.300m for Fire-fighters' injury pensions and Unfunded Ill Health Retirements (£3.720m and £0.284m in 2011/12 respectively).

The liabilities set out in the following table show the underlying long-term commitments that the County Council has to pay retirement benefits. The total net liability of £661.446m (2010/11 £436.782m) after taking into account pension scheme assets, has a substantial impact on the net worth of the County Council as recorded in the Balance Sheet, reducing it by 58% (2010/11 37%). However, the statutory arrangements for funding the deficit ensure that:

- The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- The rates of employee and employer contributions for the Fire-fighters' Pension Scheme will be reviewed regularly by actuaries acting on behalf of the government to ensure that they reflect the true cost of accruing pensions.
- Finance is only required to be raised to cover teachers added years benefits and fire-fighters injury pensions and unfunded ill health retirements when they are actually paid.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This had the effect of reducing the County Council's pension scheme liabilities as at 31 March 2011 by £119.554m and was recognised as a past service gain in 2010/11.

A reconciliation of the opening and closing balances of the present value of scheme liabilities is as follows:

	Local Government Pension Scheme (funded benefits)		Local Government Pension Scheme (unfunded benefits)		Fire-fighters' 1992 Pension Scheme		Fire-fighters' 2006 Pension Scheme		Fire-fighters' Injury Pensions & unfunded ill health retirements		Teachers' Added Years		Total	
	2010/11 £'000	**2011/12 £'000**	**2010/11 £'000**	**2011/12 £'000**	**2010/11 £'000**	**2011/12 £'000**	**2010/11 £'000**	**2011/12 £'000**	**2010/11 £'000**	**2011/12 £'000**	**2010/11 £'000**	**2011/12 £'000**	**2010/11 £'000**	**2011/12 £'000**
Opening balance at 1 April	1,072,522	853,175	23,148	17,055	135,286	114,993	2,149	2,345	5,675	9,505	59,844	40,502	1,298,624	1,037,575
Current service cost	44,102	32,947			3,887	2,973	510	365					48,499	36,285
Interest cost	53,695	47,400	1,236	901	7,650	6,289	141	146	301	515	3,137	2,060	66,160	57,311
Contributions by scheme participants	11,831	11,028			776	764	266	279					12,873	12,071
Actuarial gains (-) and losses(+)	-210,583	154,965	-1,702	1,670	-14,419	19,934	-492	940	343	877	-8,273	5,184	-235,126	183,570
Allowance for future injury pensions									4,129				4,129	0
Benefits paid	-28,597	-34,075	-1,361	-1,369	-2,269	-2,278	-611	-648	-386	-291	-3,396	-3,400	-36,620	-42,061
Past service cost	-90,652		-4,266		-12,984		-285		-557		-10,810		-119,554	0
Curtailments	857	2,476											857	2,476
Settlements		-3,739												-3,739
Fire-fighters pension scheme top-up grant					-2,934	-2,819	667	662					-2,267	-2,157
Closing balance at 31 March	**853,175**	**1,064,177**	**17,055**	**18,257**	**114,993**	**139,856**	**2,345**	**4,089**	**9,505**	**10,606**	**40,502**	**44,346**	**1,037,575**	**1,281,331**

A summary of scheme liabilities, assets and deficits is set out below:

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Present value liabilities:					
Local Government Pension Scheme (funded benefits)	673,345	747,256	1,072,522	853,175	1,064,177
Local Government Pension Scheme (unfunded benefits)	19,628	20,463	23,148	17,055	18,257
Fire-fighters' 1992 Pension Scheme	108,891	113,721	135,286	114,993	139,856
Fire-fighters' 2006 Pension Scheme	977	1,641	2,149	2,345	4,089
Fire-fighters' Injury Pensions	4,685	4,894	5,675	9,505	10,606
Teachers' Added Years	50,687	52,920	59,844	40,502	44,346
Total present value liabilities	**858,213**	**940,895**	**1,298,624**	**1,037,575**	**1,281,331**
Fair value of assets in the Local Government Pension Scheme	**481,783**	**383,341**	**546,584**	**600,793**	**619,885**
Deficit in the scheme:					
Local Government Pension Scheme (funded)	191,562	363,915	525,938	252,382	444,292
Local Government Pension Scheme (unfunded)	19,628	20,463	23,148	17,055	18,257
Fire-fighters' 1992 Pension Scheme	108,891	113,721	135,286	114,993	139,856
Fire-fighters' 2006 Pension Scheme	977	1,641	2,149	2,345	4,089
Fire-fighters' Injury Pensions	4,685	4,894	5,675	9,505	10,606
Teachers' Added Years	50,687	52,920	59,844	40,502	44,346
Total Net Deficit	**376,430**	**557,554**	**752,040**	**436,782**	**661,446**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The schemes have been assessed by Barnett Waddingham Public Sector Consulting, an independent firm of actuaries using estimates based on the latest full valuation of the scheme at 31 March 2010.

The Fire-fighters' Pension Scheme has no assets to cover its liabilities. Assets in the Local Government Pension Scheme are valued at fair value, principally market value of investments. A reconciliation of the fair value of assets in the Local Government Pension Scheme (funded benefits) is as follows:

	2010/11 £'000	2011/12 £'000
Opening balance at 1 April	546,584	600,793
Expected rate of return	36,987	41,762
Actuarial gains (+) and losses (-)	-1,962	-34,467
Employer contributions	35,950	34,834
Contributions by scheme participants	11,831	11,028
Benefits paid	-28,597	-34,075
Receipt of bulk transfer		10
Closing balance 31 March	**600,793**	**619,885**

The assets in the Local Government Pension Scheme consist of the following categories by proportion of the total scheme assets:

	31 March 2011 %	31 March 2012 %
Equities	72	70
Gilts	9	10
Other bonds	5	6
Property	6	6
Cash	3	3
Other assets	5	5
Total	**100**	**100**

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2011 for the year to 31 March 2012). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields. The assumed rate of return on each asset class is set out in the next table. The actual gain on scheme assets in the year was £7.296m (£45.659m in 2010/11).

The main assumptions used in the retirement benefit calculations are as follows:

	Local Government Pension Scheme (funded)		Local Government Pension Scheme (unfunded)		Fire-fighters' 1992 Pension Scheme		Fire-fighters' 2006 Pension Scheme		Fire-fighters' Injury Pensions		Teachers' Added Years	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
Long-term expected rate of return on assets in the scheme:												
Equities	7.4%	6.3%	-	-	-	-	-	-	-	-	-	-
Gilts	4.4%	3.3%	-	-	-	-	-	-	-	-	-	-
Other Bonds	5.5%	4.6%	-	-	-	-	-	-	-	-	-	-
Property	6.4%	5.3%	-	-	-	-	-	-	-	-	-	-
Cash	3.0%	3.0%	-	-	-	-	-	-	-	-	-	-
Other assets	7.4%	6.3%	-	-	-	-	-	-	-	-	-	-
Mortality assumptions*:												
Men:												
Base Table	S1PA Heavy with allowance for medium cohort projection		S1PA Heavy with allowance for medium cohort projection		S1NA for 2007		S1NA for 2007		S1NA for 2007		S1PA Heavy with allowance for medium cohort projection	
Cohort improvement factors (from 2007)	N/A		N/A		80% of LC		80% of LC		80% of LC		N/A	
Minimum improvement factors	1.00%		1.00%		1.25%		1.25%		1.25%		1.00%	
Longevity from 65 (currently aged 65) (yrs)	21.5	19.0	21.5	19.0	22.2	22.3	22.2	22.3	22.2	22.3	21.5	19.0
Longevity from 65 (currently aged 45) (yrs)	23.4	21.0	23.4	21.0	24.6	24.7	24.6	24.7	24.6	24.7	23.4	21.0

	Local Government Pension Scheme (funded)		Local Government Pension Scheme (unfunded)		Fire-fighters' 1992 Pension Scheme		Fire-fighters' 2006 Pension Scheme		Fire-fighters' Injury Pensions		Teachers' Added Years	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
Women:												
Base Table	S1PA Heavy with allowance for medium cohort projection		S1PA Heavy with allowance for medium cohort projection		S1NA for 2007		S1NA for 2007		S1NA for 2007		S1PA Heavy with allowance for medium cohort projection	
Cohort improvement factors (from 2007)	N/A		N/A		60% of LC		60% of LC		60% of LC		N/A	
Minimum improvement factors	1.00%		1.00%		1.25%		1.25%		1.25%		1.00%	
Longevity from 65 (currently aged 65) (yrs)	24.1	23.1	24.1	23.1	24.3	24.4	24.3	24.4	24.3	24.4	24.1	23.1
Longevity from 65 (currently aged 45) (yrs)	25.9	25.0	25.9	25.0	26.7	26.8	26.7	26.8	26.7	26.8	25.9	25.0
Financial Assumptions:												
Retail Price Index (RPI) increases	3.5%	3.3%	3.5%	3.3%	3.5%	3.3%	3.5%	3.3%	3.5%	3.3%	3.5%	3.3%
Consumer Price Index (CPI) increases	2.7%	2.5%	2.7%	2.5%	2.7%	2.5%	2.7%	2.5%	2.7%	2.5%	2.7%	2.5%
Rate of increase in salaries	5.0%	4.7%	5.0%	4.7%	5.0%	4.8%	5.0%	4.8%	N/A	N/A	5.0%	4.7%
Rate of increase in pensions and deferred pensions	2.7%	2.5%	2.7%	2.5%	2.7%	2.5%	2.7%	2.5%	2.7%	2.5%	2.7%	2.5%
Rate for discounting scheme liabilities	5.5%	4.6%	5.5%	4.6%	5.5%	4.6%	5.5%	4.6%	5.5%	4.6%	5.5%	4.6%

*Explanations of abbreviations are given in the glossary

In addition the following assumptions have been made for all schemes:

- Members will exchange half of their commutable pension for cash at retirement
- Active members retire one year later than they are first able to do so without reduction

The effect of a change in the discount rate by +/- 0.1% or a change in the mortality age rating assumption by +/- 1 year is set out below.

	Local Government Pension Scheme (funded)		Local Government Pension Scheme (unfunded)		Fire-fighters 1992 Pension Scheme		Fire-fighters 2006 Pension Scheme		Fire-fighters' Injury Pensions & Ill Health Retirements		Teachers Added Years	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Adjustment to discount rate:												
+0.1%												
Reduction in Scheme Liabilities	21,221	26,699	217	217	3,047	3,474	100	163	81	140	499	510
Reduction in Projected Service Cost	1,426	1,583	-	-	143	169	26	34	-	-	-	-
-0.1%												
Increase in Scheme Liabilities	21,827	27,458	219	220	3,144	3,582	104	171	83	143	505	516
Increase in Projected Service Cost	1,470	1,632	-	-	148	175	27	35	-	-	-	-
Adjustment to mortality age rating assumption:												
+1 year												
Reduction in Scheme Liabilities	31,348	40,670	635	702	4,054	5,560	76	154	193	440	1,461	1,647
Reduction in Projected Service Cost	1,708	2,033	-	-	121	180	19	32	-	-	-	-
-1 year												
Increase in Scheme Liabilities	31,762	41,218	643	710	4,093	5,597	75	155	197	444	1,479	1,666
Increase in Projected Service Cost	1,730	2,062	-	-	121	181	20	32	-	-	-	-

In addition to the gains and losses included in the Surplus or Deficit on the Provision of Services, there was also an actuarial loss of £218.037m (gain of £233.164m in 2010/11) included in Other Comprehensive Income and Expenditure. The cumulative amount of actuarial losses recognised in Other Comprehensive Income and Expenditure is £432.891m (£214.854m in 2010/11). An additional allowance of £4.129m for future fire-fighters injury pensions was also included in Other Comprehensive Income and Expenditure in 2010/11.

The movements on the Pension Reserve are set out in the following table:

2010/11 £'000		**2011/12 £'000**
-752,040	Balance as at 1 April	-436,782
86,223	Net charge made for retirement benefits in accordance with IAS19	-6,627
233,164	Actuarial gains (+) and losses (-)	-218,037
-4,129	Additional allowance for fire-fighters injury pensions	
-436,782	**Balance as at 31 March**	**-661,446**

The actuarial gains and losses identified as movements on the Pension Reserve can be analysed into the following categories, measured as a percentage of liabilities or assets as at 31 March.

	2007/08 %	**2008/09 %**	**2009/10 %**	**2010/11 %**	**2011/12 %**
Experience gains and losses on liabilities:					
Local Government Pension Scheme (funded benefits)	-3.10	-0.35	0.00	6.44	0.00
Local Government Pension Scheme (unfunded benefits)	-13.67	-1.20	0.00	-6.49	-6.14
Fire-fighters 1992 Pension Scheme	6.63	-0.55	16.71	0.00	0.00
Fire-fighters 2006 Pension Scheme	-10.24	0.00	62.96	0.00	0.00
Fire-fighters Injury Pensions & Ill health	-1.07	-1.23	-1.07	-6.88	0.00
Teachers' Added Years	-3.39	-1.18	0.00	2.85	-8.56
Difference between the expected and actual return on assets in the local government pension scheme	-11.62	-39.77	21.85	1.44	-5.56

21. Taxation and Non-Specific Grant Income

A breakdown of the items in the Taxation and Non-Specific Grant Income line within the Comprehensive Income and Expenditure Statement is as follows:

	2010/11 £'000	2011/12 £'000
Council Tax income	285,025	286,745
Non-domestic rates	92,840	93,316
Non-ringfenced government grants	56,897	79,337
Capital grants and contributions	63,741	70,789
Total Taxation and Non-Specific Grant Income	**498,503**	**530,187**

22. Grant Income

The County Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

Credited to Taxation and Non Specific Grant Income:

	2010/11 £'000	2011/12 £'000
Revenue Support Grant	13,481	28,844
Area Based Grant	39,778	
Early Intervention Grant		21,445
Learning Disabilities and Health Reform Grant		19,224
Council Tax Freeze Grant		7,067
Other revenue grants	3,638	2,757
Capital grants	57,947	64,915
Developer contributions	4,282	4,553
Other capital contributions	1,512	719
Donated assets		602
Total	**120,638**	**150,126**

Credited to Services:

	2010/11 £'000	2011/12 £'000
Dedicated Schools Grant (DSG)	333,471	382,418
Sixth Form Funding (including Further Education funding in 2010/11)	44,490	25,611
Pupil Premium Grant		4,317
Adult Learning	3,493	3,934
Asylum Seekers	2,071	1,403
Standards Fund (part of DSG in 2011/12)	34,222	
Schools Standards Grant (part of DSG in 2011/12)	17,963	
Sure Start (part of Early Intervention Grant in 2011/12)	18,194	
Pothole Grant	3,525	
Other grants	9,174	9,556
Total	**466,603**	**427,239**

At the end of June 2011 the County Council was notified of an additional £2.692m of Dedicated Schools Grant for 2010/11 after the accounts had been authorised for issue. The additional grant relates to an adjustment to the reduction for schools converting to academy status. This additional grant has been recognised in 2011/12.

23. Related Party Transactions

The County Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the County Council or to be controlled or influenced by the County Council. Disclosure of these transactions allows the reader of the accounts to assess the extent to which the County Council might have been constrained in its ability to operate independently or might have limited another party's ability to pursue its interests independently.

Central government is responsible for the statutory framework within which all local authorities operate and provides the majority of the County Council's funding in the form of general grants, national non-domestic rates and specific grants. Note 63 on Cash Flow Statement – Operating Activities summarises the main transactions with central government and details of revenue government grant receipts are provided in Note 66.

Members of the County Council have direct control over the County Council's financial and operating policies. The Chief Executive and directors who are members of the County Council Management Team, deputy directors and heads of service may have some influence on the direction of these policies. Wherever applicable, transactions have been made following proper consideration of declarations of interest. A member of the Council is also a committee member for Donnington Doorstep and Littlemore Youth Club, both of which received grants from the County Council in 2011/12 (£0.011m and £0.006m respectively). The Council member took no part in the decision to award the grants. There are no other related party transactions to disclose between the County Council and members, directors, deputy directors or heads of service.

The County Council administers the Oxfordshire Pension Fund and this is a related party. During the year ended 31 March 2012, the County Council made employer contributions totalling £35.306m to the Fund (£36.140m in 2010/11). The County Council charged the Fund £1.035m (£1.051m in 2010/11) for expenses incurred in administering the Fund. As at 31 March 2012 £2.584m was due to the Pension Fund and £0.019m by the Pension Fund (£1.177m and £0.790m respectively as at 31 March 2011).

A number of members of the County Council are also members of district councils within the county and these are considered to be related parties. Details for the financial year 2011/12 are as follows:

Oxford City	South Oxfordshire	West Oxfordshire
Mohammed Altaf-Khan	Patrick Greene (to 5 May 2011)	Louise Chapman
Alan Armitage	Tony Harbour	Pete Handley
Roy Darke	Anne Purse	David Harvey
Jean Fooks	Bill Service	Steve Hayward
John Goddard	David Turner	Hilary Hibbert-Biles
Saj Malik		Ian Hudspeth
Susanna Pressel		Neil Owen
Val Smith		
John Tanner		

Cherwell	Vale of White Horse
Alyas Ahmed	Marilyn Badcock (from 5 May 2011)
Maurice Billington	Michael Badcock (from 5 May 2011)
Norman Bolster	Jenny Hannaby
Ann Bonner	Peter Jones (from 5 May 2011)
Catherine Fulljames	Sandy Lovatt (from 5 May 2011)
Michael Gibbard	Zoé Patrick (to 5 May 2011)
Timothy Hallchurch MBE	Melinda Tilley
Kieron Mallon	
George Reynolds	
Keith Strangwood (to 5 May 2011)	
Lawrie Stratford	
Nicholas Turner	

Some members of the County Council are also members of Thames Valley Police Authority and these are considered to be related parties. Details for the financial year 2011/12 are as follows:

Kieron Mallon
Zoé Patrick

A summary of transactions with the district councils is given below, split between those transactions with Collection Funds (non-domestic rates payments and precepts received for the County Council's share of Council Tax receipts) and other transactions. Other transactions include payments for waste recycling and joint use sports facilities.

2011/12 District Council	Collection Fund Transactions		Other Transactions	
	Rates £'000	Precepts £'000	Payments £'000	Receipts £'000
Cherwell	1,845	-59,223	2,087	-526
Oxford City	2,305	-54,686	3,737	-2,280
South Oxfordshire	1,963	-65,396	1,622	-289
Vale of White Horse	1,461	-57,209	1,310	-233
West Oxfordshire	1,661	-49,942	1,963	-427
Total	**9,235**	**-286,456**	**10,719**	**-3,755**

2010/11 District Council	Collection Fund Transactions		Other Transactions	
	Rates £'000	Precepts £'000	Payments £'000	Receipts £'000
Cherwell	1,861	-58,691	2,508	-405
Oxford City	2,358	-54,709	5,512	-1,446
South Oxfordshire	1,845	-64,646	2,322	-341
Vale of White Horse	1,469	-56,820	1,819	-312
West Oxfordshire	1,514	-48,683	1,364	-380
Total	**9,047**	**-283,549**	**13,525**	**-2,884**

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Other related party transactions in 2011/12, not disclosed elsewhere in the accounts, are as follows:

- Payments of £22.546m (2010/11 £23.911m) were made to The Ridgeway Partnership for the provision of health care and social support services for people who have a learning disability. Note the Surplus or Deficit on the Provision of Services only reflects the County Council's contribution to the pooled budget not all payments relating to the pool arrangement.

No other related parties have been identified.

24. Movement of Property, Plant and Equipment

2011/12	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE* £'000
Cost or Valuation as at 1 April	**1,092,155**	**110,443**	**386,117**	**1,695**	**23,236**	**1,613,646**	**13,871**
Additions	33,342	3,993	25,459		9,444	72,238	5,162
Donations		602				602	
Revaluation increases recognised in the Revaluation Reserve	12,565			1,018		13,583	4,648
Revaluation decreases recognised in the Revaluation Reserve	-1,943			-260		-2,203	-297
Revaluation increases recognised in the Surplus/Deficit on Provision of Services	5,736			58		5,794	795
Revaluation decreases recognised in the Surplus/Deficit on Provision of Services	-25,675			-1,328		-27,003	-4,867
Derecognition - disposals	-557	-561				-1,118	
Derecognition - other	-110,886	-16,595			-5,430	-132,911	-503
Assets reclassified to/from Held for Sale				235		235	
Assets reclassified to/from Investment Properties						0	
Transfers	-15,266	30,003		2,579	-17,316	0	-993
Other Movements in cost or valuation		-262	-2,900			-3,162	
Cost or Valuation as at 31 March	**989,471**	**127,623**	**408,676**	**3,997**	**9,934**	**1,539,701**	**17,816**
Depreciation as at 1 April	**-2,825**	**-27,166**	**-74,805**	**-6**	**0**	**-104,802**	**-334**
Depreciation charge	-13,093	-12,260	-11,096	-6		-36,455	-228
Depreciation written out to the Revaluation Reserve	697					697	309
Depreciation written out to the Surplus/Deficit on Provision of Services	362			40		402	24
Derecognition - disposals	6	527				533	
Derecognition - other	627	5,407				6,034	50
Assets reclassified to/from Held for Sale						0	
Assets reclassified to/from Investment Properties						0	

2011/12 continued	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
Depreciation on transfer	40			-40		0	9
Other movements in depreciation						0	
Depreciation as at 31 March	**-14,186**	**-33,492**	**-85,901**	**-12**	**0**	**-133,591**	**-170**
Impairment as at 1 April	**-641**	**-123**	**0**	**0**	**-938**	**-1,702**	**0**
Impairment losses recognised in the Revaluation Reserve	-6,713					-6,713	-38
Impairment loss reversals recognised in the Revaluation Reserve						0	
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-15,820	-1,523				-17,343	-817
Impairment loss reversals recognised in the Surplus/Deficit on the Provision of Services						0	
Impairment written out to the Revaluation Reserve	58					58	
Impairment written out to the Surplus/Deficit on the Provision of Services	16,848					16,848	855
Derecognition - disposals						0	
Derecognition - other	649	1,448			938	3,035	
Assets reclassified to/from Held for Sale						0	
Impairment on transfer						0	
Other movements in impairment						0	
Impairment as at 31 March	**-5,619**	**-198**	**0**	**0**	**0**	**-5,817**	**0**
Net Book Value at 31 March 2011	1,088,689	83,154	311,312	1,689	22,298	1,507,142	13,537
Net Book Value at 31 March 2012	969,666	93,933	322,775	3,985	9,934	1,400,293	17,646

*Service concession arrangement assets as at 1 April 2011 have been restated to include land previously not part of the arrangement

2010/11	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
Cost or Valuation as at 1 April	**1,146,392**	**46,856**	**364,601**	**1,365**	**27,266**	**1,586,480**	**11,015**
Additions	41,466	11,729	21,516		17,617	92,328	6,932
Donations						0	
Revaluation increases recognised in the Revaluation Reserve	9,470					9,470	1,264
Revaluation decreases recognised in the Revaluation Reserve	-5,358					-5,358	-31
Revaluation increases recognised in the Surplus/Deficit on Provision of Services	27,224					27,224	18
Revaluation decreases recognised in the Surplus/Deficit on Provision of Services	-75,704					-75,704	-3,092
Derecognition - disposals	-4,607	-1,673				-6,280	
Derecognition - other	-12,003	-1,623			-1,033	-14,659	-2,866
Assets reclassified to/from Held for Sale	-235			330		95	
Assets reclassified to/from Investment Properties	50					50	
Transfers	-34,540	55,154			-20,614	0	-410
Cost or Valuation as at 31 March	**1,092,155**	**110,443**	**386,117**	**1,695**	**23,236**	**1,613,646**	**12,830**
Depreciation as at 1 April	**-2,512**	**-21,289**	**-64,337**	**0**	**0**	**-88,138**	**-116**
Depreciation charge	-13,870	-7,904	-10,468	-6		-32,248	-259
Depreciation written out to the Revaluation Reserve	8,807					8,807	
Depreciation written out to the Surplus/Deficit on Provision of Services	4,578					4,578	
Derecognition - disposals	34	431				465	
Derecognition - other	138	1,596				1,734	41
Assets reclassified to/from Held for Sale						0	
Assets reclassified to/from Investment Properties						0	
Depreciation on transfer						0	
Depreciation as at 31 March	**-2,825**	**-27,166**	**-74,805**	**-6**	**0**	**-104,802**	**-334**

2010/11 continued	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
Impairment as at 1 April	**-235**	**0**	**0**	**0**	**-938**	**-1,173**	**0**
Impairment losses recognised in the Revaluation Reserve	-12,945					-12,945	
Impairment loss reversals recognised in the Revaluation Reserve						0	
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-35,790	-123				-35,913	
Impairment loss reversals recognised in the Surplus/Deficit on the Provision of Services						0	
Impairment written out to the Revaluation Reserve	13,961					13,961	
Impairment written out to the Surplus/Deficit on the Provision of Services	31,627					31,627	
Derecognition - disposals						0	
Derecognition - other	2,741					2,741	
Assets reclassified to/from Held for Sale						0	
Impairment on transfer						0	
Impairment as at 31 March	**-641**	**-123**	**0**	**0**	**-938**	**-1,702**	**0**
Net Book Value at 31 March 2010	1,143,645	25,567	300,264	1,365	26,328	1,497,169	10,899
Net Book Value at 31 March 2011	1,088,689	83,154	311,312	1,689	22,298	1,507,142	12,496

25. Movement in the Fair Value of Investment Properties

2010/11 £'000		2011/12 £'000
4,653	**Balance at 1 April**	**4,780**
-135	Derecognition	-372
312	Net gains (+)/losses (-) from fair value adjustments	113
-50	Assets reclassified to/from Investment Properties	
4,780	**Balance at 31 March**	**4,521**

None of the investment properties are held under operating leases. There are no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.

26. Movement in the value of Assets Held for Sale

2010/11			2011/12	
Assets held for Sale £'000	Service Concession Assets included in AhS £'000		Assets held for Sale £'000	Service Concession Assets included in AhS £'000
5,357	**667**	**Balance at 1 April**	**984**	**0**
		Assets newly classified as held for sale:		
322		- Property, Plant and Equipment		
-130		Revaluation losses	-7	
98		Revaluation gains recognised in the Surplus/Deficit on the Provision of Services		
200		Revaluation gains recognised in the Revaluation Reserve		
		Impairment losses	-248	
		Assets declassified as held for sale:		
-417		- Property, Plant and Equipment	-235	
-4,462	-667	Assets derecognised	-390	
16		Additions		
984	**0**	**Balance at 31 March**	**104**	**0**

All of the assets held for sale are classified as current assets because they are expected to be realised within the next 12 months.

27. Movement in the value of Intangible Assets

The County Council capitalised £0.405m of purchased software licenses in 2011/12 (£0.229m in 2010/11). The movement in the carrying value of intangible assets for the year was as follows:

2010/11 £'000		2011/12 £'000
6,690	Gross Carrying Value at 1 April	6,919
229	Additions	405
	Derecognition	-1,144
6,919	**Gross Carrying Value at 31 March**	**6,180**
-1,634	Amortisation at 1 April	-3,432
-1,798	Amortisation for the year	-1,794
	Amortisation on derecognition	1,144
-3,432	**Amortisation at 31 March**	**-4,082**
5,056	Net Book Value at 1 April	3,487
3,487	**Net Book Value at 31 March**	**2,098**

There have been no intangible assets acquired by way of government grant.

The service lines within which amortisations for the year are recognised are as follows:

2010/11 £'000	Service Line	2011/12 £'000
730	Children's and Education Services	697
697	Adult Social Care	702
163	Highways and Transport Services	180
116	Fire and Rescue Services	121
33	Environmental and Regulatory Services	27
25	Cultural and Related Services	28
32	Planning Services	36
2	Central Services to the Public	3
0	Other Corporate Services	0
1,798	**Total**	**1,794**

28. Heritage Assets

Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. This category of assets excludes assets with heritage characteristics that are used by the County Council in the provision of services - these are accounted for as operational assets within Property, Plant and Equipment.

The main heritage assets held by the County Council comprise museum collections, history centre collections and archaeological sites, details of which are provided below.

The Oxfordshire Museums Service collects, preserves and presents for the education and enjoyment of current and future generations, material relating to the heritage of Oxfordshire. The museum collections comprise:

- Archaeology collections - these cover a broad time span from the Palaeolithic to the 17th century. Most of the collections are acquired following excavation as a result of development. There are 38,553 items held, almost all of which are owned by the County Council, and include some material of national significance.

- History collections - these illustrate the lives of ordinary people in Oxfordshire over the last 400 years. They are used in permanent displays throughout the county, in temporary exhibitions and for study and enjoyment by local groups and individuals. The collections cover a range of industries, crafts and activity including textile industries, agriculture and associated food processing, woodland industries, car manufacture, brewing, retail, slate production and rural crafts. There are 47,123 items held, the vast majority of which are owned by the County Council.

- Textile collection - this covers a range of men's, women's and children's dress from the 17th century to the 20th century, together with some costume accessories and textiles and includes some items of national importance.

- Other collections - the Museum Service holds 1,000 natural science specimens, a collection of prints and drawings either by an Oxfordshire based artist or depicting Oxfordshire, a collection of contemporary craftwork, photographic collections, a historic motor vehicle and handling collections. The latter comprises approximately 8,544 objects suitable for handling by the public in educational and community sessions. The majority of items reflect domestic and social history, in addition there are archaeological replicas and some boxed natural history specimens.

The Oxfordshire History Centre is responsible for the written and printed heritage of Oxfordshire. The Centre currently holds 7,819 linear metres of collections and approximately 5,000 hours of oral history recordings. The collections comprise:

- Administrative records - these include items such as county, district and parish council records and court sessions and include minutes, accounts, legal papers, inquests, correspondence and deeds. Some of these are on loan to the County Council.

- Church records - These records on loan to the County Council include diocesan records for Oxford Diocese, archdeaconry records for the Archdeaconry of Oxford, and parish records for all parishes within the archdeaconry.

- Private deposits - these include items such as business records, estate papers, family papers, property records and a range of other types of deposit. Most of these are on loan to the County Council.

- Other records - these include books, newspapers, magazines, journals, pamphlets, posters, ephemera, microfilm, digital files, and research notes. Most of these records are owned by the County Council.

Archaeological sites within Oxfordshire range from Neolithic ritual landscapes, iron-age and Roman settlements and small towns, Anglo-Saxon hamlets, to later Saxon and medieval villages and towns, monasteries and markets. A database of such assets is maintained by the County Council to form the basis for advice on planning applications; only a few of these sites are in the County Council's ownership.

Other heritage assets held by the County Council include paintings within County Hall, a bronze statue and the Chairman's Chain of Office and a small number of properties with heritage characteristics that are not used for operational purposes, such as the Castle Mound. None of these items are valued above the County Council's de-minimis limit.

The Oxfordshire Museums Service has a detailed 'Acquisition and Disposal Policy 2011 – 2016' which covers acquisition, management, preservation and disposal of collections. These documents are available on request to the Oxfordshire Museums Service.

Detailed documents are available on the acquisition, management and preservation of the Oxfordshire History Centre documents. This includes the 'Archives Acquisition Policy', 'Oxfordshire Records Office Preservation Policy', 'Access to Uncatalogued Material' and 'Access to the Searchroom and conduct of researchers'. Disposals do not normally take place as the acquisition policy should ensure unwanted material is not accepted. These documents are available on request to the Oxfordshire History Centre.

The County Council's Policy on acquisition, management, preservation and disposal of property assets is available in the Consultants Manual accessible through the County Council's public website.

Information is not available on the cost of the heritage assets held by the County Council, other than for a very small number of items, as the majority have been donated or acquired by excavation. The County Council considers that obtaining valuations for the museum and history centre collections would involve a disproportionate cost in comparison to the benefits to the users of the accounts and therefore does not recognise these assets on the Balance Sheet. The County Council does not consider that reliable valuation information can be obtained for the archaeological sites because of the diverse nature of the sites and lack of comparable market values, and therefore does not recognise these assets on the Balance Sheet.

Although current valuation information is not available to recognise the heritage assets on the Balance Sheet, contents insurance of £2.4m for the Museum Service and the Oxfordshire History Centre (based on historic valuations) provides an indication of the value of these items not recognised on the Balance Sheet.

29. Valuation of non-current assets

It is the policy of the County Council to revalue land, buildings and component assets within Property, Plant and Equipment on a five year rolling programme, as follows:

Year 1: Secondary and special schools

Year 2: Primary, nursery, junior and infant schools

Year 3: Social care premises, libraries, museums and adult learning premises

Year 4: Fire & Rescue Service and Community Safety premises, staff housing, central offices and highways depots

Year 5: Other educational premises, surplus assets and other properties not re-valued within the past 5 years

In addition, material changes in asset valuations are adjusted for in the interim periods.

Investment properties valuations are reviewed annually. Assets held for sale are revalued at the point of reclassification to that category.

Property valuations are conducted by the County Council's appointed external property consultants Mouchel Ltd. Mouchel provide an annual valuation report and valuation certificate which give details of their opinion of the value of specific assets, basis of valuation, assumptions made and details of the rolling programme, additional and ad-hoc valuations. Valuations have been undertaken in accordance with the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors. The basis of valuations is set out in Note 1. The County Council's own Property & Facilities service prepares a schedule of capital receipts which provides a cross check to the Mouchel report to ensure all disposals are captured.

As part of the rolling programme social care premises, libraries, museums and adult learning premises were revalued as at 1 April 2011.

Component accounting has been introduced with effect from 1 April 2010. Where, as a result of enhancement work, components are replaced or restored the carrying amount of the component is derecognised and the carrying amount of the new component recognised. The County Council has used the cost of the new part (adjusted for indexation) as an estimate of what the cost of the replaced part was at the time it was acquired or constructed.

30. Private Finance Initiative (PFI) and similar contracts - Homes for Older People

The County Council has previously entered into two PFI type contracts (service concession arrangements) with external operators in relation to the provision of residential care homes and care services. One ceased in 2010/11, details of the other, still in operation, is given below:

Provision of residential care services originally in 19 homes across Oxfordshire under a 25 year contract with Oxfordshire Care Partnership which came into operation in 2001. The County Council had an average of 70% of the beds in these homes. Under this arrangement, nine of the homes are subject to long term leases and these assets had previously been excluded from the County Council's Balance Sheet. A further ten homes were transferred to the contractor but with short term leases as the homes did not meet current property standards and were planned to be re-provided through a redevelopment programme.

The operator has built 8 new homes through the redevelopment programme, whilst 10 homes have been closed. Under the Code, the County Council is required to recognise homes that meet tests in respect of control of services and control of the residual interest in property on its Balance Sheet. All homes under the contract are included on the County Council's Balance Sheet, with exception of one home that does not meet the control tests specified in the Code. At the end of the contract, all properties currently on the Balance Sheet revert to County Council ownership.

The operation of the contract and the services provided through it are currently subject to review and significant changes are likely during 2012/13.

The value of assets recognised under service concession arrangements at each Balance Sheet date and the movements in value during the year are provided as a memorandum to the movement in Property Plant and Equipment (Note 24) and the movement to Assets held for Sale (Note 26).

The financial liabilities arising from the service concession arrangements and an analysis of movements in the year are set out below:

2010/11 £'000		2011/12 £'000
18,021	Balance at 1 April	20,421
4,066	Increase in liability in the year	4,658
-1,666	Liability repaid in the year	-749
20,421	**Balance at 31 March**	**24,330**

Details of payments due to be made under the service concession arrangement are as follows, with comparative figures for 2010/11 provided below. These are based on the current financial model and may change as a result of the current review of the contract.

2011/12	Service Costs £'000	Principal Repayments £'000	Interest Costs £'000	Lifecycle Replacement Payments £'000	Total £'000
Within 1 year	14,557	556	1,834	666	17,613
2 – 5 years	61,913	2,678	6,885	2,939	74,415
6 – 10 years	89,575	4,650	7,302	4,384	105,911
11 – 15 years	107,769	6,687	5,265	5,334	125,055
16 – 20 years	15,925	9,759	736	1,198	27,618
Total	**289,739**	**24,330**	**22,022**	**14,521**	**350,612**

2010/11	Service Costs £'000	Principal Repayments £'000	Interest Costs £'000	Lifecycle Replacement Payments £'000	Total £'000
Within 1 year	14,123	426	1,533	624	16,706
2 – 5 years	63,365	2,046	5,787	2,754	73,952
6 – 10 years	90,646	3,548	6,243	4,110	104,547
11 – 15 years	108,375	5,094	4,697	5,000	123,166
16 – 20 years	42,423	9,307	1,304	2,291	55,325
Total	**318,932**	**20,421**	**19,564**	**14,779**	**373,696**

31. Finance Leases

The County Council has acquired some equipment under finance leases. A correction was made to the length of a finance lease in 2011/12, hence the reduction in minimum lease payments and finance lease liabilities.

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

	At 31 March 2011 £'000	At 31 March 2012 £'000
Vehicles, plant and equipment	717	465

Contingent rents recognised as an expense in 2011/12 totalled £0.003m (£0.002m in 2010/11).

The minimum lease payments, comprising settlement of the liability and finance costs, are made up of the following amounts:

	At 31 March 2011 £'000	At 31 March 2012 £'000
Finance lease liabilities	774	479
Finance costs payable in future years	155	57
Total future minimum lease payments	**929**	**536**

The minimum lease payments are payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	At 31 March 2011 £'000	At 31 March 2012 £'000	At 31 March 2011 £'000	At 31 March 2012 £'000
Within 1 year	139	175	100	148
Within 2nd – 5th years	524	361	429	331
6th year and beyond	266	0	245	0
Total	**929**	**536**	**774**	**479**

32. Capital Spending 2011/12

The County Council's total capital spend for 2011/12 was £75.724m, which included £7.365m of structural repairs and maintenance of buildings, structural highways maintenance, purchase of vehicles/equipment and ICT, £0.324m of loans for capital works/equipment and £8.483m of work in progress as at 31 March 2012.

Details of the expenditure are set out in the following table:

	£'000	£'000
Children, Education & Families		
School Structural Maintenance (including Health & Safety)	7,642	
Oxford, Wood Farm - replacement of existing buildings	2,264	
Oxford Academy	2,140	
Banbury New Futures Centre	1,675	
Wantage, Fitzwaryn - Phase 2 (modernisation & new post -16 accommodation)	1,601	
Bicester, Cooper - New 6th Form Centre	1,329	
Oxford, Northern House - 6 classroom Block to replace Horsa & temporary classrooms and provide food technology facility	1,119	
Banbury, The Grange - 6 classroom block to replace temporary classrooms	1,062	
Witney, Madley Brook - Phase 2 (3 classroom extension)	1,043	
Schools Access Initiative	861	
Witney Young People's Centre (Phase 2)	845	
Chipping Norton - New science block	768	
Chipping Norton; New Young People's & Adult Learning Centre	656	
14-19 Rural Areas - Thame Skills Centre	583	
Retentions	1,258	
Devolved Formula Capital	6,578	
Schemes under £500,000	6,877	
		38,301
Social & Community Services		
Redbridge Hollow Phase 2	938	
Extra Care Housing - Shotover	600	
Schemes under £500,000	1,811	
		3,349
Environment & Economy		
Carriageway Schemes (non-principal roads)	7,982	
Footway Schemes	1,682	
Surface Treatments	5,087	
Drainage	1,286	
Bridges	915	
A422 Ruscote Avenue, Banbury	677	
A4158 Oxford Iffley Road (Phase 1)	1,407	
Schemes under £500,000	6,238	
		25,274
Chief Executive's Office		
Schemes under £500,000	373	
		373
Sub Total Capital Programme		**67,297**

	£'000	£'000
Capitalised Structural Repairs & Maintenance of Buildings		1,201
Capitalised Highways Maintenance		3,639
Capitalised Purchase of Vehicles / Equipment		1,046
Capitalised ICT		1,479
Capitalised Loans		324
Repayment of capital grants and contributions		738
Sub Total		**8,427**
Total		**75,724**

33. Summary of capital expenditure

Capital expenditure by asset class is as follows:

	2010/11 £'000	2011/12 £'000
Property, Plant and Equipment	92,328	72,238
Assets held for Sale	16	
Intangible Assets	229	405
Revenue Expenditure Funded from Capital under Statute	12,856	7,351
Capital loans	353	324
Repayment of finance liability	1,152	
Repayment of capital grants and contributions	10	738
	106,944	81,056
Less assets acquired under service concession arrangements	-4,066	-4,658
Less assets transferred from capital prepayment account	-2,866	-503
Less assets acquired under finance leases	-136	-171
Less adjustment re capital loan	-401	
Total capital expenditure	**99,475**	**75,724**

34. Capital Financing

The capital expenditure of £75.724m has been financed from the following sources:

	2010/11 £'000	2011/12 £'000
SCE(R) Single Capital Pot	26,057	0
Prudential and other unsupported borrowing	4,045	1,348
Grants & Contributions	61,869	61,933
Repayment of capital grants and contributions	10	738
Revenue	7,494	11,705
Total	**99,475**	**75,724**

35. Capital Financing Requirement

The Capital Financing Requirement (CFR) is a measure of the capital expenditure incurred historically by the County Council that has yet to be financed (including assets acquired under finance leases and service concession arrangements). The movements on the CFR for the year are as follows:

2010/11 £'000		2011/12 £'000
451,854	Capital Financing Requirement at 1 April	466,604
26,057	New supported borrowing	0
4,045	New unsupported borrowing	1,348
4,066	Assets acquired under service concession arrangements	4,658
136	Assets acquired under finance leases	171
490	Service concession arrangements – lifecycle prepayments	640
43	Residual interest – asset accumulation prepayments	43
116	Loan repayments and fair value adjustments	103
	Reduction in underlying need to borrow arising from writing-off capitalised spend	-544
-1,152	Repayment of finance liability/correction to finance liability	-262
-19,051	Minimum Revenue Provision for the year	-20,154
14,750	Increase/(decrease) in Capital Financing Requirement	-13,997
466,604	**Capital Financing Requirement at 31 March**	**452,607**

36. Capital Commitments

As at 31 March 2012 the Council was contractually committed to £13.572m (£13.215m as at 31 March 2011) on the following schemes:

	2011/12 £'000	
Children, Education & Families		
Wantage, Charlton School - Phase 2	786	
Wantage, Fitzwaryn School - Phase 2c	632	
Oxford, Wood Farm School - Phases 2 & 3	5,483	
Schemes under £500,000	2,566	
		9,467
Social & Community Services		
Redbridge Hollow Gypsy & Travellers Site	683	
Schemes under £500,000	105	
		788
Environment & Economy		
Didcot Parkway Station Forecourt	2,506	
Schemes under £500,000	811	
		3,317
Total		**13,572**

As at 31 March 2012 there were no commitments relating to investment property or intangible assets.

37. Financial Instrument Carrying Values

Financial assets comprise long-term and short-term investments, long-term and short-term debtors (excluding statutory debtors and capital prepayments) and cash & cash equivalents. Financial liabilities comprise long-term and short-term borrowing, creditors (excluding statutory creditors), finance leases, the finance liability element of service concession arrangements, and capital grants and contributions receipts in advance. The Code specifies the categorisation of these assets (see pages 25 – 27 of Note 1 Summary of Significant Accounting Policies). For each category, the financial instruments disclosed in the Balance Sheet are carried at the following values:

	Long Term		Current	
	At 31 March 2011 £'000	**At 31 March 2012 £'000**	**At 31 March 2011 £'000**	**At 31 March 2012 £'000**
Loans and receivables	33,256	92,882	188,546	141,133
Available-for-sale financial assets	0	0	24,426	90,316
Financial assets at fair value through profit and loss	0	0	12,094	0
Total Financial Assets	**33,256**	**92,882**	**225,066**	**231,449**
Financial liabilities at amortised cost	456,848	441,250	118,401	143,561
Total Financial Liabilities	**456,848**	**441,250**	**118,401**	**143,561**

The classification of financial assets as at 31 March 2011 was incorrectly stated in the 2010/11 Statement of Accounts. During 2010/11 one of the externally managed funds changed from a segregated mandate fund to a pooled fund, requiring a change in classification from financial assets at fair value through profit and loss to available for sale financial assets. The balance as at 31 March 2011 has been reclassified accordingly. In 2011/12 there have been no reclassifications of financial assets and no transfers of financial assets that do not qualify for derecognition.

The County Council has £7.606m of loans and receivables as at 31 March 2012 secured on property (£6.688m at 31 March 2011). Of this, £2.626m was new in 2011/12 (£2.417m in 2010/11). The County Council is not permitted to sell or re-pledge this collateral.

The 2011/12 Code clarifies that financial instrument disclosures should include leases, PFI/PPP and similar schemes. The disclosure of financial liabilities for 2010/11 has been revised to include finance leases and the finance liability element of the service concession arrangement.

Current financial liabilities as at 31 March 2012 includes £25m for investments (deposits) contractually agreed in 2011/12 which will be settled in 2012/13. The contractual agreement creates a liability to pay on settlement date.

The County Council has not pledged any collateral for liabilities or contingent liabilities and, as at 31 March 2012, there were no defaults or breaches relating to loans payable.

Soft loans given by the County Council are accounted for within the balances for long-term and short-term debtors. A reconciliation of the opening and closing balance for soft loans is as follows:

2010/11 £'000		**2011/12 £'000**
4,241	Balance at 1 April	4,349
504	Nominal value of new loans granted	662
-51	Fair value adjustment on initial recognition	-25
-586	Loans repaid during the year	-403
	Impairment losses recognised	-30
224	Interest credited to the Surplus/Deficit on Provision of Services	232
17	Other changes	-1
4,349	**Balance at 31 March**	**4,784**

The soft loans comprise key worker loans for assistance with the purchase of housing, loans under the Children's Act relating to foster care accommodation, loans under the Chronically Sick and Disabled Persons Act for adaptations to homes, deferred payment agreements for clients' care costs and deferred payment for ICT equipment under the City Council ICT agency agreement.

38. Financial Instrument Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair values 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:

- The discount rate for Public Works Loans Board (PWLB) loans is the rate for new borrowing on 31 March for the period.
- Soft loans have been discounted at the estimated market rate as at 31 March for the period.
- Finance leases and the finance liability element of the service concession arrangement have been discounted at the rate for new PWLB borrowing as at 31 March for the period.
- Where a fixed rate instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The carrying value of short-term debtors and creditors is assumed to approximate to fair value.

The fair values calculated are as follows:

	At 31 March 2011		At 31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and receivables	221,802	221,811	234,015	232,087

As at 31 March 2012 the fair value is lower than the carrying value because the County Council's portfolio of investments includes a number of fixed rate loans where the interest receivable is lower than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest below current market rates reduces the amount that the County Council would receive if it agreed to early repayment of the loans.

	At 31 March 2011		At 31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities	575,249	563,080	584,811	625,979

As at 31 March 2012 the fair value is higher than the carrying amount because the County Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the County Council would have to pay if the lender requested or agreed to early repayment of the loans. Similarly the discount rate implied in the service concession arrangement and finance leases is higher than the rates available for new borrowing at the Balance Sheet date.

39. Impairment of Investments

Early in October 2008, the Icelandic bank Landsbanki collapsed and went into administration. The County Council had £5m deposited with this institution, with varying maturity and interest rates. All monies with this institution are subject to the administration process. The position as at 31 March 2011 was as follows:

Deposit	Date Invested	Maturity Date	Amount Invested £'000	Interest Rate	Accrued Interest £'000	Impairment £'000	Carrying Value £'000
1	05/09/2008	05/12/2008	2,000	5.83%	255	-730	1,525
2	10/09/2008	28/11/2008	3,000	5.73%	373	-1,080	2,293
Total			**5,000**		**628**	**-1,810**	**3,818**

In October 2011 the Icelandic Supreme Court ruled that UK local authorities' claims in the administration of Landsbanki qualified as priority claims under Icelandic bankruptcy legislation, confirming the earlier decision of the Reykjavik District Court. This means that the value of the claims in the administration process is now final.

The position as at 31 March 2011 assumed that the recovery rate would be 94.85%. It is now considered likely that UK local authorities will recover 100% of their deposits, subject to potential future exchange rate fluctuations.

Following the decision of the Supreme Court the Winding Up Board made their first distribution to priority creditors. The amount distributed was close to one third of each qualifying creditor's priority claim as determined by the Winding Up Board. The County Council received this first distribution in February 2012. The distribution was made in a basket of currencies, with the element paid in Icelandic Kroner held in escrow pending subsequent payment. It has been assumed that the distribution was in respect of interest accrued up to December 2011, with the remainder repaying the principal element of the deposits.

The pattern of future distributions by the Winding Up Board is not known. For the purposes of estimating the total recoverable amount it was assumed that the remainder of the claim would be paid in 7 equal instalments in December of each year, with the final payment being received in December 2018. The changes to the carrying value of the deposits as a result of the first repayment, the payment profile set out above and the change in assumption regarding the recovery rate are set out in the table below.

Deposit	Carrying amount at 1 April 2011 £'000	Interest accrued (April – Dec 2011) £'000	Repayment £'000	Adjustment to Impairment £'000	Interest accrued (Jan – March 2012) £'000	Carrying amount at 31 March 2012 £'000
1	1,525	68	-605	103	17	1,108
2	2,293	100	-904	153	25	1,667
Total	**3,818**	**168**	**-1,509**	**256**	**42**	**2,775**

At the end of May 2012 the Winding Up Board made a second distribution of £0.619m to the County Council. As this was earlier than had been anticipated and a larger proportion of the outstanding amount than had been assumed this increases the estimated recoverable amount at 31 March 2012 by £0.129m. The 2011/12 accounts have not been adjusted to reflect this late change to the estimated recoverable amount as it is not considered material to the accounts. Furthermore, as there is still some uncertainty about the amounts and timings of future payments to be made by the Winding Up Board, it is likely that further adjustments to the estimated recoverable amount will be made in future years.

The impairment has been calculated by discounting the assumed future cash flows at the effective interest rate of the original deposits to recognise the anticipated loss of interest to the County Council until monies are recovered. The requirement to use the original interest rate and not the prevailing market rate is specified by the Code. The favourable £0.256m adjustment to the impairment recognised in the Comprehensive Income and Expenditure Statement in 2011/12 is due to the first distribution being a larger proportion of the claim than had been assumed previously, together with the increase in the recovery rate.

40. Investment Impairment Allowance Account

The Code permits the reduction in the carrying amount of financial assets to be held within an allowance account rather than adjusting the value of the financial asset directly. The movement on the investment impairment allowance account is as follows:

2010/11 £'000		2011/12 £'000
-1,773	Balance at 1 April	-1,810
0	Decrease in allowance	256
-37	Increase in allowance	0
-1,810	**Balance at 31 March**	**-1,554**

41. Long Term Debtors

An analysis of long term debtors is set out as follows:

	At 31 March 2011 £'000	At 31 March 2012 £'000
Key Worker Loans	462	447
Car Loans to Employees	65	45
Chronically Sick & Disabled Persons Act – loans	1,900	2,070
Children's Act: loans to foster carers	445	482
Oxford City Council ICT contract	467	301
Other	51	44
	3,390	3,389
Capital Prepayment Account	2,490	2,670
Total	**5,880**	**6,059**

Other than the Capital Prepayment Account and "Other", the long-term debtors are soft loans in that they are contracted at interest rates below market rates (zero in most cases).

The Capital Prepayment Account holds prepayments for lifecycle replacement costs relating to the service concession arrangement. As lifecycle replacements actually take place the value of the works is transferred to Property, Plant and Equipment (£0.503m was transferred in 2011/12). For one property that the County Council has control over the residual interest but not control over the services (and therefore does not meet the tests of a service concession arrangement), the account also holds an amount for the excess of the expected fair value of the property at the end of the arrangement over the amount the County Council is required to pay upon reversion. This is built up from payments made by the County Council over the life of the arrangement.

42. Landfill Allowance Asset Account

The Landfill Allowance Trading Scheme is a "cap and trade" scheme which allocates tradable landfill allowances to each waste disposal authority in England. The scheme comes to an end in 2012/13 and the allowances are considered to have a zero value as at 31 March 2012.

43. Inventories

A breakdown of items within the Inventories category on the Balance Sheet and the movements during the year are as follows:

2011/12	**Balance at 1 April 2011 £000**	**Purchases £000**	**Recognised as an expense in the year £000**	**Written Off Balances £000**	**Balance at 31 March 2012 £000**
Food & catering supplies	119	2,179	-2,168		130
Cleaning and other supplies	36	132	-140		28
Road salt	126				126
Fire & Rescue Service equipment	66	88	-81	-1	72
Total	**347**	**2,399**	**-2,389**	**-1**	**356**

2010/11	**Balance at 1 April 2010 £000**	**Purchases £000**	**Recognised as an expense in the year £000**	**Written Off Balances £000**	**Balance at 31 March 2011 £000**
Food & catering supplies	108	2,072	-2,061		119
Cleaning and other supplies	46	99	-109		36
Libraries - Audio Visual Stock	31			-31	0
Road salt	126				126
Fire & Rescue Service equipment	68	76	-74	-4	66
Total	**379**	**2,247**	**-2,244**	**-35**	**347**

New audio visual purchases in the year have been treated as consumables and not taken into account in the stock valuation.

44. Debtors

Amounts falling due to the County Council in less than a year are set out as follows:

	At 31 March 2011 £'000	At 31 March 2012 £'000
Government Departments	10,619	4,929
Other Local Authorities	7,089	7,183
Health Authorities	3,236	1,997
Public Corporations and Trading Funds	13	15
Payments in Advance	3,452	2,790
Sundry	27,193	27,683
	51,602	**44,597**
Less Impairment Allowance Account	-7,363	-7,301
Total	**44,239**	**37,296**

Under the arrangements for accounting for financial instruments, all financial assets are assessed for impairment. The only financial assets for which there is evidence of impairment are short-term debtors and investments within the loans and receivables category. The Code permits the reduction in the carrying amount of financial assets to be held within an allowance account rather than adjusting the value of the financial asset directly. The movement in the debtor impairment allowance account is as follows:

2010/11 £'000		2011/12 £'000
-7,370	Balance at 1 April	-7,363
398	Decrease in allowance	366
-391	Increase in allowance	-304
-7,363	**Balance at 31 March**	**-7,301**

Movement on the investment impairment allowance is given in Note 40.

45. Cash and Cash Equivalents

Cash and cash equivalents comprises the amount of cash balances held at the bank and in County Council establishments (excluding monies held on behalf of third parties), balances held in call accounts and monies held in Money Market Funds.

An analysis of cash and cash equivalents held by the County Council shows:

	At 31 March 2011 £'000	At 31 March 2012 £'000
Cash at bank and in hand	-6,715	-1,372
Call Accounts	20,066	10,006
Money Market Funds	12,249	65,987
Total	**25,600**	**74,621**

46. Risks arising from financial instruments

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

- Credit risk - the possibility of financial loss stemming from other parties no longer being able to make payments or meet contractual obligations to the County Council.
- Liquidity risk - the possibility that the County Council might not have funds available to meet its commitments to make payments when they fall due.
- Market risk - the possibility that the County Council may suffer a financial loss as a result of changes in such measures as interest rates and movements in financial markets.

The County Council's risk management of financial instruments is carried out by the Treasury Management Team, under policies approved by full Council in the Treasury Management Strategy and Annual Investment Strategy.

The Treasury Management Strategy sets out the approach to managing any borrowings the County Council may be required to undertake to meet the needs of the capital programme.

The Annual Investment Strategy sets out the County Council's policies for managing its investments and for giving priority to the security and liquidity of those investments, including the treasury limits in force to limit the treasury risk and activities of the County Council.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the County Council's debtors. Deposits are restricted to institutions that meet the County Council's minimum credit rating criteria. Deposits are not made to banks or building societies with a FITCH short-term credit rating below F1, long-term rating below A, viability rating below bb or support rating below 3, unless there are other exceptional circumstances including Government ownership or Government guarantee.

Longer-term deposits of 1 year or more are restricted to the higher rated institutions with a minimum short-term FITCH rating of F1+, long-term rating AA-, viability rating bbb and support rating 2, or other Government bodies (e.g. other local authorities).However, the Landsbanki deposit, which was a short-term deposit with an F1 rating, is now classed as partly short-term, as the next repayment is expected in December 2012, with the remainder long-term as full and final repayment is not expected until 2018.

The following table summarises the nominal value of the Council's investment portfolio at 31 March 2012, and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

Counterparty	Credit rating criteria met when investment placed?	Credit rating criteria met on 31 March 2012?	Balance invested as at 31 March 2012						Total
	Yes/No	Yes/No	Up to 1 month	1-3 months	3 - 6 months	6 – 12 months	1 – 2 years	2 – 3 years	
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
Banks:									
UK	Yes	Yes		7,000	5,000	5,000		10,000	**27,000**
Banks non-UK:									
Australia	Yes	Yes	5,000	10,000					**15,000**
Canada	Yes	Yes		10,000					**10,000**
Netherlands	Yes	No	5,000						**5,000**
Total Banks			**10,000**	**27,000**	**5,000**	**5,000**	**0**	**10,000**	**57,000**
Local Authorities and Police Authorities	Yes	Yes	3,000	7,000	15,000	37,000	46,000	31,000	**139,000**
Building Societies - UK	Yes	Yes							**0**
Short dated Bond Funds	Yes	Yes	24,329						**24,329**
Money Market Funds	Yes	Yes	65,987						**65,987**
Call Accounts	Yes	Yes	10,006						**10,006**
Total			**113,322**	**34,000**	**20,000**	**42,000**	**46,000**	**41,000**	**296,322**

The above analysis shows that all deposits outstanding as at 31 March 2012 met the County Council's credit rating criteria on the 31 March 2012 with the exception of £5.0m deposited with Rabobank. This deposit met the credit criteria when the deposit was placed in October 2011 but does not meet the criteria as at 31 March 2012 due to the suspension of European banks from the approved lending list in December 2011 as a result of the uncertainties in the Eurozone financial markets.

The amount best representing the Council's maximum exposure to credit risk at the reporting date is deemed to be £5m, representing the deposit with Rabobank.

The above analysis excludes the estimated carrying value after impairment of the Council's Icelandic Bank investment of £2.8m.

£12.278m was invested in externally managed funds at 31 March 2012 (£24.271m at 31 March 2011). The County Council has no experience of default for any instrument held by external fund managers.

Within the £22.445m short-term debtors included in loans and receivables, £15.968m were past due at 31 March 2012 (£13.614m at 31 March 2011). The past due amount can be analysed by age as follows:

	At 31 March 2011 £'000	At 31 March 2012 £'000
Less than 1 month	6,387	8,070
Between 1 and 3 months	1,302	2,148
Between 3 and 6 months	2,113	1,540
Between 6 months and 1year	1,222	1,339
Between 1 and 3 years	2,008	2,369
Over 3 years	582	502
Total	**13,614**	**15,968**

None of these past-due short-term debtors have been individually impaired. An impairment allowance of £1.327m has been provided for past due debtors that are financial instruments based on past experience (£1.560m at 31 March 2011). This is the County Council's estimate of maximum exposure to uncollectability. £1.192m of the debtor impairment allowance is based on a collective assessment of debtors with similar characteristics. An individual impairment allowance has been provided for overdue library fines (£0.135m). There have been improvements in the collection of debts in recent years, hence the current estimate of uncollectability is lower than the average for the previous 5 years. The past due debtors analysis and impairment allowance quoted above exclude those for Council Tax debtors as these are not considered to be financial instruments.

With the exception of car loans, the City ICT contract and "other" long-term debtors, long-term debtor financial instruments are secured on property. Details of this collateral are provided in Note 37.

Liquidity Risk

As the County Council has access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the County Council may be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to spread the maturity dates of fixed debt so that a significant proportion of the portfolio does not mature in any one year.

The maturity analysis of borrowing and financial liabilities is as follows:

At 31 March 2011 £'000		At 31 March 2012			
		Fixed Rate Borrowing £'000	Variable Rate Borrowing £'000	Other Finance Liabilities £000	Total £'000
29,268	Less than 1 year	13,393	20,931	25,704	60,028
18,916	Between 1 and 2 years	11,004	5,000	755	16,759
40,918	Between 2 and 5 years	16,002	20,000	2,254	38,256
71,793	Between 5 and 10 years	62,000	5,000	4,650	71,650
299,784	More than 10 years	273,382	0	16,446	289,828
460,679		**375,781**	**50,931**	**49,809**	**476,521**

All trade and other payables are due to be paid in less than one year.

Market Risk

The County Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the County Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates - the fair value of the long-term borrowings will fall.
- Investments at variable rates - the variation in the interest income credited to the Surplus or Deficit on the Provision of Services will be dependent upon the nature and proportion of structured products.
- Investments at fixed rates - the fair value of the long-term assets will fall.

The County Council has a number of strategies for managing interest rate risk. Use of Lender's Option Borrowers Option (LOBO) loans is restricted to 20% of the debt portfolio. The variable interest rate exposure is limited to 25%. Principal deposited at variable rates net of investments at variable rates as a proportion of total net borrowing is limited to 25%.

The Treasury Management Strategy Team regularly review the debt and investment portfolios and the impact of interest rate changes on the annual budget.

If the return on investments had been 1% higher, with all other variables held constant, the financial effect would be as follows:

2010/11 £'000		2011/12 £'000
206	Increase in interest payable on new borrowings	0
-89	Decrease in interest receivable on variable and structured investments	-185
-1,046	Increase in interest receivable on fixed rate investments	-1,200
0	Increase in the gain arising from the revaluation of available for sale assets	-123
-929	**Impact on Comprehensive Income & Expenditure Statement**	**-1,508**

If the return on investments had been 1% lower, with all other variables held constant, the financial effect would be as follows:

2010/11 £'000		2011/12 £'000
-206	Decrease in interest payable on new borrowings	0
131	Increase in interest receivable on variable and structured investments	0
812	Decrease in interest receivable on fixed rate investments	1,150
0	Increase in the gain arising from the revaluation of available for sale assets	102
737	**Impact on Comprehensive Income & Expenditure Statement**	**1,252**

Where prevailing rates were below 1% for new debt or investments, zero return has been assumed where a reduction in interest rates by 1% would imply a negative return.

Price Risk

The County Council does not generally invest in equity shares but does have investments in one externally managed fund which may include investments in gilts. The fund managers monitor price fluctuations and have strategies for limiting the impact of adverse price movements.

Foreign Exchange Risk

As at 31 March 2012 the Council had approximately £2.8m remaining in Iceland and is working with the Local Government Association and its lawyers along with other affected authorities to recover Icelandic deposits.

47. Creditors

A breakdown of the items within the creditors category on the Balance Sheet is as follows:

	At 31 March 2011 £'000	At 31 March 2012 £'000
Receipts in Advance		
Government Departments	4,924	1,504
Other Local Authorities	99	53
Health Authorities	128	30
Public Corporations and Trading Funds	0	0
Sundry	3,503	3,316
	8,654	**4,903**
Creditors		
Government Departments	13,339	13,184
Other Local Authorities	4,959	6,729
Health Authorities	478	657
Public Corporations and Trading Funds	159	137
Sundry	56,604	60,624
	75,539	**81,331**
Total	**84,193**	**86,234**

48. Provisions

A breakdown of the items within the Provisions category on the Balance Sheet is set out below, analysed between those due within 1 year and those due after 1 year, together with the movements for the year is as follows:

2011/12	Balance at 31 March 2011 £'000	Reclass-ification between short and long term £'000	Additional provisions made in 2011/12 £'000	Amounts used in 2011/12 £'000	Unused amounts reversed in 2011/12 £'000	Balance at 31 March 2012 £'000
Provision due within 1 year						
Insurance	760	1,261	2,549	-2,780	-1,286	504
Older People Pool	1,141		222	-612		751
Redundancy	4,875		1,177	-4,875		1,177
Landfill Usage	1,024			-1,024		0
Carbon Commitment Levy			493			493
Retained Fire Fighters			100			100
Other	805			-750		55
	8,605	**1,261**	**4,541**	**-10,041**	**-1,286**	**3,080**
Provision due after 1 year						
Insurance	3,392	-1,261	4,042	-498	-515	5,160
Total	**11,997**	**0**	**8,583**	**-10,539**	**-1,801**	**8,240**

2010/11	Balance at 31 March 2010 £'000	Reclass-ification between short and long term £'000	Additional provisions made in 2010/11 £'000	Amounts used in 2010/11 £'000	Unused amounts reversed in 2010/11 £'000	Balance at 31 March 2011 £'000
Provision due within 1 year						
Insurance	650	2,290	3,095	-4,287	-988	760
Older People Pool	756		696	-311		1,141
Fire Fighters	225			-179	-46	0
Redundancy	41		4,875	-41		4,875
Landfill Usage	0		1,024			1,024
Other	20		805	-2	-18	805
	1,692	**2,290**	**10,495**	**-4,820**	**-1,052**	**8,605**
Provision due after 1 year						
Insurance	4,028	-2,290	2,418	-329	-435	3,392
Total	**5,720**	**0**	**12,913**	**-5,149**	**-1,487**	**11,997**

Details of the provisions held at 31 March 2012 are as follows:

- Details of the insurance provision are given in Note 49 below.

- The Older People Pool provision reflects the County Council's share of the estimated liability to pay claims in respect of continuing care assessments (under both the old and new frameworks) in its capacity as host of the Older People's Pooled Budget arrangement.

- The redundancy provisions reflect the estimated liability for redundancy costs arising from further service redesign within the Children, Education and Families and Social & Community Services directorates. These are expected to take place in 2012/13. The estimates are based on assumptions about numbers, grades of post and average length of service and are subject to change.

- The landfill usage provision reflects the County Council's estimated liability for waste disposed in landfill sites for the year, under the Landfill Allowance Trading Scheme. The landfill usage is verified in the following year and the amount discharged against the landfill allowances held in the Landfill Allowance Asset Account. There is therefore an annual cycle of discharging the liability for the previous year and "topping up" the provision with the estimated landfill allowance usage for the year of account. The scheme is due to come to an end in 2012/13 and the allowances have been valued a zero as at 31 March 2012, so there was no balance on the provision at the end of 2011/12.

- The Carbon Commitment Levy provision reflects the County Council's estimated liability for purchasing carbon allowances for carbon dioxide emissions in 2011/12 under the Government's Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The County Council is required to purchase and surrender allowances, currently retrospectively, on the basis of carbon dioxide produced as energy is used. The liability will be discharged by surrendering allowances.

- The Retained Firefighters' provision relates to probable additional costs relating to compensation payments finalised in 2010/11.

- The dispute relating to defects works, for which a £0.750m was held in "Other" provisions, was settled in 2011/12. The remaining amount within "Other" relates to liabilities for dilapidation costs expected to be resolved in the next 12 months.

49. Insurance Provision

The County Council has a policy of self-insurance of claims across its main insurance categories. In accordance with the Code the insurance provision is set aside to cover insurance claims actually received and awaiting resolution that have been advised to the County Council and which it has been decided to be insured internally rather than externally. Subject to the contingent liabilities listed in Note 67, there are no significant unfunded risks.

These claims will be managed by the County Council's Insurance Team, working with external insurers and legal advisors to achieve a satisfactory outcome. The time required to settle these claims will depend upon the complexity of each case and the approach adopted by each claimant but the expectation is that these cases will be settled within 18 months to 2 years. In a small number of cases where the final liability is dependent on a long term medical prognosis, the claim may take longer to settle to ensure all the medical facts are known. Debtors totalling £0.396m have been raised for reimbursements due from external insurers as a result of the breach of the stop-loss for property insurance and for claims that have breached individual claim deductibles.

50. Deferred Income

The deferred income balance of £5.481m at 31 March 2012 (£5.868m at 31 March 2011) relates to lease premiums received under the service concession arrangement with Oxfordshire Care Partnership and in relation to another lease, which are being released to the Comprehensive Income and Expenditure Statement over the lives of the arrangements.

51. Capital Grants Receipts in Advance

The balance on this account represents capital grants and contributions which have been received but not yet recognised as income as they have conditions attached to them that require the monies to be returned to the provider if not used for the purposes specified. The movement on the account in 2011/12, split between short term and long term is as follows:

2011/12	Capital Grants	Developer Contributions	Other Contributions	Total
	£'000	£'000	£'000	£'000
Short term:				
Balance at 1 April 2011	16,877	4,766	0	21,643
Received/refunded during the year	4,774	-261	12	4,525
Transferred to the Comprehensive Income and Expenditure Statement during the year	-15,113	-6,255		-21,368
Reclassification between short and long term	3,667	4,598		8,265
Balance at 31 March 2012	**10,205**	**2,848**	**12**	**13,065**
Long term:				
Balance at 1 April 2011	3,776	21,596	65	25,437
Received/refunded during the year	4,368	2,521		6,889
Transferred to the Comprehensive Income and Expenditure Statement during the year		696		696
Reclassification between short and long term	-3,667	-4,598		-8,265
Balance at 31 March 2012	**4,477**	**20,215**	**65**	**24,757**
Total at 31 March 2012	**14,682**	**23,063**	**77**	**37,822**

The capital grants reported above includes £8.370m held on behalf of Oxfordshire Local Enterprise Partnership, for which the County Council is the accountable body. It has been assumed that £4m of the grant will be paid to successful bidders within the next year and the remainder in later years.

The comparative amounts for 2010/11 are given in the following table:

2010/11	Capital Grants	Developer Contributions	Other Contributions	Total
	£'000	£'000	£'000	£'000
Short term:				
Balance at 1 April 2010	21,766	3,834	34	25,634
Received/refunded during the year	16,438	23	-34	16,427
Transferred to the Comprehensive Income and Expenditure Statement during the year	-21,453	-2,954		-24,407
Reclassification between short and long term	126	3,863		3,989
Balance at 31 March 2011	**16,877**	**4,766**	**0**	**21,643**
Long term:				
Balance at 1 April 2010	2,865	21,164	65	24,094
Received/refunded during the year	1,037	3,348		4,385
Transferred to the Comprehensive Income and Expenditure Statement during the year		947		947
Reclassification between short and long term	-126	-3,863		-3,989
Balance at 31 March 2011	**3,776**	**21,596**	**65**	**25,437**
Total at 31 March 2011	**20,653**	**26,362**	**65**	**47,080**

52. County Fund Balance

The opening and closing balance on the County Fund and the movements during the year are shown in the Movement in Reserves Statement, with details in Note 4.

53. Earmarked Reserves

Balance At 1 April 2010 £'000	Contribution From Reserve £'000	Contribution To Reserve £'000	Balance At 31 March 2011 £'000		Balance At 1 April 2011 £'000	Contribution From Reserve £'000	Contribution To Reserve £'000	Balance At 31 March 2012 £'000
13,310	-3,845	12,105	21,570	Local Management of Schools	21,570	-5,389	13,118	29,299
599	-4,377	4,383	605	Miscellaneous Education	605	-533	502	574
-1,168	-368	349	-1,187	School Loans	-1,187	-60	345	-902
975	-696	13	292	Schools Partnerships	292	-60	15	247
410	-288	186	308	Youth Management Committees	308	-59	42	291
0		147	147	Youth Offending Service Reserve	147	-147		0
0			0	School Intervention Fund	0		1,861	1,861
0			0	Governor Services	0		115	115
0			0	CEF - Staff Training & Development	0		158	158
0			0	Academies Conversion support	0		600	600
0			0	School Amalgamations	0		140	140
0			0	Foster Carer Loans	0		204	204
0			0	Joint Working with Police	0		622	622
0		171	171	Joint Use Reserve	171		148	319
75		47	122	Oxfordshire Safeguarding Children Board Reserve	122		160	282
1,578	-1,566	1,082	1,094	On-Street Parking Account	1,094	-1,006	1,902	1,990
699		167	866	Dix Pit Engineering Works	866	-466	167	567
2,516	-2,789	2,185	1,912	Waste Management - General	1,912	-2,070	2,165	2,007
167	-124	78	121	OWP Joint Reserve	121	-19		102
123		6	129	Salix energy schemes Reserve	129	-113		16
0		328	328	Landfill Allowance Trading Scheme (LATS) Reserve	328	-328		0
0	-52	243	191	Developer Funding (Revenue) Reserve	191	-35	81	237
0		218	218	West End Partnership Reserve	218	-81		137
251			251	Ox Highways Central Reserve	251			251

Balance At 1 April 2010 £'000	Contribution From Reserve £'000	Contribution To Reserve £'000	Balance At 31 March 2011 £'000		Balance At 1 April 2011 £'000	Contribution From Reserve £'000	Contribution To Reserve £'000	Balance At 31 March 2012 £'000
89		13	102	Tourism Signing Reserve	102			102
0			0	Area stewardship	0		413	413
1,050	-433	756	1,373	Food with Thought/QCS	1,373	-17	89	1,445
0		114	114	Property Disposal Costs Reserve	114		45	159
1,255	-1,681	426	0	Shared Services Funding	0			0
142		330	472	Shared Services Development	472	-141	738	1,069
0		1,884	1,884	Customer Service Centre Reserve	1,884		8	1,892
0			0	ICT projects	0		1,166	1,166
172	-172		0	SAP for schools Reserve	0			0
0		332	332	Oxford Bucks Partnership Reserve	332	-129	2	205
48		140	188	Adult Social Care Personal Budgets Reserve	188	-188		0
101	-101	1,424	1,424	OP and LD Pooled Budgets	1,424	-1,424	6,238	6,238
206		212	418	Miscellaneous Fire	418		147	565
506		10	516	Fire control/Fire Link	516		708	1,224
131	-82	111	160	Fire Service IT Reserve	160	-88		72
197			197	Gypsy & Traveller Services	197	-69		128
1,258	-637	247	868	Change Fund Reserve	868	-327	230	771
0			0	Change Management and New Ways of Working	0		160	160
0			0	Big Society Fund	0		163	163
95		112	207	OCC Elections Reserve	207		126	333
180			180	Registration Reserve	180		373	553
0			0	Coroners Service	0		133	133
924	-130	196	990	IT Equipment Reserve	990	-25	1,361	2,326
669	-10	70	729	Vehicle Renewals Reserve	729	-10	245	964
0			0	Grants and contributions reserve	0		7,203	7,203
2,235	-1,911	139	463	Other Reserves less than £100,000*	463	-1,125	1,275	613

Balance At 1 April 2010 £'000	Contribution From Reserve £'000	Contribution To Reserve £'000	Balance At 31 March 2011 £'000		Balance At 1 April 2011 £'000	Contribution From Reserve £'000	Contribution To Reserve £'000	Balance At 31 March 2012 £'000
6,027		222	6,249	Insurance Reserve	6,249	-2,853	63	3,459
5,931	-5,931	6,107	6,107	Budget Reserve	6,107	-6,107	4,361	4,361
791	-294	0	497	LABGI Reserve	497	-62		435
2,641	-106	1,350	3,885	Prudential Borrowing Reserve	3,885	-102	1,250	5,033
1,519	-4,307	6,564	3,776	Efficiency Reserve	3,776	-1,686	8,739	10,829
0			0	Rolling Fund Reserve	0		578	578
8,063	-8,063	9,891	9,891	Carry Forward Reserve	9,891	-9,891	8,410	8,410
13,909	-142	2,812	16,579	Capital Reserve	16,579		363	16,942
67,674	**-38,105**	**55,170**	**84,739**	**Total Revenue Reserves**	**84,739**	**-34,610**	**66,932**	**117,061**

*Other Reserves figure balance at 1 April 2011 has been adjusted for reserves that have fallen below £0.100m at 31 March 2012 and for those reserves that have increased to over £0.100m that have been included in the table above.

The purposes of the earmarked reserves are as follows:-

Local Management of Schools

In accordance with the Education Reform Act 1988, the scheme of Local Management of Schools provides for the carry forward of individual school surpluses and deficits. These reserves are committed to be spent on the education service.

The following table provides an analysis of school surplus and deficits:

	Balance at 31 March 2011		Balance at 31 March 2012	
	No. of Schools	**Balance £'000**	**No. of Schools**	**Balance £'000**
Primary Schools				
Schools in surplus	223	12,671	227	14,359
Schools in deficit	24	-391	14	-160
Secondary Schools				
Schools in surplus	30	7,470	24	7,242
Schools in deficit	4	-589	2	-307
Special Schools				
Schools in surplus	11	1,241	13	1,517
Schools in deficit	3	-21	0	0
Sub-Total	**295**	**20,381**	**280**	**22,651**
Closed Schools				-325
Schools Contingency & Schools Forum		1,189		6,973
Total		**21,570**		**29,299**

The schools' reserves balances at 31 March 2011 include balances for 7 closed schools.

Miscellaneous Education
These reserves cover a number of miscellaneous education activities.

School Loans
Amounts loaned to individual schools against schools reserves, operating under Fair Funding regulations.

Schools Partnerships
School Partnership accounts are operated in respect of inter-school activities, primarily relating to training and staff development, and curriculum initiatives. The use of the monies is agreed by the schools in each of the partnerships.

Youth Management Committees Reserve
Funds raised by youth management committees to fund locally determined activities.

Youth Offending Reserve
This reserve has been used to meet costs relating to temporary Youth Offending Service Officers/Bail Support Officers.

School Intervention Fund
This reserve is for school improvement projects in line with the Education Strategy. It is expected to be used in 2012/13.

Governor Services
This reserve has been set up to hold any surpluses arising on the service, which is moving towards a self-financing basis, to help fund the service in future years.

CEF – Staff Training & Development
This reserve is for training and staff development towards new ways of working following the restructuring of the Children, Education and Families directorate. It is expected to be used in 2012/13.

Academies Conversion Support
This reserve is to meet costs arising in legal services, human resources, property, finance and other areas as a consequence of school conversions to academies, and to provide the opportunity to investigate and implement alternate trust structures for groups of schools considering conversion to academies.

School Amalgamations
This reserve is to meet costs associated with school amalgamations. These potential amalgamations include the merger of attached nurseries into the associated primary school and the merger of separate infant and junior schools into an all-through primary.

Foster Carer Loans
Funds set aside to meet potential write-off of Children's Act loans and interest costs in future years.

Joint Working with Police
This reserve is to fund a two year project due to anticipated increase in referrals.

Joint Use Reserve
This reserve has been established to hold the balance of funds for the joint-use agreements with the district councils.

Oxfordshire Safeguarding Children Board Reserve
This reserve is to hold contributions from participants in the Board. The balance will be drawn down as required.

On-Street Parking Account
This surplus has arisen under the operation of the Road Traffic Regulation Act 1984 (Section 55). The purposes for which these monies can be used are defined by statute.

Dix Pit Engineering Works
This reserve is to meet engineering work at Dix Pit waste management site. The level of work required is dependent on future levels of waste deposited.

Waste Management – General Reserve
This reserve is to fund future initiatives to minimise the potential impact of Landfill Allowance Trading Scheme fines (including the bid and planning costs of the Waste Treatment Project).

OWP Joint Reserve
This reserve holds the revenue proportion of the unutilised element of the performance reward grant secured by the Oxfordshire Waste Partnership (OWP).

Salix Energy Schemes
This reserve is ring-fenced to energy saving schemes in the future.

Landfill Allowance Trading Scheme (LATS) Reserve
This reserve represents the value of unused Landfill Allowances under the Landfill Allowance Trading Scheme. The scheme is coming to an end in 2012/13.

Developer Funding (Revenue) Reserve
This reserve is used to meet the costs of monitoring Section 106 agreements.

West End Partnership Reserve
This reserve has been established to ring-fence funding relating to the West End Project.

Oxfordshire Highways Central
This reserve will be used for future repair and maintenance of road signs. It will also be used to meet the cost of removing any sign relating to a business which ceases to trade.

Tourism Signing Reserve
This reserve is for the future maintenance of tourism signs.

Area Stewardship
Funds have been set aside to manage the Area Stewardship Scheme.

FWT/QCS Reserve
Food With Thought and QUEST Cleaning Services are the County Council's in-house trading undertakings that provide catering and cleaning services to schools and other establishments. This reserve will be used to fund future investment in these services.

Property Disposal Costs Reserve
This reserve was set up to meet disposal costs in excess of the 4% eligible to be charged against capital receipts.

Shared Services Funding Reserve
The reserve was established to meet the set up costs of Shared Services. The set up costs were to be repaid from savings arising from the operation of Shared Services. The monies were repaid in full in 2010/11.

Shared Services Development Reserve
This reserve is to be used to fund Oxfordshire Customer Services projects which will contribute to the business strategy.

Customer Service Centre Reserve
This reserve has been established to fund the Customer Service Centre Project.

ICT projects
This reserve has been set up to fund the cost of major ICT projects.

SAP for schools
This reserve was established to assist with funding the rollout of SAP to schools.

Oxfordshire/Buckinghamshire Partnership Reserve
This reserve has been set up to ring-fence funding for the Oxfordshire & Buckinghamshire Partnership graduate teacher training programme.

Adult Social Care Personal Budgets Reserve
This reserve was used to hold the balance of clients' unspent personal budgets at year end. The balance was spent by the relevant clients in 2011/12.

Older People and Learning Disabilities Pooled Budget Reserves
This reserve holds the County Council's element of the pooled budget underspends. To be used in future years as agreed by the Joint Management Group.

Miscellaneous Fire
These reserves have been established to fund the replacement of protective clothing, breathing apparatus and rescue equipment and the requirement that all personnel attend refresher training in the use of breathing apparatus. They also include funds to smooth the budgetary impact of year-on-year fluctuations in the cost of fire hydrant repairs and to meet anticipated future budget pressures.

Fire Control/ Fire Link
This reserve has been created to hold funding for agreed spending in future years on the Fire Control (proposed Oxfordshire/Berkshire Fire Control Centre) and Fire Link projects.

Fire Service IT Reserve
The balance on this reserve will be used for the renewal of IT equipment.

Gypsy & Traveller Services
This reserve is being used for the refurbishment/extension of 14 amenity units at the Gypsy & Traveller site at Redbridge Hollow.

Change Fund
This reserve is held for projects that meet criteria set by the Chief Executive for modernisation and change management agendas.

Change Management and New Ways of Working
This reserve has been set up to provide funding to support various projects in 2012/13.

Big Society Fund
This reserve has been set-up to ring-fence funding for the Big Society Fund.

OCC Elections Reserve
This reserve has been established to meet the cost of County Council Elections.

Registration Service
This reserve is for the refurbishment of registrar's buildings and facilities, and for other registration service projects.

Coroner's Service
This reserve has been set up to manage the costs of several projects, including the refurbishment of the Coroner's Court and Office and the new Coroner's Court recording system, that have slipped from 2011/12.

IT Equipment
This reserve has been established for funding future purchases of IT equipment.

Vehicle Renewals
This reserve is to fund future replacements of vehicles.

Grants and Contributions Reserve
This reserve has been set up to hold unspent grants and contributions committed to be spent in future years. At the end of 2010/11 underspends arising from unspent grants and contributions were held in the Carry Forward Reserve.

Other Reserves less than £100,000
These reserves cover a number of services and have been established to fund future revenue expenditure.

Insurance Reserve
This reserve covers the County Council for insurance claims that, based on the previous experience of the County Council, are likely to be received, as well as a number of insurance related issues.

An independent actuary, Gallagher Heath, carries out a full valuation of the County Council's employer's and public liability, motor, property and personal accident liability every three years using generally accepted actuarial methods. Interim valuations take place annually in between. The last full valuation was completed as at 31 March 2010.

The actuaries projected the standard claims arising in future years in respect of the period up to 31 March 2012 at £1.823m. In addition to these claims the actuaries have also highlighted an amount in respect of the Municipal Mutual Insurance (MMI) clawback and non-standard claims, for example exceptional and latent claims - which in total has been assessed at £1.536m. The reserve also includes £0.100m for the implementation of risk management initiatives throughout directorates. A review of the reserve as part of the 2011/12 budget setting process identified that £2.4m was available for alternative purposes. This was incorporated into the 2011/12 budget agreed by Council in February 2011.

At 31 March 2011 £'000		**At 31 March 2012 £'000**
2,072	Standard claims likely to be received as at 31 March	1,823
2,512	Additional non-standard claims/latent claims	43
1,565	MMI clawback as assessed by actuarial review	1,493
100	Risk management initiatives	100
6,249	**Total**	**3,459**

Budget Reserve
The creation of a budget reserve was agreed as part of the budget setting process. This sum will be available to spend on a one-off basis in future years when there are limited resources available to allocate in the Medium Term Financial Plan.

LABGI Reserve
This reserve contains Local Authority Business Growth Incentive funding that is either yet to be allocated by Cabinet/Council or has been allocated to directorates but will not be spent until future years.

Prudential Borrowing Reserve
This reserve was created as part of the budget setting process to meet the costs of borrowing for increased funding for the capital programme. Similar contributions are to be made each year with draw-downs being required as costs are incurred.

Efficiency Reserve
This reserve is to help deliver the Business Strategy in the medium term through one-off investment or to enable potential redundancy costs to be met without putting further pressure on service budgets.

Rolling Fund Reserve
The Rolling Fund has been established with New Homes Bonus grant to facilitate, through forward funding, the timely provision of critical infrastructure that supports planned growth.

Carry Forward Reserve
This reserve allows budget managers to carry forward under and over spent budgets between financial years in accordance with the County Council’s budget management arrangements, subject to Cabinet approval. At the end of 2010/11 this reserve held unspent revenue grants and contributions where no condition remains outstanding. A new reserve has been created in 2011/12 to hold committed grant/contributions underspends.

A summary of the carry-forwards for each directorate is as follows:

At 31 March 2011 £’000	Directorate	At 31 March 2012 £’000
2,828	Children, Education & Families	3,735
353	Social & Community Services	1,494
5,680	Environment & Economy	2,416
1,030	Chief Executive’s Office	765
9,891	**Total**	**8,410**

Capital Reserve
This reserve has been established for the purpose of financing capital expenditure in future years.

54. Useable Capital Receipts

2010/11 £'000		2011/12 £'000
1,709	Balance as at 1 April	7,666
5,773	Net receipts from sale of assets	1,353
184	Net receipts from repayment of loans	401
0	Receipts applied to finance capital expenditure	0
7,666	**Balance as at 31 March**	**9,420**

This reserve has been established for the purpose of financing capital expenditure in future years. Unutilised capital receipts at 31 March 2012 have been earmarked for future schemes.

An analysis of the net capital receipts from the sale of assets is set out in the following table:

	£'000
Alexandra Court	589
Other receipts under £500,000	764
Total	**1,353**

55. Capital Grants and Contributions Unapplied

The balance on this account represents grants and contributions which have been recognised as income in the Comprehensive Income and Expenditure Statement but not yet applied to finance capital expenditure.

2010/11 £'000		2011/12 £'000
25,993	Balance as at 1 April	28,638
-3,121	Applied during the year	-4,070
5,766	Recognised as income but not applied during the year	15,262
28,638	**Balance as at 31 March**	**39,830**

56. Unusable Reserves

A breakdown of reserves within the unusable reserves category on the Balance Sheet is set out in the following table.

	At 31 March 2011 £'000	At 31 March 2012 £'000
Revaluation Reserve	93,105	91,749
Available-for-Sale Financial Instruments Reserve	0	102
Pensions Reserve	-436,782	-661,446
Capital Adjustment Account	962,448	868,630
Financial Instruments Adjustment Account	-679	-471
Collection Fund Adjustment Account	3,577	3,866
Accumulated Absences Account	-9,660	-9,154
Total	**612,009**	**293,276**

The only movement on the Available-for-Sale Financial Instruments Reserve during 2011/12 was an increase in the value of available-for-sale financial assets. Movements on the Pensions Reserve are set out in the Retirement Benefits Note 20.

57. Revaluation Reserve

2010/11 £'000			2011/12 £'000	
	78,268	Opening Balance as at 1 April		93,105
9,670		Upward revaluation of assets	13,583	
-5,358		Downward revaluation of assets	-2,203	
-12,945		Impairment of assets	-6,713	
8,807		Write back of accumulated depreciation on revaluations	697	
13,961		Write back of accumulated impairment on revaluations	58	
	14,135	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		5,422
1,346		Difference between fair value depreciation and historical cost depreciation	1,877	
-644		Accumulated gains on assets sold or scrapped	-8,655	
	702	Amounts written off to the Capital Adjustment Account		-6,778
	93,105	**Balance as at 31 March**		**91,749**

The Revaluation Reserve contains the gains made by the County Council arising from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired, consumed through depreciation or disposed. The Reserve contains only revaluation gains accumulated since 1 April 2007, when the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

58. Capital Adjustment Account

2010/11 £'000			2011/12 £'000	
	990,326	Balance as at 1 April		962,448
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
-32,248		Charges for depreciation for non-current assets	-36,455	
-35,913		Charges for impairment for non-current assets	-17,343	
-47,249		Revaluation losses on Property, Plant and Equipment	-9,825	
34,974		Reversal of revaluation losses on Property, Plant and Equipment	5,866	
-1,798		Amortisation of Intangible Assets	-1,794	
-12,856		Revenue expenditure funded from capital under statute	-7,351	
-15,999		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on derecognition	-124,427	
	-111,089			-191,329
		Adjusting amounts written out of the Revaluation Reserve:		
-1,346		Difference between fair value depreciation and historical cost depreciation	-1,877	
242		Accumulated gains on assets sold or scrapped	8,649	
	-1,104			6,772
	878,133	Net written out amount of the cost of non-current assets consumed in the year		777,891
		Capital financing applied in the year:		
58,915		Capital grants and contributions credited to the CIES that have been applied to capital financing	57,428	
2,954		Application of grants to capital financing from the Capital Grants Unapplied account	4,505	
		Reversal of grants and contributions applied in previous years	-2,296	
19,051		Statutory provision for the financing of capital investment charged against the County Fund balance	20,154	
7,494		Capital expenditure charged against the County Fund balance	11,705	
		Reversal of revenue applied to capital financing in previous years	-60	
	88,414			91,436
	312	Movements in the market value of Investment Properties debited or credited to the CIES		113
	-135	Amounts of Investment Properties written off on disposal or sale as part of the gain/loss on derecognition		-372
		Movement in the Donated Asset Account credited to the CIES		602
	-130	Revaluation losses on Assets held for Sale		-7
	98	Revaluation gains on Assets held for Sale		
		Impairment losses on Assets held for Sale		-248
	402	Accumulated gains on Assets held for Sale sold or scrapped		6
	-4,462	Amounts of Assets held for Sale written off on disposal or sale as part of the gain/loss on derecognition		-390
	-184	Repayment of loans treated as capital receipts		-401
	962,448	**Balance as at 31 March**		**868,630**

The Capital Adjustment Account absorbs the timing differences between accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the County Council as finance for the costs of acquisition, construction or enhancement. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

59. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefits from gains per statutory provisions. The account holds the reversal of write-downs/write-ups for soft loans and stepped interest loans and the reversal of interest charged at effective interest rates. Regulations required that the impairment on Icelandic bank deposits and accrued interest on those deposits that had been deferred in 2008/09 and 2009/10 be charged against the County Fund in 2010/11.

2010/11 £'000		2011/12 £'000
-2,231	Balance at 1 April	-679
17	Write-down/write-ups to amortised cost	
-51	Write-down/write-ups to fair value	-25
225	Effective interest rate adjustments	233
1,773	Icelandic bank impairment	
-412	Icelandic bank interest	
1,552	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	208
-679	**Balance at 31 March**	**-471**

60. Collection Fund Adjustment Account

The account holds the difference between the accrued Council Tax income included in the Comprehensive Income and Expenditure Statement (CIES) and the amount required by regulations to be credited to the County Fund. The movement on the account is as follows:

2010/11 £'000		2011/12 £'000
2,102	Balance at 1 April	3,577
-414	Decreases in Council Tax surpluses/increases in deficits	-380
1,889	Increases in Council Tax surpluses/reductions in deficits	669
1,475	Amount by which Council Tax income credited to the CIES is different from Council Tax income for the year calculated in accordance with statutory requirements	289
3,577	**Balance at 31 March**	**3,866**

61. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the County Fund balance from accruing for compensated absences earned but not taken in the year. Statutory provisions require that the impact on the County Fund balance is neutralised by transfers to or from the account.

2010/11 £'000		2011/12 £'000	
-9,997	Balance at 1 April		-9,660
9,997	Settlement or cancellation of previous year's accrual	9,660	
-9,660	Amount accrued at the end of the current year	-9,154	
337	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute		506
-9,660	**Balance at 31 March**		**-9,154**

62. Cash Flow Statement - Non-cash Movements

The table below provides a breakdown of the non-cash movements within operating activities summarised in the Cash Flow Statement:

2010/11 £'000		2011/12 £'000
-34,046	Depreciation/amortisation of fixed assets	-38,249
-48,220	Impairment charges/revaluation losses	-21,557
86,223	Retirement benefit adjustments	-6,627
-3	Impairment allowance for doubtful debts	233
702	Other financial instrument adjustments	733
-7,533	Provisions set aside in the year	4,228
224	Deferred income released	387
312	Movement in value of investment properties	113
-20,596	Carrying amount of non-current asset sold	-125,189
23,460	Transfers from Capital Grants Receipts in Advance	20,672
	Previous years' capitalised spend written-off	-2,900
	Donated assets	602
1,352	Increase/decrease(-) in landfill allowances	-1,352
-32	Increase/decrease(-) in inventories	9
6,067	Increase/decrease(-) in debtors	-7,241
-48	Increase(-)/decrease in creditors	-2,884
7,862	**Total adjustments for non-cash movements**	**-179,022**

63. Cash Flow Statement – Operating Activities

The cash flows for operating activities are as follows:

2010/11 £'000		2011/12 £'000	
	Cash outflows		
523,497	Cash paid to and on behalf of employees	501,302	
408,004	Other operating costs	404,873	
931,501			906,175
	Cash inflows		
-283,549	Council Tax receipts	-286,456	
-92,840	Non-domestic rate income	-93,316	
-13,481	Revenue Support Grant	-28,844	
-539,129	Other government grants and contributions	-504,864	
-63,379	Other cash received for goods and services	-68,414	
-992,378			-981,894
	Cash outflows		
19,871	Interest paid	18,364	
1,304	Interest element of finance lease rental payments	1,569	
21,175			19,933
	Cash Inflows		
-854	Interest received		-2,179
-40,556	**Total operating activities**		**-57,965**

64. Cash Flow Statement – Investing Activities

The table below provides a breakdown of the items within the Investing Activities line of the Cash Flow Statement.

2010/11 £'000		2011/12 £'000
79,195	Purchase of property, plant and equipment, investment property and intangible assets	72,024
519,604	Purchase of short-term and long-term investments	297,000
885	Other payments for investing activities	1,007
-5,773	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-1,353
-56,336	Capital grants	-74,565
-503,661	Proceeds from short-term and long-term investments	-299,274
-241	Other receipts from investing activities	-539
33,673	**Total investing activities**	**-5,700**

65. Cash Flow Statement – Financing Activities

A breakdown of the items within the Financing Activities line in the Cash Flow Statement is as follows:

2010/11 £'000		2011/12 £'000
-30,015	Cash receipts of short and long-term borrowing	0
0	Other receipts from financing activities	0
1,760	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet service concession arrangements	954
7,679	Repayments of short and long-term borrowing	13,690
0	Other payments for financing activities	0
-20,576	**Total financing activities**	**14,644**

66. Analysis of Government Grants

The total cash received for revenue government grants (other than Revenue Support Grant and National Non-Domestic Rate receipts) is £473.135m. An analysis is set out in the following table:

2010/11 £'000	Government Grants	2011/12 £'000
333,471	Dedicated Schools Grant (Dept for Education)	382,091
44,482	Sixth Form Funding (Young People's Learning Agency)(included Further Education Funding in 2010/11)	25,611
	Early Intervention Grant (Dept for Education)	21,445
	Learning Disabilities and Health Reform Grant (Dept of Health)	19,224
	Council Tax Freeze Grant (Dept for Communities & Local Government)	7,067
	Pupil Premium Grant (Dept for Education)	4,317
3,814	Adult Learning (Skills Funding Agency)	3,960
1,356	Graduate Teacher Programme (Teachers' Development Agency)	1,165
2,647	Asylum Seekers (Home Office)	1,587
	Local Services Support Grant (Dept for Communities & Local Government)	1,355
39,778	Area Based Grant (Dept for Communities & Local Government)	
34,182	Standards Fund (Dept for Education)	
18,231	School Standards Grant (Dept for Education)	
18,167	Sure Start Grant (Dept for Education)	
3,525	Pothole Grant (Dept for Transport)	
2,315	Social Care Reform Grant (Dept of Health)	
1,477	Emergency Winter Damage Funding (Dept for Transport)	
1,148	Youth Offending Service (Youth Justice Board)	
6,157	Other grants less than £1m	5,313
510,750	**Total**	**473,135**

Significant changes to specific grants in 2011/12 mean that the two years are not directly comparable. Some grants have merged or been replaced by a broader un-ringfenced grant.

Some grants have transferred into Revenue Support Grant and others have ceased all together.

67. Contingent Liabilities

Sheltered Housing with Care Schemes

The County Council is providing 27 permanent residential and nursing places, based in Banbury and Faringdon, in conjunction with a Housing Association. The schemes involve the use of County Council land with the Association raising loans to finance development costs. To offer further assistance the County Council has agreed to underwrite the development costs and will become liable for outstanding liabilities previously approved by the County Council should the association cease to operate. In the event of the Association ceasing to operate the County Council would seek to find an alternative Association to take on and operate the scheme and to include outstanding liabilities. The schemes came into operation between 1991 and 1995 and are still with the original Housing Association. The County Council agreed to underwrite around £2.3m of schemes costing £3.25m. The total liability outstanding for the year ending 31 March 2012 is £0.662m.

Municipal Mutual Insurance Plc

The County Council has claims outstanding with Municipal Mutual PLC to the value of £0.192m. If the company were to become insolvent during the run down of its business, a scheme of arrangement would be triggered to wind up the business. It could be possible under these circumstances that the County Council would have to repay all or part of the claims settled since the company ceased to trade, as well as fund any outstanding claims. The County Council's maximum liability would be £2.989m. As this situation is unlikely to occur a specific provision has not been made. In line with advice from the Insurance Fund's actuary, an allocation representing 50% of the maximum liability has been included in the Insurance Reserve.

The Independent Insurance Company

The County Council has placed its employer's and public liability insurance with the Independent Insurance Company between 1992 and 1994. This company has ceased trading leaving a possibility that the County Council may be exposed to a large claim relating to the period of cover. No significant claims have been received to date. The usual legal principles relating to limitations should apply if any claim is now made against the County Council.

Nettlebed School site

The County Council sold the site some months ago so as to hold the proceeds of sale free from any trust under the School Sites Acts. A claim has been received from the purported beneficiaries which has been rebuffed following Counsel's Advice. If legal proceedings are issued the claim for the proceeds of sale could be £1.35m.

Cogges Link Road Development

The Secretary of State for Transport's pronouncement on the Cogges Link Road Development includes a recommendation that the County Council should meet all of the legal costs relating to the public inquiry, which have yet to be quantified.

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68. Material Post Balance Sheet Events

Five schools have converted to academy trusts since 31 March 2012. Property transfers are also due to take place for two schools that converted to academies in previous years but are currently leased to the academy trusts on short-term leases. The value of Property, Plant and Equipment that will transfer to academy trusts during 2012/13 is £107m.

69. Changes in accounting policy

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) has adopted the change to IFRS7 *Financial Instruments: Disclosures* issued in October 2010. The amendments to IFRS 7 are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the County Council's financial position.

The County Council is required to disclose information relating to the impact of an accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the County Council for the current reporting year (2011/12). The County Council does not enter into arrangements relating to the transfer of financial assets and therefore the amendment to IFRS7 is not likely to have any impact on the County Council's financial statements.

70. Authorisation of the Accounts

The Statement of Accounts was authorised for issue on 26 June 2012 by Sue Scane, Assistant Chief Executive and Chief Finance Officer. Events after the balance sheet date have been considered up to this time.

71. The County Council acts as a trustee for the various funds detailed below. The funds are invested in the Stock Market and with the County Council. They do not form part of the Balance Sheet.

		2010/11	2011/12	
Trust Funds where Oxfordshire County Council acts as sole trustee		**Value of Fund £'000**	**No. of Funds**	**Value of Fund £'000**
Children, Education & Families	Funds for the Development of Hill End Residential Centre	82	1	101
	Oxford Boys	22	1	22
	Criminal Injuries Compensation Awards	127	11	58
	Other (under £10,000)	10	9	10
Chief Executive's Office	Bequest of Property at Watlington	3	1	211
Total		**244**	**23**	**402**

		2010/11	2011/12	
Trust Funds where Oxfordshire County Council acts as joint trustees		**Value of Fund £'000**	**No. of Funds**	**Value of Fund £'000**
Children, Education & Families	Funds to be used for the benefit of Wallingford School	3,235	3	3,193
	Other (under £10,000)	4	2	2
Social & Community Services	Junior Citizens Trust	7	1	8
Total		**3,246**	**6**	**3,203**

		2010/11	2011/12	
Other Funds		**Value of Fund £'000**	**No. of Funds**	**Value of Fund £'000**
Children, Education & Families	A grant for Hill End Residential Centre for Innovation	6	0	0
	Thomas Gifford Charity	348	1	350
	City Lectureship Scholarship	17	1	17
	Other (under £10,000)	33	24	32
Social & Community Services	Other (under £10,000)	11	1	9
Total		**415**	**27**	**408**

Fund Account for the year ended 31 March			
	Notes	2011 (Restated) £'000	2012 £'000
Contributions and Benefits			
Contributions Receivable	7	-86,120	-102,349
Transfers from Other Schemes	8	-7,293	-6,725
Income Sub Total		**-93,413**	**-109,074**
Benefits Payable	9	58,874	68,041
Payments to and on account of leavers	10	6,118	6,132
Administrative expenses borne by the Scheme	11	1,509	4,108
Expenditure Sub Total		**66,501**	**78,281**
Net Additions from dealings with members		**-26,912**	**-30,793**
Returns on Investments			
Investment Income	12	-22,949	-21,894
Commission Recapture		-3	0
Profits and losses on disposal of investments and changes in Market Value of Investments	16a	-85,891	-21,534
Less Investment Management Expenses	13	2,777	2,159
Less Taxes on Income	12	287	174
Net returns on investments		**-105,779**	**-41,095**
Net increase in the net assets available for benefits during the year		**-132,691**	**-71,888**
Opening Net Assets of the Scheme		1,115,415	1,248,106
Closing Net Assets of the Scheme		**1,248,106**	**1,319,994**

Net Assets as at 31 March				
	Notes	**2010 (Restated) £’000**	**2011 (Restated) £’000**	**2012 £’000**
Investment Assets				
Fixed Interest Securities	16b	114,276	130,276	142,416
Index Linked Securities	16b	53,033	62,860	68,246
Equities	16b	395,823	443,438	231,167
Pooled Investments	16b	376,623	420,125	652,936
Pooled Property Investments	16b	59,001	75,241	78,731
Private Equity	16b	61,912	76,979	72,736
Derivative Contracts	16b	192	43	932
Cash Deposits	16b	3,710	5,875	3,172
Other Investment Balances	16b	5,812	5,792	10,687
Investment Liabilities				
Derivative Contracts	16c	-750	-1,000	-20
Other Investment Balances	16d	-4,847	-3,290	-3,228
Total Investments		**1,064,785**	**1,216,339**	**1,257,775**
Assets and Liabilities				
Current Assets	17	50,538	31,991	47,756
Current Liabilities	18	-2,122	-1,850	-2,002
Net Current Assets		**48,416**	**30,141**	**45,754**
Long-Term Assets	19	2,214	1,626	16,465
Net Assets of the scheme available to fund benefits at year end		**1,115,415**	**1,248,106**	**1,319,994**

The 2010/11 accounts have been restated to reflect changes in accounting policy in relation to contributions and cash (see note 3).

Note 1 – Description of the fund

This description of the fund is a summary only. Further details are available in the Fund's 2011/12 Annual Report and in the underlying statutes.

General
The Oxfordshire County Council Local Government Pension Fund is a statutory, funded final salary pension scheme. It is "contracted-out" of the state scheme and is termed a defined benefit scheme. Oxfordshire County Council is the administering body for this pension fund. The scheme is principally governed by the Superannuation Act 1972. The fund is administered in accordance with Local Government Pension Scheme Regulations. The scheme covers eligible employees and elected members of the County Council, District Councils within the county area and employees of other bodies eligible to join the Scheme.

This defined benefit scheme provides benefits related to salary for its members. Pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. The amount is determined by the Secretary of State.

There were no changes to the asset allocation of the fund during 2011/12, although the fund did determine to move the full global equities allocation of approximately £250m from active to passive management. Approximately £150m of the funds moved to passive management were placed in a transition fund and are to be transferred to a newly appointed active global equities manager in 2012/13.

Membership
Members are made up of three main groups. Firstly, the contributors - those who are still working and paying money into the Fund. Secondly, the pensioners - those who are in receipt of a pension and thirdly, by those who have left their employment with an entitlement to a deferred benefit on reaching pensionable age.

Organisations participating in the Oxfordshire County Council Pension Fund include:

- Scheduled Bodies – Local Authorities and similar bodies, such as Academies, whose staff are automatically entitled to become members of the fund.
- Admitted Bodies – Organisations that participate in the fund under an admission agreement between the fund and the organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Admitted Bodies can be split in to two groups:
  - Community Admission Bodies – these are typically employers that provide a public service on a not-for-profit basis and often have links to scheduled bodies already in the fund. Housing Corporations fall under this category.
  - Transferee Admission Bodies – these are bodies that provide a service or asset in connection with the exercise of a function of a scheme employer in certain circumstances. Typically this will be when a service is transferred from a scheme employer and is to allow continuing membership for staff still involved in the delivery of the service transferred.

Full definitions are contained in The Local Government Pension Scheme (Administration) Regulations 2008.

The table below details the composition of the Fund's membership:

	2010/11	2011/12
Number of Contributory Employees in Scheme		
Oxfordshire County Council	13,145	12,599
Other Scheduled Bodies	4,817	5,241
Admitted Bodies	868	742
	18,830	**18,582**
Number of Pensioners and Dependants		
Oxfordshire County Council	6,320	6,863
Other Scheduled Bodies	4,036	4,244
Admitted Bodies	496	576
	10,852	**11,683**
Deferred Pensioners		
Oxfordshire County Council	10,996	14,869
Other Scheduled Bodies	4,904	6,063
Admitted Bodies	772	873
	16,672	**21,805**

Eight Scheduled Bodies, of which seven are Academies and one is a Parish Council plus two Admitted Bodies joined the scheme in 2011/12. There was no significant impact on the membership of the scheme because the majority of the new bodies are Academies, who previously came under the County Council as a Scheduled Body meaning the members in these bodies already existed in the scheme, and the other new bodies are small.

Funding

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The contribution from employees is prescribed by statute, and for the year ending 31 March 2012 rates ranged from 5.5% to 7.5% of whole time equivalent pensionable earnings.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years.

Benefits

The benefits payable under the Scheme are laid down by the Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007 and are summarised in the following table. Pension payments are guaranteed and any shortfall is met through the Pension Fund linked to employer contribution rates set by the fund valuation. The Scheme is a 'final salary' scheme and provides a pension as a proportion of final salary according to the length of service.

The scheme also provides a range of other benefits including early retirement, disability pensions and death benefits.

Benefits are index-linked in order to keep pace with inflation. The Government announced in June 2010 that the basis of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011.

	Service Pre 1 April 2008	Service Post 31 March 2008
Pension	Each full-time year worked is worth 1/80 × final pensionable salary.	Each full-time year worked is worth 1/60 × final pensionable salary.
Lump Sum	Automatic lump sum of 3 × salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Note 2 – Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831) prohibits administering authorities from crediting Additional Voluntary Contributions to the Pension Fund. In consequence Additional Voluntary Contributions are excluded from the Net Assets Statement and are disclosed separately in note 16.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The actuarial position of the scheme which takes into account these obligations is dealt with in the Actuarial Statement on page 160.

Note 3 – Summary of Significant Accounting Policies

Investments

1. Investments are shown in the accounts at market value, which has been determined as follows:

   (a) The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, as at 31 March 2012.

   (b) Unlisted securities are included at fair value, estimated by having regard to the latest dealings, professional valuations, asset values and other appropriate financial information;

   (c) Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

   (d) Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2012.

(e) Fixed Interest stocks are valued on a 'clean' basis (i.e. the value of interest accruing from the previous interest payment date to the valuation date has been included within the amount receivable for accrued income).

(f) Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Foreign Currencies

2. Balances denominated in foreign currencies are translated at the rate ruling at the net assets statement date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

Contributions

3. Employee normal contributions are accounted for when deducted from pay. Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid.

   Employers' pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

   The Actuary at his triennial valuations of the Fund's assets and liabilities determines the employers' rate for contributions. Employees' contributions have been included at rates required by the Local Government Pension Scheme Regulations.

Benefits, Refunds of Contributions and Transfer Values

4. Benefits payable and refunds of contributions have been brought into the accounts on the basis of all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities. Transfer values are those sums paid to, or received from, other pension schemes and relate to periods of previous pensionable employment. Transfer values have been included in the accounts on the basis of the date when agreements were concluded.

In the case of inter-fund adjustments provision has only been made where the amount payable or receivable was known at the year-end. Group transfers are accounted for in accordance with the terms of the transfer agreement.

Investment Income

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Change in Market Value'. Foreign income has been translated into sterling at the date of the transaction. Income due at the year-end was translated into sterling at the rate ruling at 31 March 2012.

Investment Management and Scheme Administration

6. A proportion of relevant County Council officers' salaries, including salary oncosts, have been charged to the Fund on the basis of time spent on scheme administration and investment related business. The fees of the Fund's general investment managers have been accounted for on the basis contained within their management agreements. Investment management fees are accounted for on an accruals basis.

Expenses

7. Expenses are accounted for on an accruals basis.

Changes in Accounting Policy

8. Cash balances were previously shown as investment assets. In the 2011/12 accounts cash deposits are split between investments and current assets.

   Previously, employer contributions were recognised in the accounts in the year in which payment was due. Employer contributions owed for pension strain costs payable in the financial year were treated as receivables. In line with new CIPFA guidance, the full cost of pension strain arising from early retirement has been recognised in the financial year in which the liability has arisen. The change in accounting policy has resulted in the cash receivable in future years being recognised in long-term receivables.

   Prior period adjustments as shown in note 30.

Note 4 – Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this involves the use of significant judgements by the managers. The value of unquoted private equity investments at 31 March 2012 was £39.450m (£30.307m at 31 March 2011).

Pension Fund Liability
The pension fund liability is calculated every three years by the funds actuary, with annual updates in the intervening years. Methods and assumptions consistent with IAS19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 27. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

Note 5 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains figures that are estimates based on assumptions made by the Fund. These estimates are based on the information available at the time of producing the accounts. There is a risk that actual results could be materially different from the assumptions and estimates used.

The items in the net assets statement at 31 March 2012 for which there is a significant chance of material adjustment in the following financial year are as follows:

Item	Uncertainties	Potential Impact
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. The fund engages an actuarial firm to provide expert advice on the assumptions to be applied.	The actuarial present value of promised retirement benefits included in the financial statements is £2,084m. There is a risk that this figure is under- or overstated in the accounts.
Unquoted Private Equity	Unquoted private equity investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation.	Unquoted private equity investments included in the financial statements total £39.450m. There is a risk these investments are under- or overstated in the accounts.
Fund of Funds Hedge Funds	Fund of Funds Hedge Funds investments are valued based on the sum of the fair values provided by the administrators of the underlying funds plus adjustments that Directors of the fund of funds deem appropriate. As these investments are not publicly listed there is a degree of estimation involved in the valuation.	The total value for Fund of Funds Hedge Funds included in the financial statements is £31.688m. There is a risk that these investments could be under- or overstated in the accounts.

Note 6 – Events After the Balance Sheet Date

There have been no events since 31 March 2012, and up to the date when these accounts were signed, which require any adjustments to these accounts.

Note 7 – Contributions

	2010/11 £'000	2011/12 £'000
Employers		
Normal	-44,593	-41,769
Augmentation	0	-26
Deficit Funding	-18,907	-37,858
Costs of Early Retirement	-2,440	-3,527
	-65,940	-83,180
Members		
Normal	-19,650	-18,694
Additional *	-530	-475
	-20,180	-19,169
Total	**-86,120**	**-102,349**

Deficit funding contributions are being paid by the employers into the scheme in accordance with a 25 year recovery plan, with the exception of one employer who has a 12 year recovery plan.

*Local Government Scheme Additional Employees contributions are invested within the Fund, unlike AVCs which are held separately, as disclosed in Note 23.

	Employer Contributions		Members Contributions	
	2010/11	2011/12	2010/11	2011/12
	£'000	£'000	£'000	£'000
Oxfordshire County Council	-35,633	-35,662	-11,779	-10,907
Scheduled Bodies	-20,846	-43,015	-6,886	-6,900
Resolution Bodies	-552	-530	-188	-196
Community Admission Bodies	-7,051	-3,131	-1,028	-954
Transferee Admission Bodies	-1,858	-842	-299	-212
Total	**-65,940**	**-83,180**	**-20,180**	**-19,169**

Note 8 – Transfers In

	2010/11 £'000	2011/12 £'000
Group Transfers In from other schemes	0	-131
Individual Transfers In from other schemes	-7,293	-6,594
Total	**-7,293**	**-6,725**

Note 9 – Benefits

	2010/11 £'000	2011/12 £'000
Pensions Payable	43,812	47,843
Lump Sums – Retirement Grants	13,034	18,513
Lump Sums – Death Grants	2,028	1,685
Total	**58,874**	**68,041**

	Pensions Payable		Lump Sums	
	2010/11	2011/12	2010/11	2011/12
	£'000	£'000	£'000	£'000
Oxfordshire County Council	21,428	23,599	7,945	11,873
Scheduled Bodies	20,193	21,698	5,822	6,429
Resolution Bodies	370	399	109	44
Community Admission Bodies	1,491	1,656	667	1,108
Transferee Admission Bodies	330	491	519	744
Total	**43,812**	**47,843**	**15,062**	**20,198**

Note 10 – Payment to and on account of leavers

	2010/11 £'000	2011/12 £'000
Refunds of Contributions	44	18
Payments for members joining state scheme	-3	-4
Group Transfers Out to other schemes	0	0
Individual Transfers Out to other schemes	6,077	6,118
Total	**6,118**	**6,132**

Note 11 – Administrative Expenses

	2010/11 £'000	2011/12 £'000
Employee Costs		
- Administrative	768	727
- Investment	176	184
Support Services Including ICT	55	52
Actuarial Fees	66	35
External Audit Fees	50	24
Internal Audit Fees	14	14
Printing & Stationary	33	28
Advisory & Consultancy Fees	146	56
Long-Term Receivable Adjustment*	0	2,748
Other	201	240
Total	**1,509**	**4,108**

*The long-term receivable adjustment reflects the difference between the cash payments due and the value of these payments on a discounted cash-flow basis in relation to transfers to Magistrates' Courts (see note 19).

Note 12 – Investment Income

	2010/11 £'000	2011/12 £'000
Fixed Interest Securities	-5,514	-6,258
Index Linked Securities	-2,516	-2,119
Equity Dividends	-11,670	-9,081
Pooled Property Investments	-2,159	-2,913
Pooled Investments – Unit Trusts & Other Managed Funds	-353	-364
Interest on Cash Deposits	-289	-241
Private Equity Income	-286	-871
Other – Securities Lending	-162	-47
	-22,949	**-21,894**
Irrecoverable Withholding Tax - Equities	**287**	**174**
Total	**-22,662**	**-21,720**

Note 13 – Investment Management Expenses

	2010/11 £'000	2011/12 £'000
Management Fees	2,705	2,104
Custody Fees	56	42
Performance Monitoring Service	16	13
Total	**2,777**	**2,159**

Investment Manager & Custody Fees are mostly calculated on a fixed sliding scale basis and are applied to the market value of the assets managed. There has been a reduction is custody fees compared to the previous year due to the transfer of the active global equities mandate to passive management.

Note 14 – Securities Lending

In April 2004 the Fund introduced an arrangement with its custodian BNY Mellon to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the aggregate market value of the Fund. Collateralised lending generated income of £0.047m in 2011/12 (2010/11 £0.163m). This is included within investment income in the Pension Fund Account. At 31 March 2012 £31.920m of stock (2% of the Fund) was on loan, for which the Fund was in receipt of £33.521m worth of collateral. Collateral consists of acceptable securities and government and supranational debt. One of the reasons for the fall in stock lending income was a reduction in the availability of stocks following the transfer of the active global equity mandate to passive management.

Note 15 – Related Party Transactions

The Pension Fund is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Pension Fund or to be controlled or influenced by the Pension Fund. Disclosure of these transactions allows readers to assess the extent to which the Pension Fund 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 Pension Fund.

As the County Council is the designated statutory body responsible for administrating the Oxfordshire Pension Fund, it is a related party.

For the 12 months ended 31 March 2012, the County Council made employer contribution payments to the Pension Fund of £35.306m (2010/11 £36.140m). At 31 March 2012 there were receivables in respect of contributions due from the County Council of £2.584m and payables due to the County Council of £0.019m for support services.

The County Council was reimbursed £1.035m (2010/11 £1.051m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

Note 16 – Investments

	Value at 31 March 2011 £'000	Value at 31 March 2012 £'000
Investment Assets		
Fixed Interest Securities	130,276	142,416
Index Linked Securities	62,860	68,246
Equities	443,438	231,167
Pooled Investments	420,125	652,936
Pooled Property Investments	75,241	78,731
Private Equity	76,979	72,736
Derivatives:		
- Futures	28	0
- Forward Currency Contracts	15	932
Cash Deposits	5,875	3,172
Investment Income Due	4,046	3,977
Amounts Receivable for Sales	1,746	6,710
Total Investment Assets	**1,220,629**	**1,261,023**
Investment Liabilities		
Derivatives:		
- Futures	0	0
- Forward Currency Contracts	-1,000	-20
Investment Expenses Due	-649	-643
Amounts Payable for Purchases	-2,641	-2,585
Total Investment Liabilities	**-4,290**	**-3,248**
Net Investment Assets	**1,216,339**	**1,257,775**

Note 16a – Reconciliation of Movements in Investments and Derivatives

	Value at 1 April 2011 £'000	Purchases at Cost & Derivative Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Receivables / (Payables) £'000	Value at 31 March 2012 £'000
Fixed Interest Securities	130,276	250,385	-245,422	7,177			142,416
Index Linked Securities	62,860	144,562	-150,766	11,590			68,246
Equities	443,438	24,327	-241,264	4,666			231,167
Pooled Investments	420,125	518,439	-285,611	-17			652,936
Pooled Property Investments	75,241	4,797	-2,339	1,032			78,731
Private Equity	76,979	2,357	-4,330	-2,270			72,736
Derivative Contracts							
Futures	28		-59	31			0
FX	-985	2,454	-2,073	1,516			912
Other Investment Balances							
Cash Deposits	5,875	42,809	-42,633	-2,191	-688		3,172
Amounts Receivable for Sales of Investments	1,746					4,964	6,710
Investment Income Due	4,046					-69	3,977
Amounts Payable for Purchases of Investments	-3,290					62	-3,228
Total	**1,216,339**	**990,130**	**-974,497**	**21,534**	**-688**	**4,957**	**1,257,775**

	Value at 1April 2010 £'000	Purchases at Cost & Derivative Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Receivables / (Payables) £'000	Value at 31 March 2011 £'000
Fixed Interest Securities	114,276	252,846	-237,802	956			130,276
Index Linked Securities	53,033	178,944	-171,326	2,209			62,860
Equities	395,823	169,660	-152,390	30,345			443,438
Pooled Investments	376,623	29,454	-19,292	33,340			420,125
Pooled Property Investments	59,001	13,732	-1,411	3,919			75,241
Private Equity	61,912	1,410	-1,307	14,964			76,979
Derivative Contracts							
Futures	14	61	-207	160			28
FX	-572	2,921	-3,691	357			-985
Other Investment Balances							
Cash Deposits	3,710	89,227	-89,091	-359	2,388		5,875
Amounts Receivable for Sales of Investments	1,992					-246	1,746
Investment Income Due	3,820					226	4,046
Amounts Payable for Purchases of Investments	-4,847					1,557	-3,290
Total	**1,064,785**	**738,255**	**-676,517**	**85,891**	**2,388**	**1,537**	**1,216,339**

Included within the above purchases and sales figures are transaction costs of £0.543m. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

There have been no employer-related investments at any time during the year.

Note 16b – Analysis of Investments (Excluding Derivative Contracts)

Fixed Interest Securities

	2010/11 £'000	2011/12 £'000
UK Public Sector	36,345	57,939
UK Other	71,713	60,423
Overseas Public Sector	22,218	24,054
Total	**130,276**	**142,416**

Index Linked Securities

	2010/11 £'000	2011/12 £'000
UK Public Sector Index Linked	62,860	68,246
Total	**62,860**	**68,246**

Equity Investments

	2010/11 £'000	2011/12 £'000
UK listed equities	247,026	231,167
Overseas Listed Equities:		
USA	108,120	0
Japan	21,073	0
Europe	47,332	0
Pacific Basin	3,692	0
Emerging Markets	16,195	0
Total	**443,438**	**231,167**

Pooled Investment Vehicles

	2010/11 £'000	2011/12 £'000
UK Registered Managed Funds – Property	17,439	18,286
Non UK Registered Managed Funds – Property	13,438	15,660
UK Registered Managed Funds – Other	142,951	400,972
Non UK Registered Managed Funds – Other	106,007	84,578
UK Registered Property Unit Trusts	41,632	39,582
Non UK Registered Property Unit Trusts	2,732	5,203
Non UK Registered Unit Linked Insurance Fund	171,167	167,386
Total	**495,366**	**731,667**

Private Equity

	2010/11 £'000	2011/12 £'000
Listed Investments	76,970	72,727
Unlisted Investments	9	9
Total	**76,979**	**72,736**

Total Investments (excluding derivative contracts)

	2010/11 £'000	2011/12 £'000
	1,208,919	1,246,232

Note 16c – Derivative Contracts

Objectives and policies

The Pension Fund Committee have authorised the use of derivatives by their investment managers as part of their investment strategy for the pension scheme.

The main objectives and policies followed during the year are summarised as follows:

Futures –index based futures contracts, with an underlying economic value broadly equivalent to cash held, were bought to avoid cash held being 'out of the market'.

Forward Foreign Exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

Futures
The scheme had no exchange traded overseas stock index futures outstanding at the year-end as these were only undertaken within the active global equities portfolio which was transferred to passive management during 2011/12.

Type	Expires	Economic Exposure £'000	Asset Value 2010/11 £'000	Economic Exposure £'000	Asset Value 2011/12 £'000
Overseas Equity	Less than one year	1,236	28	0	0

For 2011/12 the amount included within cash balances in respect of initial and variation margins arising on open contracts at the year-end is nil.

Hedge Funds

IFRS accounting requires that the Fund discloses information on fair value hedges, cash flow hedges and hedges of net investments in foreign operations. The Fund has exposure to such hedges through its £31.688m investment in a Fund of Funds Hedge Fund. As the Fund has no direct ownership in these hedge arrangements, with all decisions made by the Fund Managers rather than the Oxfordshire Pension Fund, the hedge disclosure requirements are deemed not to apply.

Forward Foreign Exchange (FX)

The scheme had open FX contracts at the year-end as follows:

Contract	Settlement Date	Currency Bought '000	Currency Sold '000	Asset value At year end £'000	Liability value at year end £'000	Net Forward currency Contracts £'000
Forward OTC	2 months	138 GBP	206 AUD	5	0	
Forward OTC	2 months	451 GBP	716 CAD	4	0	
Forward OTC	2 months	94 GBP	1,010 SEK	0	-1	
Forward OTC	2 months	5,688 GBP	6,830 EUR	0	-6	
Forward OTC	2 months	8,791 GBP	13,930 USD	71	0	
Forward OTC	2 months	10,256 GBP	1,236,000 JPY	852	0	
Forward OTC	2 months	670 GBP	88,876 JPY	0	-6	
Forward OTC	2 months	343 EUR	3,050 SEK	0	-1	
Forward OTC	3 months	15,290 GBP	18,335 EUR	0	-6	
Forward Currency Contracts at 31 March 2012				**932**	**-20**	**912**
Prior Year Comparative						
Forward Currency contracts at 31 March 2011				**15**	**1,000**	**-985**

Note 16d – Other Investment Balances

	2010/11 £'000	2011/12 £'000
Receivables		
Sale of Investments	1,746	6,710
Dividend & Interest Accrued	3,976	3,865
Inland Revenue	59	105
Other	11	7
	5,792	**10,687**
Payables		
Purchase of Investments	-2,641	-2,585
Management Fees	-632	-625
Custodian Fees	-17	-18
	-3,290	**-3,228**
Total	**2,502**	**7,459**

Cash Deposits

	2010/11 £'000	2011/12 £'000
Non-Sterling Cash Deposits	2,772	3,172
Sterling Cash Deposits	3	0
Loans	3,100	0
Total	**5,875**	**3,172**

The following investments represent more than 5% of the net assets of the scheme

	2010/11 £'000	% of Total Fund	2011/12 £'000	% of Total Fund
UBS Global Optimal Thirds	171,167	13.71	167,386	12.68
L&G World Equity Index	0	0	154,443	11.70
L&G UK FTSE100 Equity Index	129,291	10.36	130,835	9.91
L&G World (ex-UK) Equity Index	0	0	100,139	7.59

Note 17 – Current Assets

2011/12	Central Gov't Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corpor-ations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,122	4,283	1	4	233	**6,643**
Employee Contributions	0	1,446	0	2	77	**1,525**
Transferred Benefits	0	176	0	0	0	**176**
Costs of Early Retirement	0	1,097	0	13	254	**1,364**
Inland Revenue	60	0	0	0	0	**60**
Other	46	151	0	14	22	**233**
Cash Balances	0	0	0	0	37,755	**37,755**
Total	**2,228**	**7,153**	**1**	**33**	**38,341**	**47,756**

2010/11	Central Gov't Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corpor-ations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	3,449	1,743	2	1,023	317	**6,534**
Employee Contributions	0	614	0	10	99	**723**
Transferred Benefits	0	824	0	0	46	**870**
Costs of Early Retirement	0	1,561	0	0	148	**1,709**
Other	47	110	0	108	8	**273**
Cash Balances	0	0	0	0	21,882	**21,882**
Total	**3,496**	**4,852**	**2**	**1,141**	**22,500**	**31,991**

Note 18 – Current Liabilities

2011/12	Central Government Bodies	Local Authorities	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000
Transferred Benefits	0	-112	0	-183	-295
Benefits Payable	0	-209	0	-548	-757
Inland Revenue	-665	0	0	0	-665
Costs of Early Retirement	-201	0	0	0	-201
Staff Costs	0	-31	0	0	-31
Consultancy	0	0	-9	0	-9
Other	-1	-7	-6	-30	-44
Total	**-867**	**-359**	**-15**	**-761**	**-2,002**

2010/11	Central Government Bodies	Local Authorities	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000
Transferred Benefits	-16	-214	0	-4	-234
Inland Revenue	-614	0	0	0	-614
Costs of Early Retirement	-201	0	0	0	-201
Staff Costs	0	-691	0	0	-691
Consultancy	0	-36	-49	-2	-87
Other	-1	-20	-1	-1	-23
Total	**-832**	**-961**	**-50**	**-7**	**-1,850**

Note 19 – Long-Term Assets

2011/12	Central Government Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employer Contributions	14,806	0	0	0	0	**14,806**
Costs of Early Retirement	0	1,274	0	11	374	**1,659**
Total	**14,806**	**1,274**	**0**	**11**	**374**	**16,465**

2010/11	Central Government Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employer Contributions	0	0	0	0	0	**0**
Costs of Early Retirement		1,420		1	205	**1,626**
Total	**0**	**1,420**	**0**	**1**	**205**	**1,626**

Long-Term assets for 2011/12 include deferred receivables in relation to the transfer of staff to Magistrates' Courts for which the payment of £21.860m is due to be received in ten equal annual instalments.

Note 20 - Assets under External Management

The market value of assets under external fund management amounted to £1,194.133m as at 31 March 2012. The table below gives a breakdown of this sum:

	2010/11		2011/12	
	Market Value £'000	%	Market Value £'000	%
Alliance Bernstein	255,996	22.41	117	0.01
Baillie Gifford	240,021	21.01	253,802	21.26
Legal & General	323,136	28.28	606,360	50.78
UBS	290,964	25.47	290,216	24.30
Adams Street Partners	10,399	0.91	13,888	1.16
Partners Group	21,922	1.92	29,750	2.49
Total	**1,142,438**	**100.00**	**1,194,133**	**100.00**

Note 21 – Top 5 Holdings

Value of the Fund's Top Five Holdings	£'000	% of Fund
Electra Investment Trust	17,448	1.32
HG Capital Trust	16,062	1.22
BG Group PLC	13,697	1.04
Treasury Stk 5.0% 7 March 2025	12,425	0.94
British American Tobacco	12,065	0.91

Note 22 – Taxation

The scheme is a 'registered pension scheme' for tax purposes under the Finance Act 2004. As such the fund is exempt from UK income tax on interest received and from capital gains. However, the Scheme cannot reclaim certain amounts of withholding taxes relating to overseas investment income which are suffered in the country of origin.

Note 23 – Additional Voluntary Contributions

	2010/11 £'000	2011/12 £'000
Value of AVC Fund at beginning of year	15,144	15,028
Employee contributions	1,338	1,711
Investment income and change in market value	739	796
Benefits paid and transfers out	-2,183	-3,006
Management Fees	-9	-12
Value of AVC Fund at end of year	**15,029**	**14,517**

The funds are invested as follows:-

	2010/11 £'000	2011/12 £'000
BGI Aquila UK Equity Index Fund	9	12
Blackrock Aquila (50:50) Global Equity Index Fund	2	8
Deposit Fund	544	664
Prudential Cash Fund	112	157
Prudential Corporate Bond Fund	22	54
Prudential Discretionary Fund	304	292
Prudential Fixed Interest Fund	53	63
Prudential Global Equity Fund	61	71
Prudential Index Linked Fund	70	118
Prudential International Equity Fund	139	111
Prudential Pre-Retirement Fund	7	34
Prudential Property Fund	74	84
Prudential Retirement Protection Fund	177	271
Prudential Socially Responsible Fund	79	83
Prudential UK Equity (Active) Fund	88	96
Prudential UK Equity (Passive) Fund	269	299
With Profits Cash Accumulation Fund	13,019	12,100
Total	**15,029**	**14,517**

The AVC provider to the Fund is the Prudential. The assets of these investments are held separately from the Fund. The AVC provider secures additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year.

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Note 24 – Contingent Liabilities and Assets

There are two contingencies to note:

1. Westminster College. An estimated bulk transfer payment of £0.6m is due to Oxfordshire County Council Pension Fund. The date for settling this balance has yet to be agreed.

2. The Museums, Libraries and Archive (MLA) Council. Staff from MLA Oxfordshire County Council transferred to the MLA Council on 6 April 2009 and 31 March 2010. Actuaries are currently working on the calculation of the payments to be made to the Premium section of the Principal Civil Service Pension Scheme in relation to the transfer of past service rights.

3. The Pension Fund received a Final Determination from the Pension Ombudsman, in which he has instructed the Administering Authority to pay compensation to a complainant as a result of mal-administration. The final level of compensation is contingent on the circumstances of the complainant over the next 12 years, though the maximum payment has been calculated as approximately £220,000 plus pensions increase.

As at 31 March 2012 the fund had outstanding capital commitments (investments) totalling £48.825m (31 March 2011 - £42.652m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

Note 25 – Contingent Assets

Two Admitted Body employers in the Oxfordshire County Council Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations to the fund. These bonds are drawn in favour of the pension fund and payment of the bond will only be triggered in an event of default by the employer.

Note 26 – Statement of Investment Principles

Oxfordshire County Council has a statement of investment principles. This is published in the Pension Fund Annual Report and Accounts which is circulated to all scheme employers and is also available on the Council's internet.

Note 27 - Actuarial Present Value of Promised Retirement Benefits

	2011 £'000	2012 £'000
Present Value of Funded Obligation	1,683,123	2,083,843

Present Value of Funded Obligation consists of £1,683.817m (2011 – £1,395.363m) in respect of Vested Obligation and £400.026m (2011 – £287.760m) in respect of Non-Vested Obligation. The movement from March 2011 can in part be explained by the normal changes over the year as new benefits are accrued and previous benefits paid out. This explains an increase in the present value of the Funded Obligation of £94.843m (2011 - £138.764m). In 2011 the figure has been amended downwards by £183.931m as a result of the change in indexation of benefits from RPI to CPI.

There has been a further increase in the present value of the Funded Obligation of £304.242m (2011 - reduction of £197.023m) reflecting a change in the actuarial assumptions as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- A reduction in the assumed level of CPI and therefore pension increase from 2.7% to 2.5% (net effect a reduction in Present Value of Funded Obligation)
- A reduction in the assumed level of pay increases from 5.0% to 4.7% (net effect a reduction in Present Value of Funded Obligations)
- A reduction in the discount factor from 5.5% to 4.6% (net effect an increase in Present Value of Funded Obligations).

Note 28 - Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	2010/11			2011/12		
	Fair Value through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000
Financial Assets						
Fixed Interest Securities	130,276			142,416		
Index Linked Securities	62,860			68,246		
Equities	443,438			231,167		
Pooled Investments	420,125			652,936		
Pooled Property Investments	75,241			78,731		
Private Equity	76,979			72,736		
Derivatives	43			932		
Cash		27,757			40,927	
Other Investment Balances	5,792			10,687		
Receivables		11,735			26,466	
	1,214,754	**39,492**	**0**	**1,257,851**	**67,393**	**0**
Financial Liabilities						
Derivatives	-1,000			-20		
Other Investment Balances	-3,290			-3,228		
Payables			-1,850			-2,002
	-4,290	**0**	**-1,850**	**-3,248**	**0**	**-2,002**
Total	**1,210,464**	**39,492**	**-1,850**	**1,254,603**	**67,393**	**-2,002**

Note 28b – Fair Value of Financial Instruments and Liabilities

The carrying values (cost) of the financial assets and liabilities compared with their fair values are summarised below by instrument class.

	2011		2012	
	Carrying Value £'000	**Fair Value £'000**	**Carrying Value £'000**	**Fair Value £'000**
Financial Assets - Current				
Loans & Receivables	39,492	39,492	67,393	67,393
Financial Assets at fair value through profit or loss	996,252	1,214,754	1,078,354	1,257,851
	1,035,744	1,254,246	1,145,747	1,325,244
Financial Liabilities – Current				
Amortised Cost	-1,850	-1,850	-2,002	-2,002
Financial Liabilities at fair value through profit or loss	-3,290	-4,290	-3,228	-3,248
	-5,140	-6,140	-5,230	-5,250
Total	**1,030,604**	**1,248,106**	**1,140,517**	**1,319,994**

The Fair Value of operational debtors and creditors, cash and short-term deposits, is assumed to be equal to the carrying value (cost).

Note 28c – Net Gains and Losses on Financial Instruments

	31 March 2011 £'000	**31 March 2012 £'000**
Financial Assets		
Fair Value through Profit and Loss	85,893	22,209
Loans and Receivables	-359	-2,191
Financial Liabilities		
Fair Value through Profit and Loss	357	1,516
Financial Liabilities Measured at Amortised Cost	0	0
Total	**85,891**	**21,534**

Note 28d – Valuation of Financial Instruments Carried at Fair Value

Financial instruments have been classified in to one of the following three categories to reflect the level of uncertainty in estimating their fair values:

Level 1
Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2
Fair value is based on inputs other than quoted prices included within Level 1 that are observable either directly (i.e., from prices) or indirectly (i.e., derived from prices).

Level 3
Fair value is determined by reference to valuation techniques using inputs that are not observable in the market.

Included within Level 3 are pooled private equity investments made in Limited Liability Partnerships where fair value is determined using valuation techniques which involve significant judgements by fund managers due to the unquoted nature of the fund investments. Fund of funds hedge fund investments are included within Level 3 of the hierarchy as the fair value is based on the sum of the fair values of the underlying funds, which are unlisted, as provided by the fund administrators and is subject to adjustments by the Directors of the fund of funds as deemed appropriate. Some listed private equity investments have been included within Level 3 of the hierarchy where it has been determined that the market for the fund is inactive.

Categorisation of financial instruments within the levels is based on the lowest level input that is significant to the fair value measurement of the instrument.

The following table presents the Fund’s financial assets and liabilities within the fair value hierarchy.

Value at 31 March 2012	**Level 1 £’000**	**Level 2 £’000**	**Level 3 £’000**	**Total £’000**
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	403,327	766,546	87,978	1,257,851
Loans and Receivables	45,935	21,458	0	67,393
Total Financial Assets	**449,262**	**788,004**	**87,978**	**1,325,244**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	-3,228	-20	0	-3,248
Financial Liabilities at Amortised Cost	-2,002	0	0	-2,002
Total Financial Liabilities	**-5,230**	**-20**	**0**	**-5,250**
Net Financial Assets	**444,032**	**787,984**	**87,978**	**1,319,994**

Value at 31 March 2011	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	582,906	555,012	76,836	1,214,754
Loans and Receivables	25,636	13,856	0	39,492
Total Financial Assets	**608,542**	**568,868**	**76,836**	**1,254,246**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	-3,290	-1,000	0	-4,290
Financial Liabilities at Amortised Cost	-1,850	0	0	-1,850
Total Financial Liabilities	**-5,140**	**-1,000**	**0**	**-6,140**
Net Financial Assets	**603,402**	**567,868**	**76,836**	**1,248,106**

Purchases and sales represent £7.028m of the movement in assets classified under level 3 of the hierarchy between 2010/11 and 2011/12. The remaining movement is made up of £1.333m of realised profits and £2.781m from the movement in fair value estimated using valuation techniques.

Note 29 - Risk

The Pension Fund is subject to risk in terms of its key responsibility to meet the pension liabilities of the scheme members as they become due. These risks relate to the value of both the assets and the liabilities of the Fund and the timing of when the payment of the liabilities becomes due.

At a strategic level, the main tools used by the Pension Fund to manage risk are:

- The tri-annual Fund Valuation which reviews the assets and liabilities of the Fund, and resets employer contribution rates to target a 100% Funding Level. The 2010 Valuation estimated that the current Funding Level is only 79%, but set contribution rates to address the deficit over the next 25 years.
- The Statement of Investment Principles which sets out the Fund's approach to the investment of funds, and specifically sets out the approach to the mitigation of investment risk.
- The review of the Strategic Asset allocation to ensure compliance with the Statement of Investment Principles.
- The regular review of the performance of all Fund Managers.

Key elements of the approach to managing the investment risk as set out in the Statement of Investment Principles include:

- Maintaining an element of the asset allocation in fixed income securities, the behaviour of which most closely mirrors that of the Fund liabilities. The allocation to fixed income securities is constantly reviewed with the proposal that the allocation will increase as the maturity of the fund increases. Whilst the Fund maintains a high proportion of active members where the payment of liabilities is not due for many decades, the Fund can afford to seek the higher investment returns associated with the more volatile asset classes.

- Maintaining an element of the asset allocation in passive equity funds which remove the risk associated with poor manager performance (though retaining the market risk).
- Ensuring a diversification amongst asset groups, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance.
- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values.
- Restrictions on investments in line with the LGPS Investment Management Regulations, which set limits for total exposure to different investment classes, investment types etc.

The key risks associated with the level of liabilities stem from the level of initial pension benefit payable, the indexation of this benefit and the time the benefit is in payment for. These risks largely lie outside the control of the Pension Fund. Management of these risks is a key element of the Government's current review of all public sector pension schemes. The recent proposals agreed by the employers and unions subject to wider consultation link normal retirement age to future estimates of life expectancy to bring stability to the length of time benefits are in payment, the introduce career average revalued earnings schemes to avoid the sudden hike possible in final benefits under a final salary scheme, and the switch to indexation under CPI.

The Actuary when completing the 2010 Valuation undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.5% per annum in the discount rate would move the calculated funding level from 79% down to 73% or up to 85%. A change in mortality rates of 10% per annum would lead to a reduction in the funding level to 77% or an increase to 81%.

In terms of the investment in the various Financial Instruments open to the Pension Fund, the Fund is exposed to the following risks:

- Credit risk – the possibility of financial loss stemming from other parties no longer being able to make payments or meet contractual obligations to the Pension Fund.
- Liquidity Risk – the possibility that the Pension Fund might not have the funds available to meet its payment commitments as they fall due.
- Market Risk – the possibility that the Pension Fund may suffer financial loss as a consequence of changes in such measures as interest rates, market prices, and foreign currency exchange rates.

Credit Risk

In terms of the Pension Fund, the credit risk is largely associated in terms of the Fund's investments in Fixed Interest and Index Linked Securities, Cash Deposits and Short Term loans, where the risk is that the other parties fail to meet the interest payment or to return the Fund's investment at the end of the investment period.

At 31 March 2012 the Fund's exposure to credit risk was therefore limited to the following investments:

Investment Category	31 March 2011	31 March 2012
	£'000	£'000
UK Government Gilts	36,345	57,939
UK Corporate Bonds	71,713	60,423
UK Index Linked Gilts	62,860	68,246
Overseas Government Bonds	22,218	24,054
Non-Sterling Cash Deposits	2,772	3,172
Sterling Cash Deposits	3	0
Cash Balances	21,882	37,755
Short Term Loans	3,100	0
Total	**220,893**	**251,589**

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates whilst restricting the investments to investment grade bonds. Corporate Bonds as at 31 March 2012 had a minimum rating of BBB, and were diversified across companies from a broad range of sectors. Cash held in Sterling at 31 March 2012 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2011	Rating	Balance as at 31 March 2012
		£'000		£'000
Money Market Funds				
Deutsche Managed Sterling Fund	AAA	0	AAA	19,016
Ignis Asset Management	AAA	0	AAA	543
Standard Life GBP Fund	AAA	11,638	AAA	0
Bank Deposit Accounts				
Royal Bank of Scotland Plc	AA-	5,715	A	8,497
Euroclear Bank S.A.	AA+	108	AA+	397
UBS AG	A+	21	A	4
Santander UK Plc	AA-	3,228	A	0
Merrill Lynch & Co	A+	280	A	0
Bank Current Accounts				
Lloyds TSB Plc	AA-	892	A	9,298
Total		**21,882**		**37,755**

The Pension fund has no experience of default against which to quantify the credit risk against the current investments.

Liquidity Risk

Liquidity risk represents the risk that the Fund will be unable to meet its financial obligations as they fall due. At the present time, the Liquidity risk is seen, relatively, as the greatest threat to the Pension Fund, although the absolute risk itself is still seen to be very low, particularly in the short term.

During 2011/12 the Pension Fund received/accrued contributions of £109.0m (2010/11 - £93.4m) and paid out benefits of £78.3m (2010/11 - £66.5m). There were further receipts/accruals of £21.9m (2010/11 - £22.9) in respect of investment income, against which need to be set investment management fees of £2.2m (2010/11 - £2.8m) and taxes of £0.2m (2010/11 - £0.3m). The net inflow was therefore £50.2m (2010/11 - £46.7m).

The figures reflect those of previous years and indicate significant levels of flexibility around the levels of cash available to meet liabilities as they are due. A cash flow forecast is maintained for the Fund to understand and manage the timing of the Fund's cash flows. On a daily basis, the Fund holds a minimum of £10m of cash in call accounts and money market funds to meet benefit payments due, drawdowns from the private equity fund managers, and other payments due from the Fund.

For the Fund to be required to liquidate assets at financial loss would therefore require a significant change in either the levels of contributions received, and/or the levels of benefits payable as well as the loss of all current investment income.

There are risks in this area going forward as a result of the scale of the reductions in public expenditure, and the forthcoming changes to the local government pension scheme. The reductions in public sector expenditure will impact on the liquidity of the Pension Fund both in terms of a reduction in contributions receivable as the workforce shrinks, as well as an increase in benefits payable as staff above the age of 55 are made redundant and become entitled to early payment of their pension.

The risks associated with the reform of the LGPS are largely in respect of the contributions receivable (benefits in payment are unlikely to be significantly impacted in the short term, and are likely to reduce in the longer term). These risks are seen to have reduced in light of the specific proposals now issued for consultation. The fact that no staff on salaries below £43,000 will see an increase in their contribution rate has reduced the risk of widespread opt out, though the risk still remains. Similarly, confirmation of the retention of the Fair Deal provisions reduces the sudden loss of significant contributions on the outsourcing of services, though this remains a longer term risk to the on-going liquidity of the Fund. The new element of risk introduced by the proposals relates to the introduction of an option to pay 50% of your contribution for 50% of your future benefits. If this option sees a significant take up, this will impact on current contributions received.

However, as noted above, for the Fund to reach a position where it is forced to sell assets and therefore face a potential financial loss (as well as to forego future investment returns which have been assumed to meet pension liabilities in the future), the net movement in cash would be equivalent to a reduction in contributions received in the region of 50% or an increase in benefits payable in the region of 70%. Movements of this scale are deemed highly unlikely. The Pension Fund will seek to mitigate these risks through advice to the Government on the impact of any proposals for change, as well as clear communication to current scheme members of the on-going benefits of scheme membership and the personal risks to their future financial prospects of opting out at this time.

Market Risk

The whole of the Pension Fund's investment asset base is subject to financial loss through market risk, which includes the impact of changes in interest rates, movements in market prices and movements in foreign currency rates. However, as noted above under the liquidity risk, these financial losses are not automatically realised, as all assets held by the Pension Fund are done so on a long term basis. Subject to the liquidity risk above, it is many years into the future before any assets will be required to be realised, during which time market risk will have the opportunity to even itself out.

Market risk is generally managed through diversification of investments within the portfolio in terms of asset types, geographical and industry sectors, and individual securities.

Whilst widespread recession will drive down the value of the Fund's assets and therefore funding level in the short term, this will have no direct bearing on the long term position of the Fund, nor the contribution rates for individual employers. Under the LGPS Regulations, the Fund Actuary is required to maintain as near stable contribution rate as possible, and as such the Valuation is based on long term assumptions about asset values, and all short term movements smoothed to reflect the long term trends.

Interest Rate Risk

The direct exposure of the fund to interest rate risk and the impact of a 100 basis point movement in interest rates are presented in the table below. This analysis assumes that all other variables remain constant:

Asset Type	Carrying Amount as at 31 March 2012	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	3,172	32	-32
Cash Balances	37,755	378	-378
Fixed Interest Securities	210,662	2,107	-2,107
Total Change in Assets Available	**251,589**	**2,517**	**-2,517**

Asset Type	Carrying Amount as at 31 March 2011	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	5,875	59	-59
Cash Balances	21,882	219	-219
Fixed Interest Securities	193,136	1,931	-1,931
Total Change in Assets Available	**220,893**	**2,209**	**-2,209**

In the short term, interest rate risk is difficult to quantify in that it impacts directly on both the price of fixed interest and index linked securities as well as the discount factor used to value liabilities. Increases in interest rates which will drive down security prices and asset values will also reduce the future pension liabilities and therefore improve funding levels rather than worsen them.

Currency Risk

Currency risk concerns the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to foreign exchange risk on financial instruments that are denominated in currencies other than the Fund's functional currency (£GBP). Risks around foreign currency rates are mitigated in part by allowing the Fund Managers to put in place currency hedging arrangements up to the value of the stock held in a foreign currency (also see note 16c).

Based on the Fund's exposure to various currencies at 31 March 2012 and data on the level of volatility associated with these currencies provided by the Fund's performance monitoring service provider it has been determined that the likely volatility associated with exchange rate movements is 9.6%. This is based on a one standard deviation movement in the foreign exchange data over a 36 month period.

This analysis assumes that all other variables remain constant.

The table below shows the impact a 9.6% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits:

Currency Exposure -Asset Type	Asset Values as at 31 March 2012	Change in Year in the Net Assets Available to Pay Benefits	
		+9.6%	-9.6%
	£'000	£'000	£'000
Overseas Bonds	24,054	2,309	-2,309
Private Equity	6,395	614	-614
Pooled Private Equity (LLPs)	37,620	3,612	-3,612
Pooled Property	6,019	578	-578
Cash	3,172	304	-304
Total Change in Assets Available	**77,260**	**7,417**	**-7,417**

Other Price Risk

Other price risk represents the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or foreign exchange risk.

All investments in securities present a risk of loss of capital. The maximum risk is the fair value of the financial instrument.

Based on an analysis of historical data by the Fund's performance monitoring service provider, movements in market price that are reasonably possible have been determined. This is based on a one standard deviation movement in historical price data over a 36 month period. These are presented in the table below along with the effect on total assets available to pay benefits assuming all other factors remain constant:

Asset Type	Value as at 31 March 2012 £'000	Percentage Change %	Value Increase £'000	Value Decrease £'000
UK Equities	389,943	14.1	444,925	334,961
Pooled Global Equities	142,056	16.6	165,638	118,475
Pooled Overseas Equities	280,975	17.4	329,865	232,085
UK Bonds	118,362	4.7	123,926	112,800
Overseas Bonds	24,054	2.5	24,655	23,452
UK Index Linked Bonds	68,246	7.7	73,501	62,991
Pooled Hedge Funds	31,688	3.7	32,860	30,515
Private Equity	72,736	15.4	83,937	61,535
Pooled Private Equity (LLPs)	39,441	18.7	46,816	32,065
Pooled Property	78,731	5.2	82,825	74,637
Cash	40,927	0.0	40,927	40,927
Total Assets Available to Pay Benefits	**1,287,159**		**1,449,875**	**1,124,443**

Note 30 – Prior Period Adjustments

The tables below detail the impact of the changes in accounting policy that were adopted in the current financial year in relation to cash and contributions as described in note 3, on the Fund Account and Net Asset Statement.

Restated Fund Account	As Reported 31 March 2011 £'000	Cash Treatment Adjustment £'000	Contributions Adjustment £'000	Restated 31 March 2011 £'000
Contributions and Benefits				
Contributions Receivable	-86,635		515	-86,120
Transfers from Other Schemes	-7,293			-7,293
Income Sub Total	**-93,928**		**515**	**-93,413**
Benefits Payable	58,874			58,874
Payments to and on account of Leavers	6,118			6,118
Administrative Expenses Borne by the Scheme	1,134			1,134
Expenditure Sub Total	**66,126**			**66,126**
Net Additions From Dealings With Members	**-27,802**		**515**	**-27,287**
Returns on Investments				
Investment Income	-22,949			-22,949
Commission Recapture	-3			-3
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	-85,891			-85,891
Less Investment Management Expenses	3,152			3,152
Less Taxes on Income	287			287
Net Returns on Investments	**-105,404**			**-105,404**
Net Increase in the Net Assets Available for Benefits During the Year	**-133,206**		**515**	**-132,691**
Opening Net Assets of the Scheme	1,111,621		3,794	1,115,415
Closing Net Assets of the Scheme	**1,244,827**		**3,279**	**1,248,106**

Restated Net Asset Statement	As Reported 31 March 2010 £'000	Cash Treatment Adjustment £'000	Contributions Adjustment £'000	Restated 31 March 2010 £'000
Investment Assets				
Fixed Interest Securities	114,276			114,276
Index Linked Securities	53,033			53,033
Equities	395,823			395,823
Pooled Investments	376,623			376,623
Pooled Property Investments	59,001			59,001
Private Equity	61,912			61,912
Derivative Contracts	192			192
Cash Deposits	49,001	-45,291		3,710
Other Investment Balances	5,812			5,812
Investment Liabilities				
Derivative Contracts	-750			-750
Other Investment Balances	-4,847			-4,847
Total Investments	**1,110,076**	**-45,291**		**1,064,785**
Current Assets and Liabilities				
Current Assets	3,667	45,291	1,580	50,538
Current Liabilities	-2,122			-2,122
Net Current Assets	**1,545**	**45,291**	**1,580**	**48,416**
Long-Term Assets	0		2,214	2,214
Net Assets of the Scheme Available to Fund Benefits at Year End	**1,111,621**	**0**	**3,794**	**1,115,415**

Restated Net Asset Statement	As Reported 31 March 2011 £'000	Cash Treatment Adjustment £'000	Contributions Adjustment £'000	Restated 31 March 2011 £'000
Investment Assets				
Fixed Interest Securities	130,276			130,276
Index Linked Securities	62,860			62,860
Equities	443,438			443,438
Pooled Investments	420,125			420,125
Pooled Property Investments	75,241			75,241
Private Equity	76,979			76,979
Derivative Contracts	43			43
Cash Deposits	27,757	-21,882		5,875
Other Investment Balances	5,792			5,792
Investment Liabilities				
Derivative Contracts	-1,000			-1,000
Other Investment Balances	-3,290			-3,290
Total Investments	**1,238,221**	**-21,882**		**1,216,339**
Current Assets and Liabilities				
Current Assets	8,456	21,882	1,653	31,991
Current Liabilities	-1,850			-1,850
Net Current Assets	**6,606**	**21,882**	**1,653**	**30,141**
Long-Term Assets	0		1,626	1,626
Net Assets of the Scheme Available to Fund Benefits at Year End	**1,244,827**	**0**	**3,279**	**1,248,106**

LOCAL GOVERNMENT PENSION FUND ACTUARIAL VALUATION

Actuarial Valuation

The contribution rates within the 2011/12 Pension Fund Accounts were determined at the actuarial valuation carried out as at 31 March 2010.

This valuation showed that the required level of contributions to be paid to the Fund by the County Council for the year ended 31 March 2012 was 19.3% of Pensionable Pay. The corresponding rates of contribution that are required from the major participating employers for this period are:

	% Pay	Additional Monetary Amounts £'000
South Oxfordshire District Council	13.3	295
West Oxfordshire District Council	14.4	430
Cherwell District Council	13.9	910
Oxford City Council	20.2	-
Vale of White Horse District Council	14.5	520
Oxford Brookes University	18.5	-

For some employers, contributions are stepped up to the total rate required over a period not exceeding 3 years ending in the year 2013/14.

The funding policy of the scheme is set out in the Funding Strategy Statement and can be summarised as follows:-

- To enable Employer contribution rates to be kept as stable as possible and affordable for the Fund's Employers.
- To make sure the Fund is always able to meet all its liabilities as they fall due.
- To manage Employers' liabilities effectively.
- To enable the income from investments to be maximised within reasonable risk parameters.

The actuarial method used to calculate the future service contribution rate for most Employers was the Projected Unit Method with a one year control period. The Attained Age Method has been used for some Employers who do not permit new employees to join the fund. These calculations draw on the same assumptions used for the funding target.

The market value of the Fund's assets at the valuation date was £1,111.6m. The smoothed market value[1] of the Fund's assets at the valuation date was £1,079.4m representing 79% of the Fund's accrued liabilities, allowing for future pay increases. The Actuary has certified contribution rates for all Fund employers from 1 April 2011, which subject to the financial assumptions contained in the valuation, would result in the deficit being recovered over a period of no more than 25 years.

The contribution rates have been calculated using assets at their smoothed market value and financial assumptions which are consistent with the assets being taken at their smoothed market value. The main financial assumptions were as follows:

Assumptions for the 2010 Valuation	Annual Rate %
Inflation	3.5
Pension Increases	3.0
General Pay Increases	5.0
Discount Rates for Periods	6.7

Assumptions are also made on the number of leavers, retirements and deaths. One of the important assumptions is the mortality of existing and future pensioners. Mortality rates have been based on up to date national standard tables adjusted for the recent experience of the Oxfordshire County Council Pension Fund and make allowance for an expectation of further improvements in mortality rates in the future.

[1]The smoothed market value is the six month average of the market value straddling the valuation date.

FIRE-FIGHTERS' PENSION FUND ACCOUNTS: FUND ACCOUNT

Fund Account for the year ended 31 March

	2010/11 £'000	2011/12 £'000
Contributions receivable		
From employer:		
- normal	-1,838	-1,839
- early retirements	0	0
- Other (ill health retirement contribution)	0	-43
From members	-1,039	-1,046
	-2,877	-2,928
Transfers in	-62	-13
Benefits payable		
Pensions	3,646	3,935
Commutations and lump sum retirement benefits	1,559	1,002
Lump sum death benefits	0	1
Other (ill health lump sums)	0	124
	5,205	5,062
Payments to and on account of leavers	1	36
Net amount payable/receivable for the year before top-up grant receivable/amount payable to sponsoring department	2,267	2,157
Top-up grant receivable	-2,267	-2,157
Net amount payable/receivable for the year	**0**	**0**

Net Assets Statement	**At 31 March 2011 £’000**	**At 31 March 2012 £’000**
Net Current Assets and Liabilities		
Contributions due from employer	8	9
Pension top-up grant receivable from sponsoring department	196	658
Pension top-up grant payable to sponsoring department	0	0
Other current assets and liabilities (other than liabilities to pay pensions and other benefits in the future)	4	-17
Cash balance	-208	-650
Total	**0**	**0**

NOTES TO THE FIRE-FIGHTERS' PENSION FUND ACCOUNTS

1. Basis of Preparation

The fund, which reflects the new financial arrangements relating to both the 1992 and the 1996 Fire-fighter Pension schemes, came into being on 1 April 2006.

The financial arrangements for the Fire-fighters' Pension Scheme 1992 were made in exercise of the power conferred by section 26 of the Fire Services Act 1947 and for the Fire-fighters' Pension Scheme 2006 by the power conferred by section 34 of the Fire Services Act 2004.

The accounts have been prepared in accordance with the requirements of the above powers.

2. Payment of the employers and employees contributions towards pension liabilities

Fire & rescue authorities are required to make an employer contribution, as a percentage of pensionable pay, towards the future pension liability for all serving members, i.e. all Fire-fighters but not pension credit members, of the 1992 and 2006 Fire-fighters' Pension Schemes, into their pension fund.

Fire & rescue authorities are required to pay employees' contributions, the percentage of pensionable pay paid by all serving members, i.e. all Fire-fighters but not pension credit members of the 1992 and 2006 Fire-fighters' Pension Schemes towards their future pension liability into their pension funds.

3. Ill health early retirements

Fire & rescue authorities are required to make a payment into their pension fund of 4x average pensionable pay in respect of all higher tier ill health retirements and 2x average pensionable pay in respect of all lower tier ill-health retirements.

As the number of Fire-fighters who retire on grounds of ill health varies from year to year and will cause financial volatility authorities are required to spread the charges over a period of 3 years. Oxfordshire Fire & Rescue Service had one ill health retirement in 2011/12.

4. Central government top-up grant

The fund is operated on the principle that employer and employee contributions together meet the full cost of pension liabilities accrued from future employment and central government (Department of Communities and Local Government) meet the costs of paying pensions to retired Fire-fighters, net of the employee and employer contributions, by means of a top-up grant.

There are no investment assets held by the fund and where employer and employee contributions paid into the pension fund are not sufficient to meet pension payments for that year, the deficit will be met by Central Government top-up grant. Any surplus in the pension fund is paid back to Central Government.

5. Administration and Management

The fund is administered and managed by Oxfordshire County Council staff whose time is not rechargeable to the fund.

6. Benefits

The funds accounts do not take account of liabilities to pay pensions and other benefits after the year end.

7. Membership

The following summarises the membership of the fund as at 31 March 2012.

	1992 Scheme	2006 Scheme
Contributors	183	332
Pensioners	286	3
Preserved Pensions	28	113

8. Long-term pension obligations

Details of the County Council's long-term pension obligations in respect of fire-fighters can be found in the Retirement Benefits Note 20 to the core financial statements.

Annual Governance Statement 2011/12

Scope of responsibility

1. The County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

2. The County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government'*. A copy of the code is on our public website. This statement explains how the County Council has complied with the Code and also meets the requirements of Regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement. Corporate governance is the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, lead and control their functions, to achieve their objectives. The quality of corporate governance arrangements is a key determinant of the quality of services provided by organisations.

DELIVERING GOOD GOVERNANCE - FRAMEWORK:

The purpose of the governance framework

3. The governance framework comprises the systems, processes, culture and values, by which the County Council is directs and controls its activities. It is the means by which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable - and not absolute - assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This statement evaluates the governance framework which has been in place at the County Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

The Governance Environment

The key elements of the systems and processes that comprise the Council's governance arrangements are set out below.

Identifying and communicating vision of our purpose and intended outcomes for citizens and service users

4. The County Council's vision and objectives are supported by four long term strategic objectives which are developed jointly by the Cabinet and the County Council Management Team (CCMT) and articulated in our published Corporate Plan. These are:

   - World class economy
   - Healthy and thriving communities
   - Enhancing the Environment
   - Efficient Public Services

   The planning process takes account of the needs and wishes of customers and communities which are articulated through a range of consultation exercises. The Cabinet's initial proposals are referred to the relevant Scrutiny Committee for further advice and consideration and then submitted to full Council for approval.

5. The strategic priorities are translated into SMART[1] outcome-focused targets which are monitored through our corporate 'Balanced Scorecard' (focussing on performance in four areas – Customers, Finance, People and Process). Our Corporate Plan is supported by Directorate Business Strategies which encompass what the Council is aiming to achieve to deliver the vision. Each of these plans is also supported by a Balanced Scorecard to allow us to measure on-going progress.

Reviewing the County Council's vision and its implications for the County Council's governance arrangements

6. The County Council's Constitution sets out the roles of and relationships between the full Council, the Cabinet, Scrutiny and other Committees in the budget-setting and policy and decision-making processes and sets out their legal requirements. The County Council's Corporate Plan supplements the County Council's Policy Framework. These formal policies are approved by full Council in accordance with the provisions of the County Council's Constitution. The Constitution also sets out a record of what responsibility each County Council body or individual has for particular types of decisions or for decisions relating to particular areas or functions. The Constitution requires that all decisions taken by or on behalf of the County Council will be made in accordance with the principles set out in the Constitution.

7. The Constitution also sets out how the public can take part in the decision-making process and the Cabinet's Forward Plan alerts the public to what business the Cabinet will be undertaking to afford members of the public the right to make representations before a decision is taken and with whom. Some of the responsibilities of the County Council committees require statutory consultation to precede a decision being taken.

8. The Constitution is reviewed annually by the Monitoring Officer with recommendations of changes being made to Full Council for consideration and adoption.

[1] Specific, Measurable, Achievable, Realistic, Timely

9. A thirty minute Question Time has been introduced at all Cabinet and individual Cabinet Member delegated decisions. Any councillor may, by giving notice, ask a question on any matter in respect of the Cabinet's delegated powers. The number of questions which may be asked by any councillor at any one meeting is limited to two (or one question with notice and a supplementary question at the meeting). As with questions at Council, any questions which remain unanswered at the end of this item receive a written response.

10. As part of the changes to the Constitution, the Council has agreed to retain its procedure for dealing with the Councillor Calls for Action and retains a duty on Directors to respond to petitioners within 10 working days. The Council has extended these rights of challenge by way of adopting a new petition scheme and arrangements were put in place for the creation of e-petitions.

Risk Management

11. The County Council has a Risk Management Strategy which aims to ensure that there is continuous improvement in the arrangements for managing risk across all directorates. The Director for Social & Community Services and the Chairman of the Audit Committee are nominated as Risk Champions.

12. The County Council has in place a process for identifying, assessing, managing and reviewing the key areas of risk that could impact on the achievement of County Council's objectives and service priorities. Reports to committees to support key policy decisions or major projects include an assessment of both opportunities and risks.

13. A strategic risk register is in place that is owned and reviewed by CCMT. Service Risk Registers are owned and reviewed by each Head of Service with their management teams and the Director on a quarterly basis. An escalation process is in place to report significant service risks to CCMT as part of the quarterly performance reporting process and separately to the Audit Working Group. Risk registers are challenged by the Chief Executive's Office as part of the quarterly corporate monitoring.

14. Risk Management in projects is a standard defined in the Corporate Project Management Guidelines and includes the requirement for risk registers to be maintained as part of the project management process.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the County Council's objectives and for ensuring that they represent the best use of resources

15. Scrutiny Committees hold the Cabinet to account on the discharge of its functions. Service performance and quality are measured through our performance management framework which aligns with our planning framework to ensure service priorities are in accordance with the County Council's objectives. We also use consultation and engagement exercises with our residents.

16. The County Council's and Directorate Business Strategies for 2011/12 to 2015/16, which were subsequently updated through the 2012/13 Service & Resource Planning process set out a programme that will enable the Council to deliver its required savings and will facilitate the cultural shift to a more dynamic and empowered organisation in the context of reduced funding aligned to the Council's priorities in the Corporate Plan.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

17. The County Council's Constitution sets out how the Council operates including the roles of the Cabinet and Committees. The arrangements for delegation to individual Cabinet Members are also set out in the Constitution.

18. The general scheme of delegation to officers is set out in the Constitution, as are the specific powers and functions of senior officers. In addition, individual Directorates have a scheme of further delegations of both financial and decision making powers and each of these is approved by the Chief Finance Officer and the Monitoring Officer.[2]

19. The Assistant Chief Executive holds the statutory role of Chief Financial Officer within the Council. In 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Statement on the "Role of the Chief Financial Officer in Local Government". This outlines the principles that define the core activities and behaviours that belong to the role of Chief Financial Officer and the governance requirements needed to support them. A self – assessment confirms that the Council's financial management arrangements conform with the governance requirements of the CIPFA statement as outlined below:

    - The Chief Financial Officer is also the Assistant Chief Executive for the Authority. They are a member of the County Council Management Team, helping it to develop and implement strategy and to resource and deliver the County Council's strategic objectives.
    - The Chief Financial Officer is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the Medium Term Financial Strategy.
    - The Chief Financial Officer leads the promotion and delivery by the County Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
    - The Chief Financial Officer leads and directs a finance function that is adequately resourced to be fit for purpose.
    - The Chief Financial Officer is professionally qualified and suitably experienced.

[2] The Chief Finance Officer carries out the role described by section 151 of the Local Government Act 1972

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

20. The County Council has developed and adopted separate Codes of Conduct for Councillors and Officers; both Codes clearly define the high standards of behaviour expected by the County Council and the duty owed to the public. Training to embed the requirements of the codes is provided by the Council's Monitoring Officer for both Councillors and Officers. Both codes form part of the County Council's Constitution and are readily accessible via the council's Internet and Intranet websites. Both codes are reviewed by the Monitoring Officer to ensure that they continue to be effective and up to date.

21. The Independent Chairman of the Standards Committee, which has been responsible for standards of behaviour of councillors, provided their last annual report to the Council for their consideration in May 2012. The report summarised the committee's work over the year in maintaining the standards arrangements in place in 2011/12.

22. The Localism Act 2011 received Royal Assent in November 2011 and has led to the abolition of the standards regime. Each Council is required to adopt a local Code of Conduct and must have arrangements in place to investigate complaints made against Members. Full Council have agreed to include standards within the terms of reference of the Audit & Governance Committee with the work relating to standards being undertaken by a small advisory group led by the Monitoring Officer.

Reviewing and updating standing orders, standing financial instructions (financial regulations), a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

23. The County Solicitor monitors and reviews the operation of the Constitution to ensure that its aims, principles and requirements are given full effect and makes recommendations on any necessary amendments to it to the Council. The County Solicitor is authorised to make any changes to the Constitution which require: compliance with the law; or to give effect to decisions of the Council or (so far as within their powers) the Cabinet, scrutiny committee and ordinary committees; or to correct errors and otherwise for accuracy or rectification. All other changes to the Constitution will only be approved by the full Council after consideration of a recommendation from the County Solicitor.

24. The Financial Procedure Rules and Financial Regulations are reviewed by the Chief Finance Officer and published on the public website. Schemes of Financial Delegation and Delegation of Powers are reviewed and updated six monthly and are published on the County Council's intranet along with guidance on how these should be maintained.

25. The County Council has an Audit Committee which meets six times a year, and operates in accordance with proper practice as defined in the guidance published by CIPFA in 2006. In addition to the formal Audit Committee, the County Council also operates an Audit Working Group, made up of members of the Committee and Senior Officers, chaired by the co-opted member on the Audit Committee; this group looks in

detail at specific areas of governance, risk or control under the direction of the Audit Committee.

Review of the effectiveness of the internal audit function

26. In accordance with the Accounts and Audit (England) Regulations 2011, the Audit Committee receives a report annually from the Monitoring Officer on the effectiveness of internal audit. The Audit Committee has determined the process by which this review is undertaken, which includes continuous monitoring of the Internal Audit process by the Committee in conjunction with the Audit Working Group and a survey of Senior Officers on effectiveness.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

27. The County Council uses a range of measures to ensure compliance with established policies, procedures, laws and regulations including:

- Notification of changes in the law, regulations and practice to Directorates by Legal Officers;
- Training carried out by Legal Officers and external experts;
- The drawing up and circulation of guidance and advice on key procedures, policies and practices;
- Proactive monitoring of compliance by relevant key officers including the Chief Finance Officer, the Monitoring Officer and the Assistant Head of Finance (Audit);
- Corporate Governance Strategy for Law and Governance;
- Protocol for Implementing New Legislation.

28. Guidance and advice on all key policies and procedures have been reviewed and updated. All policies and guidance have been incorporated into a Handbook for Managers and toolkits for use for Human Resources and Finance.

29. Compliance with the new or revised policies is monitored by the relevant corporate lead officers and their assessment is incorporated in the year end statements signed off by each corporate lead officer.

30. Under Section 5 of the Local Government and Housing Act 1989, the Monitoring Officer is required to report to the County Council where, in his opinion, a proposal, decision or omission by the County Council, its Members or Officers is or is likely to be unlawful and also to report on any investigation by the Local Government Ombudsman. It has not been necessary for the Monitoring Officer to issue a formal report for the year 2011/12. The Monitoring Officer undertakes a review of the County Council's annual governance arrangements. This review is formally reported to the Audit Committee.

Financial Management

31. The Financial Procedure Rules, Financial Regulations, Scheme of Financial Delegation and Delegation of Powers (paragraph 24 above) are supported by a Treasury Management Manual, a Capital manual, an Accounting Manual and toolkits for use by non-finance specialists which are published on the County Council's intranet.

32. There are teams of professionally qualified staff in the Chief Executive's Office and within Oxfordshire Customer Services. Part of their role is to support managers throughout the County Council in fulfilling their financial responsibilities and in providing regular scrutiny and challenge where appropriate. They also provide assurance that financial management is carried out across the organisation in accordance with the requirements of the CIPFA "Role of the Chief Financial Officer" Statement.

Whistle-blowing and receiving and investigating complaints from the public

33. The Council has formal complaints and whistleblowing procedures which allow staff, service users, contractors, suppliers and the public to confidentially raise concerns about any aspect of service provision or the conduct of staff, elected councillors or other people acting on behalf of the Council.

34. An annual review of reports and incidents is undertaken by the Monitoring Officer and is reported to the Audit Working Group.

Identifying the development needs of Councillors and senior officers in relation to their strategic roles, supported by appropriate training

35. There are specific role descriptions for Leader of the Council, Deputy Leader of the Council and Cabinet and Shadow Cabinet Members. In addition, the County Council's Constitution sets out the roles and functions for all councillors. Members' development needs and appropriate learning and development opportunities are ascertained against these role descriptions identified and prioritised by the cross-party Member Development Group having regard to emerging issues, skills requirements and formal roles identified.

36. Training and development needs for senior managers are identified and followed up through the appraisal and personal development plan process. We have recently started a two year Senior Leadership Programme for the top three tiers of management. The programme aims to give senior managers the tools and support to tackle the complex issues faced in the public sector. The programme will build on the 2011 SOLACE management assessments, which identified a number of individual and collective development requirements for our senior managers. The programme will include a variety of interventions, for example coaching and 360 degree feedback, which will take place at individual and team levels as well as bringing the whole senior management group together for a number of focussed development days.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

37. The County Council has clear channels for communicating with all stakeholders led by the Communications and Engagement Team. This includes a comprehensive website, a press office for managing messages via the media and responding to media enquiries, targeted media campaigns, established channels for communicating with MPs, representatives from district councils and other partners and an intranet system and team brief cascade for communicating with its own staff. Each year the council holds a staff conference and a series of staff roadshows led by the Chief Executive and members of the County Council Management Team, to directly engage with staff and communicate with them about possible changes.

38. The County Council also has well established consultation and involvement arrangements to specifically engage the community and its staff. There is a council-wide Consultation & Involvement Strategy 'Ask Oxfordshire', a research governance framework covering consultation, evaluation and research with adult social care customers and a dedicated engagement team working with children and young people and vulnerable adults. Details of the Council's consultation and involvement activities such as service and policy change consultations, surveys of our Citizens' Panel 'Oxfordshire Voice', service user events and Sounding Boards are published on an online consultation calendar that can be found at http://www.oxfordshire.gov.uk/consultation.

39. The County Council's new Health and Wellbeing Board will bring together democratically elected representatives, and public representatives with local commissioners to strengthen the democratic legitimacy of commissioning decisions, and provide a forum for challenge and discussion with local people. The Public Involvement Network will support this work ensuring that the views of the public, service users, carers, and advocacy groups are at the centre of service and strategy development. The Shadow Health & Wellbeing Board met for the first time in November 2011. The intention is that the Board will meet in public three times per year but there will also be additional informal meetings.

Understanding community and stakeholder views and needs in support of strategy and policy development and service planning and delivery.

40. The County Council uses a wide range of evidence and information to inform strategy, policy development and service planning and delivery. Examples of this include feedback from consultation and involvement activities, evidence base such as "This is Oxfordshire" in support of the Council's Corporate Plan and the use of data about the lifestyle types and needs of people in different parts of Oxfordshire to inform decisions on locating services. The county council is the accountable body and host for the Oxfordshire Data Observatory (http://www.oxfordshireobservatory.info/) which is an established partnership service providing a high quality shared evidence base and facilitating information sharing between partners. We also attach great importance to engaging with communities that wish to develop their own plans. Community-led planning allows us to respond to local issues and concerns raised by Oxfordshire's communities while encouraging self-help solutions.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in Oxfordshire County Council's overall governance arrangements.

41. In the past year we have reviewed our existing formal partnership arrangements to maximise the benefit we receive for the investment we make. We have retained those that are critical to addressing priorities that we all recognise can only be tackled through joint working. Oxfordshire County Council continues to deliver jointly in partnership with: Oxfordshire Local Enterprise Partnership; Oxfordshire Skills Board; Oxfordshire Strategic Planning and Infrastructure Partnership; Oxfordshire Environment and Waste Partnership; Oxfordshire Health and Wellbeing Board (including sub groups on Health Improvement, Adult Social Care, Children and Young People, and Public Involvement); Oxfordshire Stronger Communities Alliance (voluntary and community sector) and the Oxfordshire Safer Communities Partnership. All partnerships are driven by the priorities set by the Oxfordshire Partnership, which continues to meet to provide a light-touch overarching sense of direction and ensure delivery of the priorities in Oxfordshire 2030: our community strategy.

42. The Oxfordshire Children and Young People's Trust has been replaced by the new Children and Young People's Partnership Board (CYPP). The CYPP Board is part of the new Health and Wellbeing Board arrangements for Oxfordshire.

Governance and funding within Local Authority Maintained Schools

43. The financial framework for local authority maintained schools is set out in the Scheme for Financing Schools, which is approved by the Schools Forum. The practical day to day application is set out in the Financial Manual of Guidance, which also includes links to the County Council, Constitution, DfE (Department for Education) Toolkit and the best practice advice from the Audit Commission. The Scheme is reviewed annually through the Schools Forum and schools receiving delegated budgets adhere to the financial framework. Failure to comply with the scheme can lead ultimately to withdrawal of delegation.

44. The DSG (Dedicated Schools Grant) is divided between funding direct to maintained schools via a formula (known as the Individual Schools Budget or ISB) and centrally retained expenditure that supports education through key central services to schools. Schools also receive other grant streams via the council and from external sources, particularly for sixth form provision.

45. It is the responsibility of each School's governing body to set down and oversee the proper governance arrangements for the school, supported by the Headteacher and staff. The governing body is accountable to the local authority for the way the school is run. The central schools support and compliance teams visit schools to provide support, advice and challenge to provide assurance on the ISB and other funding streams at each school. The schools support and compliance teams validate all schools' budgets annually and review schools' budget monitoring reports during the year. A helpline is provided to schools to provide immediate SAP applications and finance guidance where needed. The team's use a comprehensive risk assessment tool to identify schools with

higher financial risks or issues and provide them with additional support and oversight. Where progress is not made, a notice of concern can be issued advising the school of recommended actions and ultimately this could, if necessary, lead to withdrawal of (in whole or part) the delegated budget powers from a school.

46. The management accounting team reviews the expenditure and governance of the centrally retained DSG expenditure in Children, Education and Families. Both management accounting and schools support are in turn supported by schools technical team responsible for the DSG funding formula calculation (and other funding streams) based on DfE guidance.

47. Schools Support, Compliance and Technical teams each have responsibilities to ensure compliance with the Financial Manual of Guidance and the Scheme for Financing Schools (section 48 of Schools Standards and Framework Act 1998) as well as the national statutory and regulatory environment governing schools finance. All local authorities are required to publish, under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009, an annual budget statement. Oxfordshire's Section 251 statement for 2011/12 is available on the Council's website as per guidance. The 2012/13 Section 251 statement process is in progress at the time of writing.

48. Oxfordshire Schools Forum is consulted on financial and governance issues and advises the council on these from the schools' perspective as well as council officers' direct work with schools and schools' partnerships. Council officers support the work of the forum and its subcommittees and all parties benefit from the exchange of advice and views to improve and develop school governance and management and the work of the forum going forward.

Programme and Project Management

49. The County Council requires projects to be managed using the Project Management Framework which gives a comprehensive structure and processes for project management. The Directorates review projects (progress and governance) as part of quarterly performance reporting. An escalation process is in place to report significant project issues/ risks to the County Council Management Team (CCMT) as part of the quarterly performance reporting process and separately to the Audit Working Group. Project registers are challenged by the Chief Executive's Office as part of the quarterly corporate monitoring.

ICT and Information Security

50. The Head of ICT Business Delivery has overall responsibility for ICT development and security. The Deputy Head of Law & Governance is the Council's Data Controller and chairs the Information Governance Group with representatives from all Directorates, Human Resources and ICT. This Group reports to the Corporate Governance Working Group chaired by the Monitoring Officer.

51. The Information Governance Group oversees the operation of the Corporate Data Transfer Policy, plus the new tools and methods of work evaluated by ICT Business Delivery to improve the security of data transfer.

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

Review of effectiveness

52. The County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the County Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, whistleblowing reports and comments made by the external auditors and other review agencies and inspectorates.

53. The following paragraphs describe the process that has been applied in maintaining and reviewing the effectiveness of the governance framework, and include some comment on the role of key bodies.

The Audit Committee

54. The Chairman of the Audit Committee produces an Annual Report to Council. The report for 2011 identified the following key achievements:

- Audited Statement of Accounts identified no material issues or matters of concern.
- Good governance and strong System of Internal Control that is effective in minimising the risk of fraud.
- Risk Management Training of key managers and staff in Directorates has been completed.
- Risk management is embedded in the Business Management Process and Reporting within Directorates.
- Escalation reporting to CCMT is focussed on the key business management issues and material risks.
- Improved performance on the implementation of management actions arising from Internal Audit reports.
- Earlier engagement with management to ensure areas of unacceptable control is addressed. We continue to respond promptly to Internal Audit reports with "Unacceptable" conclusions and have met with senior managers to get assurance that prompt actions are taken.

The Annual Report also refers to the effective role performed by the Audit Working Group. The Group has met regularly throughout the year and reviewed specific areas of governance, risk and control, reporting any significant issues identified to the Committee.

Overview and Scrutiny Committees

55. CIPFA guidance indicated that Audit Committees ‘should have clear reporting lines and rights of access to …. for example scrutiny committees’. The Chairman of the Strategy and Partnerships Scrutiny Committee has a standing invitation to attend Audit Committee to provide advice in relation to the work of Scrutiny Committees. An annual report on key achievements of all Scrutiny Committees is considered by the Audit Committee in draft and submitted for agreement by Council.

The Standards Committee

56. The Council adopted the model Code of Conduct for Members in May 2007. With the announcement that Standards for England are to be abolished the requirement for quarterly reports has been discontinued by that body. In 2011/12, there were three complaints made against County Councillors of this Authority. In one case the decision of the Initial Assessment Panel was that no further action was required and in the further two cases a finding of ‘other action’ was made. The Standards Committee’s Independent Chairman has produced an Annual Report to Council of its activities for 2011/12. Full Council formally received the report on 15 May 2012.

57. The Monitoring Officer undertook a confidential biennial survey of Member/Officer relations in 2010/11 and has concluded that there are no issues of concern with regards to Member intimidation or bullying or inappropriate attempts to influence Officer decision making.

58. The Members’ declarations have been reviewed with no significant issues of concern identified and the Council has placed details of all Members’ expenses on-line to demonstrate transparency and re-assurance to the public on these important matters.

Corporate Governance Assurance Group

59. This Group monitors and reviews the Annual Governance Statement action plan and completion of risk registers during the year. It has primary responsibility for collating all of the evidence and producing the first draft of the Annual Governance Statement. No recommendations for improvements were made by the external auditors (the Audit Commission) relating to the 2010/11 Annual Governance Statement.

60. Progress Report on AGS Action Plan 2010/11

Action	Status	
<u>Actions carried forward from 2010-11:</u> 1) To monitor actions to address the improvements identified by Internal Audit in relation to information governance relating to: (a) external data transfers, which include the approval and implementation of the Secure Transfer of Information Policy (b) end user developments, which include the approval and implementation of the Access Strategy and Excel Development Policy	Action completed Corporate Data Transfer Policy in place. Protocols to assist with the appropriate use of Excel and Access now available on the Intranet.	Complete
2) To address the lack of resilience within ICT infrastructure, which include a back-up facility to be sited at Kidlington, review of priorities for recovery of applications and systems used by Group 1 Services, installation of stand-by generators in County Hall and Clarendon House, and improved Telephony resilience.	Action substantially completed. The installation and testing of the Clarendon House generator is complete and a routine testing regime is in place for all three generators. Service was maintained throughout a power cut in March 2012. Work to improve telephony resilience is on-going and will be monitored by Corporate Governance Assurance Group during 2012/13.	Complete In progress
3) To implement improvements to Schemes of Delegation to reflect significant organisational change,	Action completed – continued monitoring required to ensure that Schemes of Delegation are updated as at 1 April 2012 and in accordance with the guidance.	Complete

which includes the issue of clear guidance on how changes should be made and approved.		
4) To implement effective governance of SAP roles, to ensure management of segregation of duties.	Improved processes around the update of SAP roles in place. Ongoing overview needs to be provided by SAP Operations Group.	Complete Work is on-going to ensure that there are no conflicts between roles.
5) To address improvements in respect of weaknesses identified by HSE for not having robust systems in place when awarding, managing and monitoring service provider contracts, which include improvements to health and safety clauses in contracts and related documentation, targeted training of relevant staff to increase their knowledge and ability to challenge providers, and safeguard the authority by supporting providers in improving their health and safety management system performance.	A Health & Safety self-assessment for Social & Community Services Learning Disabilities has been developed and will be rolled out through Joint Commissioning teams in 2012/13. Detailed analysis of schools monitoring shows a lack of competence for contract management and inadequate practice in documentation including terms and conditions and health and safety requirements. Uptake of "Selecting and Monitoring of Contractors and Consultants" H&S course is low. A programme of reviewing contract monitoring arrangements in CEF contracts by the HSW Contract Lead will take place through 2012/13, Guidance to addresses schools' and similar service needs has been drafted and will be available in 2012/13.	On-going - Health & Safety Strategy will be implemented in 2012/13

Internal Audit

61. The Chief Internal Auditor has prepared an Annual Report on the work of Internal Audit which concludes the system of internal control provides reasonable assurance regarding the effective, efficient and economic exercise of the Authority's functions. Where areas for improvement have been identified management action plans are in place.

62. In accordance with the requirements of the Accounts and Audit (England) Regulations 2011, the Monitoring Officer has carried out a review of the effectiveness of the system of internal audit. The scope of the review covered compliance with proper practice (CIPFA Code of Practice for Internal Audit 2006), reporting on performance and outcomes to the Audit Committee, External Auditor's opinion, and a survey of Senior Management on the effectiveness of Internal Audit. In the report to the Audit Committee it was concluded that the Internal Audit Service overall continues to be effective but there are areas which are receiving attention. More priority should be given to resourcing counter-fraud work and delivering the Counter-Fraud Plan; and, significant improvement is required in the timeliness of reporting on audit assignments.

Effectiveness of Governance in Local Authority Maintained Schools

63. Successful schools support, helpline and technical team structures were in operation throughout 2011/12 and supported the full roll-out of SAP in schools along with budget planning and monitoring for the financial year. These structures have enabled staffing resources to be redirected to more effectively challenge higher risk schools and thereby improve financial management and governance across all schools.

64. The Financial Management Standard in Schools (FMSiS), which assessed financial control within schools on a three year cycle, was withdrawn by government during 2010/11. The government has introduced from 2011/12 the Schools Financial Value Standard. Schools Forum has already agreed to a continuation of the current local arrangements using the council's internal audit service to complete assessments against the new standard, which creates efficiencies and synergies for both schools and council in applying the standard. Part of these efficiencies and improved effectiveness is the joint management of the work of the FMSiS audit staff and the Schools Compliance team.

65. Academies are legally separate entities and therefore effective governance does not fall within the direct control or responsibilities of the County Council.

Other external review/assurance mechanisms.

66. The County Council receives external reports from a range of sources that can provide assurance or indicate any issues related to internal control and governance.

67. The Care Quality Commission's annual performance assessment for 2010/11 reported that the Council is judged overall to be "performing well" in how it promotes adult social care outcomes. There are no longer annual assessments of adult social care. CQC will still undertake risk based inspections of services based on, amongst other things,

performance on the adult social care outcome framework. However there was no service wide inspection in 2011/12.

68. The Children's Services annual rating for Oxfordshire for 2011 was 3 "performs well". This performance has been maintained from 2010 to 2011. Most services, settings and institutions inspected by Ofsted were good or outstanding and few are inadequate. Almost all were good at helping children and young people to learn and stay safe.

69. Ofsted's most recent unannounced inspection of contact, referral and assessment arrangements for children in need and children who may be in need of protection found three areas of strength, many areas of satisfactory practice and five areas for development, one from the previous inspection in 2009. There were no priority actions requiring urgent attention. In 2011, a full inspection of safeguarding and services for looked after children judged the overall effectiveness of both as good. Inspection also shows good safeguarding in youth offending work.

70. An Ofsted inspection of the Fostering Service took place in March 2012. The overall quality rating was good with outstanding judgments in three out of six areas assessed. The inspector noted that the fostering service is managed and staffed by those who are suitable and qualified to work with children and young people. There is a strong management team that are experienced and supportive and supervising social workers who are committed to achieving good outcomes for children and young people. Robust systems are in place to monitor and review the performance of the service. Three shortfalls were noted leading to recommendations. These relate to the timeliness of foster carer reviews, placements made outside of foster carers' terms of approval and foster carer records.

71. The Surveillance Commissioner's August 2011 report on the Regulation of Investigatory Powers Act (RIPA) concluded that the Council continues to have a sound RIPA structure, with good policies and procedures and good training.

72. There were no major control issues raised by the Audit Commission, in their 2010/11 annual report. There was only one recommendation for improvement made and this related to the Pension Fund Accounts.

Business Strategy Governance Arrangements for 2011/12

73. Key deliverables within Directorate Business Strategies are managed as projects as a part of the directorate business management process. Updates on projects are reported quarterly, with information reported through existing quarterly business management (performance/risk/projects) reporting procedures. The forecast financial position is reported monthly through the monthly Financial Monitoring & Business Strategy Delivery Reports to Cabinet.

74. Further to these monitoring arrangements, the Chief Finance Officer meets regularly with all Deputy Directors to ensure that support is targeted to projects as required to address exceptions arising.

75. Delivery the Directorate Business Strategies is also being regularly reported to CCMT.

Improving the Quality of Governance

76. Some areas have been identified where the quality of governance could be improved, or where there are planned material changes to the governance arrangements. The action plan for 2011/12 is as follows:

Action Plan for 2012-13

Action	Timescale for Completion	Responsible Officer	Monitoring Body
Data Transfers and Security To set out and monitor in an action plan: a) improvements to ensure effective information governance relating to external data transfers and data security; b) planned actions to raise staff awareness of the requirements of the Acceptable Use Policy.	31 March 2013	Data Controller and ICT Corporate Lead	Information Governance Group
Delivery of the Internal Audit Counter-Fraud Plan	31 March 2013 with set dates set out within the plan	Chief Internal Auditor	Audit Committee
Health Safety & Wellbeing To ensure the Health, Safety and Wellbeing Strategy is embedded across the organisation and a) that roles and responsibilities are clear and understood; b) H&S arrangements in commissioning, awarding and managing service provider contracts are robust.	31 March 2013 or dates set out within the plan	Health, Safety & Wellbeing Corporate Lead	CCMT

Action	Timescale for Completion	Responsible Officer	Monitoring Body
Business Continuity Stakeholders Group to ensure that all directorates have clear and robust recovery systems and procedures and have identified all critical documentation that needs to be restored as a matter of priority. ICT to operate a repository of those critical documents to be restored as agreed by backup arrangements including the Disaster Recovery facility at Kidlington.	30 September 2012	Business Continuity Corporate Lead and ICT Corporate Lead	Business Continuity Stakeholders Group
Implementation and embedding of the Data Quality Policy	30 November 2012	Business Management Corporate Lead (Corporate Performance and Review Manager)	CGAG
Embedding effective Governance arrangements relating to contracts within Children, Education & Families and Social & Community Services and to ensure that procurement and contract monitoring arrangements are robust.	31 March 2013	Deputy Director (Joint Commissioning)	DLT
Embedding effective Governance arrangements relating to contracts within Environment & Economy and to ensure that procurement and contract monitoring arrangements are robust.	31 March 2013	Deputy Director (Growth& Infrastructure) and Interim Deputy Director (Highways & Transportation)	DLT

Action	Timescale for Completion	Responsible Officer	Monitoring Body
Routine management and monitoring of the performance of procurement controls to be introduced, with escalation of serious and/or persistent non-compliance to Directors, S151 Officer, Monitoring Officer and Cabinet Member for information and action. Management report to cover: - Live vendors by vendor category – Actual against target - Use of one-time vendors – with commentary on inappropriate use including multiple use - FB60 payments/services using FB60 process - Red route orders with a commentary of those that have resulted in vendor creation - Duplicate Payments	31 August 2012 Once the management reports are in place, further actions will be established to ensure performance results are brought into line with targets. Appropriate timescales will be set for each of the actions.	County Procurement Manager	S151 Officer/ Service Manager (Pensions, Insurance & Money Management) (Section 151 lead officer for Accounts Payable)

77. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Oxfordshire County Council:

………………………………….	Date ………	……………………………	Date ………
Joanna Simons		Sue Scane	
Chief Executive		Chief Financial Officer	
………………………………….	Date ………	……………………………	Date ………
Cllr Ian Hudspeth		Peter Clark	
Leader of the Council		Monitoring Officer	

Actuarial gains and losses

These are changes in deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.

Amortised

Written off over a period of time.

Bond Fund

A fund primarily invested in government and corporate bonds. The value of the investment changes as the market value of assets held by the fund changes.

Capital Receipts

Receipts from the sale of capital assets.

Cash Equivalent

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collection Fund

A fund maintained by each district council to receive all income raised through the Council Tax. The County Council precepts the district councils to receive its share of Collection Fund receipts.

Contingent Asset

A possible asset arising from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the County Council's control.

Commutation Factor

Factor used to determine the amount of lump sum payable from the amount of annual pension commuted.

Contingent Liability

A condition which exists at the balance sheet date, where the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the County Council's control, or where it is not probable that an outflow of resources will be required to settle the obligation.

Contingent Rent

The portion of a lease payment that is not fixed at the start of the lease but is based on the future amount of a factor that changes other than with the passage of time (e.g. amount of future use, future price indices).

County Fund

The main revenue fund of the County Council into which precept income and Government grants are paid and from which day-to-day payments are made.

Creditors

Amounts owed by the County Council for work done, goods received or services rendered within the financial year for which payment has not yet been made.

Current Asset

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

Curtailment

Early retirement costs calculated in accordance with accounting standard IAS19.

Debtors

Amounts owed to the County Council for services carried out during the financial year but not yet received.

Deferred Income

Prepaid income credited to the Balance Sheet and amortised to the Comprehensive Income and Expenditure Statement to match the benefit of the receipts over the term of the contractual arrangement.

Depreciation

The systematic write-off of the reduction in value of a tangible fixed asset due to wear and tear, passing of time and technological changes over its economic useful life.

Derecognition

Removal of an asset or liability from the Balance Sheet.

Equity instrument

A contract such as an equity share in a company.

Escrow

Money held by a third party on behalf of transacting parties.

Fair value

Fair value is generally the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. This definition is modified by the Code for certain categories of assets and liabilities e.g. Property, Plant and Equipment.

Financial asset

A right to future economic benefits controlled by the County Council that is represented by cash, an equity instrument of another entity, a contractual right to receive cash (or another financial asset) from another entity or a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the County Council.

Financial liability

An obligation to transfer economic benefits controlled by the County Council that is represented by a contractual obligation to deliver cash (or another financial asset) to another entity, or a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the County Council.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial instruments include bank deposits, investments, debtors, long-term debtors, creditors, temporary loans and borrowings.

Financial Year

The County Council's accounts cover the period from 1 April in one year to 31 March in the next year.

Fixed Asset

A tangible asset that yields benefit to the County Council and the services it provides for a period of more than one year.

General Government Grants

These are general grants paid by central government in aid of local authority services as opposed to specific grants which may only be used for a specific purpose. The main general grant is Revenue Support Grant.

Impairment

A reduction in the carrying value of an asset arising from physical damage, obsolescence or a significant decline in market value.

Inventories

Raw materials and stores which the County Council has bought and holds in stock for use as required such as salt for roads and catering supplies.

Intangible Asset

An asset that does not have physical substance but is identifiable and controlled by the organisation through custody or legal rights e.g. software licenses.

International Financial Reporting Standards (IFRS's)

These are issued by the International Accounting Standards Board and provide standards for the preparation of financial statements.

Landfill Allowance

Allowance to use landfill allocated by the Department for the Environment, Food and Rural Affairs under the Landfill Allowance Trading Scheme.

Lease

A method of financing capital expenditure where a rental charge is paid for an asset for a specified period of time.

Lessee

A party to a lease agreement who makes payment to use an asset.

Lessor

A party to a lease agreement who receives payment for the use of an asset.

Liabilities

Amounts owed by the County Council which will be paid at some time in the future.

Long Term Investments

Investments that are not due to mature within the next 12 months.

Money Market Fund

Funds are invested in short dated assets including certificates of deposits, government securities and commercial papers making them highly liquid. Money Market Funds must be AAAmf rated, invest in high credit quality assets and maintain a weighted average maturity of 60 days or fewer. Investments have a stable net asset value and dividends are paid to investors on their investment.

Mortality Assumptions – Abbreviations

S1NA - Mortality table for those retiring in normal health based on pension amounts issued as part of the "S1" series of mortality tables produced by the Continuous Mortality

Investigation. The "S1" mortality tables are based on mortality experience in Self-Administered Pension Schemes between 2000 and 2006 and published in CMI Working Paper 35.

S1PA Heavy - Mortality table for those pensioners with the lowest pensions based on pension amounts issued as part of the "S1" series of mortality tables produced by the Continuous Mortality Investigation. The "S1" mortality tables are based on mortality experience in Self-Administered Pension Schemes between 2000 and 2006.

LC - Long Cohort, being the mortality improvement rates issued by the Continuous Mortality Investigation with the 92 series mortality tables in CMIR 17(1999), as amended by CMI Working Paper 1 (2002) to take account of improvements observed from 1992 to 1999, assuming that the faster rate of improvement would fade away from 2000 to 2040.

Net Debt

The County Council's borrowings and finance liabilities less cash and liquid resources.

Net Operating Expenditure

The amount which it costs to provide services after any specific grants and/or income from fees and charges is taken into account, but ignoring general government grant and local taxation.

Non-current Asset

A long-term asset that is not expected to be used up or realised within the next 12 months e.g. Property, Plant and Equipment.

Non Domestic Rate

A levy on businesses based on a national rate in the pound set by the government multiplied by the 'rateable value' of the premises they occupy.

Pooled Fund

Funds from individual investors are aggregated for the purposes of investment and returns are apportioned between investors according to the size of the investment.

Pooling

Where services benefit larger areas than the local authorities which provide them, the expenditure is sometimes pooled according to a formula which reflects usage of the service.

Precept

The levy made by the precepting authority (the County Council) on billing authorities (the district councils in Oxfordshire) requiring the latter to collect income from council taxpayers on their behalf.

Private Finance Initiative (PFI)

A scheme to encourage private sector investment in the public sector. Typically these involve a private sector operator building or enhancing property and operating services on behalf of a public sector organisation.

Professional Fees

The fees paid by the County Council for professional services such as those of architects and quantity surveyors.

Provision

An amount of money put aside in the accounts for anticipated liabilities which cannot be accurately estimated eg insurance provision for claims awaiting resolution.

Public Works Loan Board

A central government agency which provides long and shorter term loans to local authorities at interest rates slightly higher than those at which the government itself can borrow. Local authorities are able to borrow a proportion of their requirement to finance capital spending from this source.

Reserves

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute

Capital expenditure as defined by statute that does not result in the acquisition, creation or enhancement of fixed assets and is charged to the Comprehensive Income & Expenditure Statement in accordance with the accounting policy.

RIA
Receipts received in advance.

Segregated Mandate Fund
Funds from individual investors are invested on a segregated basis so that the holdings can be directly attributed to investors.

Settlement (Retirement Benefits)

Settlement relates to a bulk transfer out of the Fund as a result of outsourcing. It reflects the difference between the liability transferred (calculated in accordance with accounting standard IAS19) and the assets transferred to settle the liability.

Specific Grants

Grants paid by the Government in respect of specific services.

Strategic Measures

This comprises interest on balances and capital financing charges. The former involves surplus cash from the County Fund which is either invested or used to reduce the need to borrow externally. The interest received is credited to the County Fund. Capital financing charges include the minimum revenue provision required and interest on outstanding debt, together with a general revenue contribution to finance capital spending.

Supported Capital Expenditure (Revenue) (SCE(R))

Borrowing supported by the government through general grant.

Transfer Values

An amount paid or received by the Pension Fund in respect of pension rights transferred from one pension scheme to another for employees joining the County Council from another job or leaving the County Council to move to another job.

Unusable Reserves

Reserves that the County Council cannot use to provide services. These include reserves that hold unrealised gains and losses, e.g. the Revaluation Reserve, and reserves that hold timing differences between when items are recognised in the accounts in accordance with accounting policy and when they are recognised as a charge or credit to the County Fund, e.g. Financial Instruments Adjustment Account.

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SUMMARY OF ACCOUNTS 2011/12

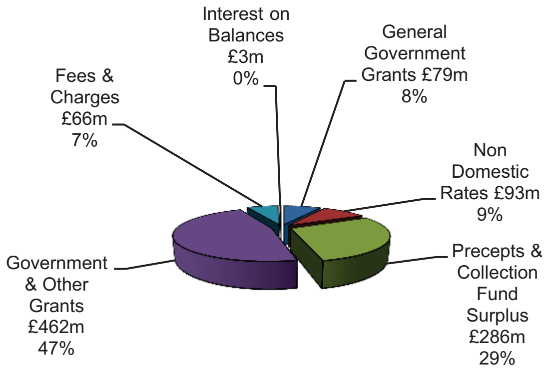
The County Council's accounts set out how much money we have spent on services, what we have invested in capital projects, how we have funded the expenditure and what assets we own.

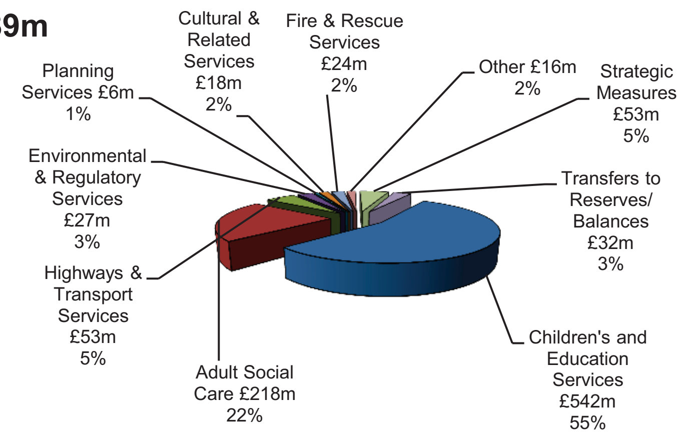
Review of 2011/12

Where the money came from

What services the money was spent on

Total £989m





The Council set a net revenue budget for the year of £408.6m to finance day to day service provision. Actual spending for the year after transfers to earmarked reserves was £409.4m, £0.8m higher than had been planned. The County Fund balance has reduced by £0.8m from £14.7m at the outset of the financial year to £13.9m at 31 March 2012.

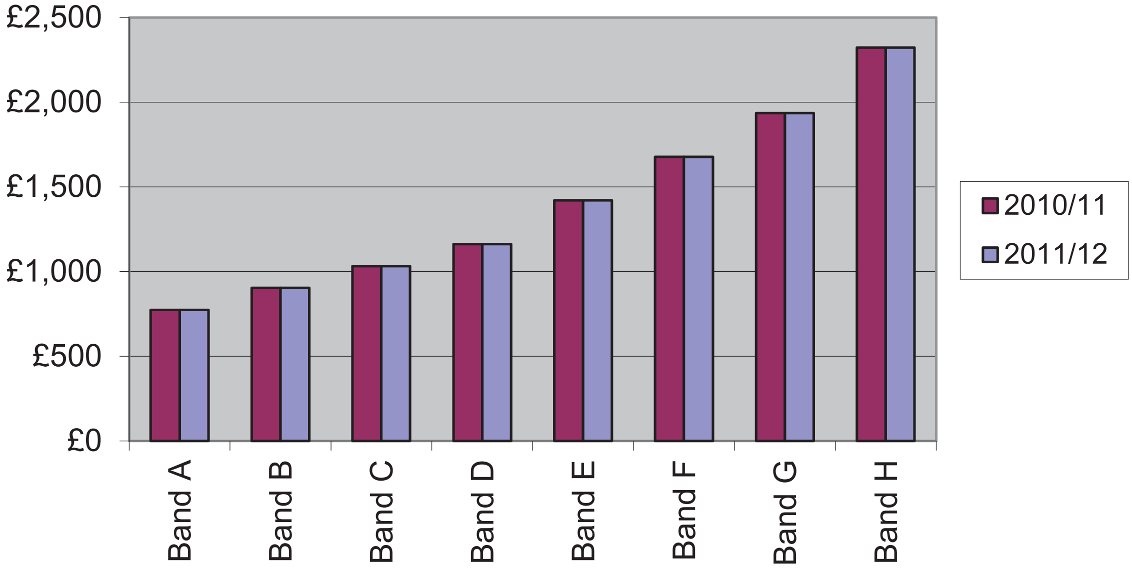
Summarised Revenue Account	**Gross Expenditure £m**	**Income £m**	**Net Expenditure £m**
Net cost of services	**958.2**	**-522.3**	**435.9**
Other operating expenditure	125.3	-1.4	123.9
Financing and investment income and expenditure	41.8	-10.1	31.7
Taxation and non-specific grant income	0.0	-530.2	-530.2
Deficit on provision of services	**1,125.3**	**-1,064.0**	**61.3**
Adjustments between accounting basis & funding basis:			
Income and expenditure to be excluded	-199.7	74.6	-125.1
Capital financing costs to be included	31.8	0.0	31.8
Net Increase before transfers to earmarked reserves	**957.4**	**-989.4**	**-32.0**
Transfers to earmarked reserves	32.8	0.0	32.8
Decrease in County Fund balance for the year	**990.2**	**-989.4**	**0.8**

The adjustments between accounting basis and funding basis are those items that regulations require to be added to or removed from the surplus/deficit on provision of services to determine the amount chargeable against the County Fund balance.

County Fund Balance	**£m**
Balance at start of year	**14.7**
Decrease in year	-0.8
Balance at end of year	**13.9**

Our Council Tax Funding

The graph below shows how much Council Tax for County Council services was charged for each property band in 2010/11 and 2011/12. Council tax rates for 2011/12 were held at 2010/11 levels with the benefit of a grant from central government.



	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
2011/12	£774	£904	£1,033	£1,162	£1,420	£1,678	£1,936	£2,323
2010/11	£774	£904	£1,033	£1,162	£1,420	£1,678	£1,936	£2,323

Capital Investment

We also spent money on improving assets…

Spending…	**£m**	**Paid for by…**	**£m**
Children's and education services	39.1	External borrowing	1.4
Environment, roads and transport	27.2	Grants & contributions	62.6
Properties, offices and technology	4.6	Revenue	11.7
Social, community and other services	4.8		
	75.7		**75.7**

Capital schemes that have benefited the community include:

	£m
Replacement of buildings at Wood Farm School	2.3
Oxford Academy	2.1
Banbury New Futures Centre	1.7
Modernisation and new post-16 accommodation at Fitzwaryn School	1.6
New sixth form centre at Cooper School	1.3
Enlargement and improvement to Redbridge Hollow Gypsy and Travellers Site	0.9
Extra Care Housing - Shotover	0.6
A4158 Oxford Iffley Road (Phase 1) improvements	1.4
A422 Ruscote Avenue, Banbury improvements	0.7

Summarised Balance Sheet as at 31 March 2012

The balance sheet shows the Council's financial position on 31 March 2012; the end of the 2011/12 financial year. It identifies what we own, what we owe and how this is funded.

	£m
Net Assets	
Long-term assets	1,502.4
Cash and short-term investments	209.0
Money owed to the Council	37.3
Other short-term assets	0.5
Money owed by the Council	-86.2
Borrowing	-426.7
Pensions and other liabilities	-725.0
Capital grants and contributions	-37.8
Total assets less total liabilities	**473.5**
Financed by	
Earmarked reserves	117.1
Other usable reserves	63.1
Unusable reserves	293.3
Net Assets	**473.5**

Earmarked Reserves

The Council's earmarked reserves as at 31 March 2012 are as follows:

	£m
Schools' delegated balances	29.3
Capital investment	17.5
Insurance	3.5
Other corporate reserves	29.1
Directorate reserves	37.7
	117.1

Other Usable Reserves

The Council's other usable reserves as at 31 March 2012 are as follows:

	£m
County Fund balance	13.9
Capital investment balances	49.2
	63.1

Cash Flow

The cash flow summary shows the total cash inflows and outflows during the year and includes both capital and revenue transactions.

	£m
Cash in hand at 1 April 2011	25.6
Cash in	1,359.8
Cash out	-1,310.8
Cash in hand at 31 March 2012	**74.6**

Plans for future service delivery

The Medium Term Financial Plan for 2012/13 to 2016/17 reflects the Council's strategic objectives of World Class Economy, Healthy and Thriving Communities, Enhancing the Environment and Efficient Public Services, along with the principles of low taxes, real choice and value for money. The plan builds upon the Council's Business Strategy designed to deliver savings of £119m for the four year period 2011/12 to 2014/15 in response to the large reductions in Government funding over the period. 2012/13 is the third year of the Strategy and savings of £37.2m are planned to be achieved.

Oxfordshire County Council Pension Fund

The County Council is the administering authority for the Oxfordshire Local Government Pension Fund.

Fund Summary at 31 March 2012		**Net Assets at 31 March 2012**	
	£m		**£m**
Opening net assets at 1 April	1,248.1	Value of investments	1,257.8
Net income from fund members	30.8	Net money owed to the pension fund	45.7
Net returns on investments	41.1	Long term assets	16.5
Closing net assets at 31 March 2012	**1,320.0**	**Net assets of the pension fund at 31 March 2012**	**1,320.0**

There were 18,582 contributing members to the fund at 31 March 2012, and 11,683 pensions were paid. Contribution rates for 2011/12 were based on the valuation of the Scheme's financial position as at 31 March 2010.

Pension Fund Annual Report

The Pension Fund annual report is available to be downloaded from the County Council's website at: www.oxfordshire.gov.uk.

Fire-fighters Pension Fund

Separate fire-fighters pension fund accounts are included in the County Council's Statement of Accounts. The scheme has no assets and the surplus or deficit on the pension fund account is paid to/met by central government.

Status of Accounts

The County Council's accounts are prepared in accordance with the Code of Practice on Local Authority Accounting. This summary is taken from the full Statement of Accounts certified by the Assistant Chief Executive and Chief Finance Officer on 26 June 2012 and is still subject to audit. The audited accounts will be published at the end of September and will be made available on the County Council's website.

What do you think?

If you have any questions or suggestions as to how we could improve these summary accounts, please contact Stephanie Skivington:

Telephone: 01865 323995
Email: stephanie.skivington@oxfordshire.gov.uk
Address: Corporate Finance, Chief Executive's Office, County Hall, New Road, Oxford, OX1 1ND.

Glossary of Terms

Asset
An asset is something the County Council owns and can be either long term or current.

Balance
The accumulated surplus of income over expenditure. Such a surplus is available to meet unexpected expenditure or a shortfall in income, to allow flexibility in borrowing from the money market, to finance expenditure pending the receipt of income or to reduce the Council Tax requirement.

Balance Sheet
A statement summarising the County Council's financial position at the end of an accounting period. The statement shows the County Council's assets and liabilities.

Capital Asset
A tangible asset that yields benefit to the County Council and the services it provides for a period of more than one year.

Capital Expenditure
Expenditure on the provision of lasting assets, for example land, buildings, road, vehicles and equipment such as computers.

Capital Receipts
Receipts from the sale of capital assets.

County Fund
The main revenue fund of the County Council into which Council Tax income and Government grants are paid and from which day-to-day payments are made.

Financial Year
The County Council's accounts cover the period from 1 April in one year to 31 March in the next year.

Financing and Investment Income and Expenditure
This mainly comprises interest charges, for example on borrowing, and interest earned on investments.

General Revenue Government Grants
These are general grants paid by central government in aid of local authority services as opposed to specific grants which may only be used for a specific purpose. The main general grant is Revenue Support Grant.

Liabilities
Amounts owed by the County Council which will be paid some time in the future.

Long Term Assets
Capital assets, long-term investments and money owed to the Council over the long-term.

Non Domestic Rate
A levy on businesses based on a national rate in the pound set by the government multiplied by the 'rateable value' of the premises they occupy.

Net Operating Expenditure
The amount which it costs to provide services after any specific grants and/or income from fees and charges is taken into account, but ignoring general government grant and local taxation.

Non-specific Grant Income
Grant income from general revenue government grants and capital grants and contributions.

Provision
An amount of money put aside in the accounts for anticipated liabilities, which cannot be accurately estimated e.g. insurance provision for claims awaiting resolution.

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

Revenue Expenditure
The County Council's day-to-day expenditure on items which include wages, supplies and services and interest charges.

Specific Grants
Grants paid by the government towards either revenue or capital to support the cost of specific services.

Unusable Reserves
Reserves that cannot be used to provide services, for example reserves that hold increases in the value of assets that will not be realised until the assets are sold. Unusable reserves also include those reserves that reflect timing differences between expenditure being recognised in the accounts and when it has to be funded.

Annual Governance Statement 2011/12

Scope of responsibility

1. The County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

2. The County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government'*. A copy of the code is on our public website. This statement explains how the County Council has complied with the Code and also meets the requirements of Regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement. Corporate governance is the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, lead and control their functions, to achieve their objectives. The quality of corporate governance arrangements is a key determinant of the quality of services provided by organisations.

DELIVERING GOOD GOVERNANCE - FRAMEWORK:

The purpose of the governance framework

3. The governance framework comprises the systems, processes, culture and values, by which the County Council is directs and controls its activities. It is the means by which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable - and not absolute - assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This statement evaluates the governance framework which has been in place at the County Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

The Governance Environment

The key elements of the systems and processes that comprise the Council's governance arrangements are set out below.

Identifying and communicating vision of our purpose and intended outcomes for citizens and service users

4. The County Council's vision and objectives are supported by four long term strategic objectives which are developed jointly by the Cabinet and the County Council Management Team (CCMT) and articulated in our published Corporate Plan. These are:

   - World class economy
   - Healthy and thriving communities
   - Enhancing the Environment
   - Efficient Public Services

   The planning process takes account of the needs and wishes of customers and communities which are articulated through a range of consultation exercises. The Cabinet's initial proposals are referred to the relevant Scrutiny Committee for further advice and consideration and then submitted to full Council for approval.

5. The strategic priorities are translated into SMART[1] outcome-focused targets which are monitored through our corporate 'Balanced Scorecard' (focussing on performance in four areas – Customers, Finance, People and Process). Our Corporate Plan is supported by Directorate Business Strategies which encompass what the Council is aiming to achieve to deliver the vision. Each of these plans is also supported by a Balanced Scorecard to allow us to measure on-going progress.

Reviewing the County Council's vision and its implications for the County Council's governance arrangements

6. The County Council's Constitution sets out the roles of and relationships between the full Council, the Cabinet, Scrutiny and other Committees in the budget-setting and policy and decision-making processes and sets out their legal requirements. The County Council's Corporate Plan supplements the County Council's Policy Framework. These formal policies are approved by full Council in accordance with the provisions of the County Council's Constitution. The Constitution also sets out a record of what responsibility each County Council body or individual has for particular types of decisions or for decisions relating to particular areas or functions. The Constitution requires that all decisions taken by or on behalf of the County Council will be made in accordance with the principles set out in the Constitution.

7. The Constitution also sets out how the public can take part in the decision-making process and the Cabinet's Forward Plan alerts the public to what business the Cabinet will be undertaking to afford members of the public the right to make representations before a decision is taken and with whom. Some of the responsibilities of the County Council committees require statutory consultation to precede a decision being taken.

8. The Constitution is reviewed annually by the Monitoring Officer with recommendations of changes being made to Full Council for consideration and adoption.

[1] Specific, Measurable, Achievable, Realistic, Timely

9. A thirty minute Question Time has been introduced at all Cabinet and individual Cabinet Member delegated decisions. Any councillor may, by giving notice, ask a question on any matter in respect of the Cabinet's delegated powers. The number of questions which may be asked by any councillor at any one meeting is limited to two (or one question with notice and a supplementary question at the meeting). As with questions at Council, any questions which remain unanswered at the end of this item receive a written response.

10. As part of the changes to the Constitution, the Council has agreed to retain its procedure for dealing with the Councillor Calls for Action and retains a duty on Directors to respond to petitioners within 10 working days. The Council has extended these rights of challenge by way of adopting a new petition scheme and arrangements were put in place for the creation of e-petitions.

Risk Management

11. The County Council has a Risk Management Strategy which aims to ensure that there is continuous improvement in the arrangements for managing risk across all directorates. The Director for Social & Community Services and the Chairman of the Audit Committee are nominated as Risk Champions.

12. The County Council has in place a process for identifying, assessing, managing and reviewing the key areas of risk that could impact on the achievement of County Council's objectives and service priorities. Reports to committees to support key policy decisions or major projects include an assessment of both opportunities and risks.

13. A strategic risk register is in place that is owned and reviewed by CCMT. Service Risk Registers are owned and reviewed by each Head of Service with their management teams and the Director on a quarterly basis. An escalation process is in place to report significant service risks to CCMT as part of the quarterly performance reporting process and separately to the Audit Working Group. Risk registers are challenged by the Chief Executive's Office as part of the quarterly corporate monitoring.

14. Risk Management in projects is a standard defined in the Corporate Project Management Guidelines and includes the requirement for risk registers to be maintained as part of the project management process.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the County Council's objectives and for ensuring that they represent the best use of resources

15. Scrutiny Committees hold the Cabinet to account on the discharge of its functions. Service performance and quality are measured through our performance management framework which aligns with our planning framework to ensure service priorities are in accordance with the County Council's objectives. We also use consultation and engagement exercises with our residents.

16. The County Council's and Directorate Business Strategies for 2011/12 to 2015/16, which were subsequently updated through the 2012/13 Service & Resource Planning process set out a programme that will enable the Council to deliver its required savings and will facilitate the cultural shift to a more dynamic and empowered organisation in the context of reduced funding aligned to the Council's priorities in the Corporate Plan.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

17. The County Council's Constitution sets out how the Council operates including the roles of the Cabinet and Committees. The arrangements for delegation to individual Cabinet Members are also set out in the Constitution.

18. The general scheme of delegation to officers is set out in the Constitution, as are the specific powers and functions of senior officers. In addition, individual Directorates have a scheme of further delegations of both financial and decision making powers and each of these is approved by the Chief Finance Officer and the Monitoring Officer.[2]

19. The Assistant Chief Executive holds the statutory role of Chief Financial Officer within the Council. In 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Statement on the "Role of the Chief Financial Officer in Local Government". This outlines the principles that define the core activities and behaviours that belong to the role of Chief Financial Officer and the governance requirements needed to support them. A self – assessment confirms that the Council's financial management arrangements conform with the governance requirements of the CIPFA statement as outlined below:

    - The Chief Financial Officer is also the Assistant Chief Executive for the Authority. They are a member of the County Council Management Team, helping it to develop and implement strategy and to resource and deliver the County Council's strategic objectives.
    - The Chief Financial Officer is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the Medium Term Financial Strategy.
    - The Chief Financial Officer leads the promotion and delivery by the County Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
    - The Chief Financial Officer leads and directs a finance function that is adequately resourced to be fit for purpose.
    - The Chief Financial Officer is professionally qualified and suitably experienced.

[2] The Chief Finance Officer carries out the role described by section 151 of the Local Government Act 1972

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

20. The County Council has developed and adopted separate Codes of Conduct for Councillors and Officers; both Codes clearly define the high standards of behaviour expected by the County Council and the duty owed to the public. Training to embed the requirements of the codes is provided by the Council's Monitoring Officer for both Councillors and Officers. Both codes form part of the County Council's Constitution and are readily accessible via the council's Internet and Intranet websites. Both codes are reviewed by the Monitoring Officer to ensure that they continue to be effective and up to date.

21. The Independent Chairman of the Standards Committee, which has been responsible for standards of behaviour of councillors, provided their last annual report to the Council for their consideration in May 2012. The report summarised the committee's work over the year in maintaining the standards arrangements in place in 2011/12.

22. The Localism Act 2011 received Royal Assent in November 2011 and has led to the abolition of the standards regime. Each Council is required to adopt a local Code of Conduct and must have arrangements in place to investigate complaints made against Members. Full Council have agreed to include standards within the terms of reference of the Audit & Governance Committee with the work relating to standards being undertaken by a small advisory group led by the Monitoring Officer.

Reviewing and updating standing orders, standing financial instructions (financial regulations), a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

23. The County Solicitor monitors and reviews the operation of the Constitution to ensure that its aims, principles and requirements are given full effect and makes recommendations on any necessary amendments to it to the Council. The County Solicitor is authorised to make any changes to the Constitution which require: compliance with the law; or to give effect to decisions of the Council or (so far as within their powers) the Cabinet, scrutiny committee and ordinary committees; or to correct errors and otherwise for accuracy or rectification. All other changes to the Constitution will only be approved by the full Council after consideration of a recommendation from the County Solicitor.

24. The Financial Procedure Rules and Financial Regulations are reviewed by the Chief Finance Officer and published on the public website. Schemes of Financial Delegation and Delegation of Powers are reviewed and updated six monthly and are published on the County Council's intranet along with guidance on how these should be maintained.

25. The County Council has an Audit Committee which meets six times a year, and operates in accordance with proper practice as defined in the guidance published by CIPFA in 2006. In addition to the formal Audit Committee, the County Council also operates an Audit Working Group, made up of members of the Committee and Senior Officers, chaired by the co-opted member on the Audit Committee; this group looks in

detail at specific areas of governance, risk or control under the direction of the Audit Committee.

Review of the effectiveness of the internal audit function

26. In accordance with the Accounts and Audit (England) Regulations 2011, the Audit Committee receives a report annually from the Monitoring Officer on the effectiveness of internal audit. The Audit Committee has determined the process by which this review is undertaken, which includes continuous monitoring of the Internal Audit process by the Committee in conjunction with the Audit Working Group and a survey of Senior Officers on effectiveness.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

27. The County Council uses a range of measures to ensure compliance with established policies, procedures, laws and regulations including:

- Notification of changes in the law, regulations and practice to Directorates by Legal Officers;
- Training carried out by Legal Officers and external experts;
- The drawing up and circulation of guidance and advice on key procedures, policies and practices;
- Proactive monitoring of compliance by relevant key officers including the Chief Finance Officer, the Monitoring Officer and the Assistant Head of Finance (Audit);
- Corporate Governance Strategy for Law and Governance;
- Protocol for Implementing New Legislation.

28. Guidance and advice on all key policies and procedures have been reviewed and updated. All policies and guidance have been incorporated into a Handbook for Managers and toolkits for use for Human Resources and Finance.

29. Compliance with the new or revised policies is monitored by the relevant corporate lead officers and their assessment is incorporated in the year end statements signed off by each corporate lead officer.

30. Under Section 5 of the Local Government and Housing Act 1989, the Monitoring Officer is required to report to the County Council where, in his opinion, a proposal, decision or omission by the County Council, its Members or Officers is or is likely to be unlawful and also to report on any investigation by the Local Government Ombudsman. It has not been necessary for the Monitoring Officer to issue a formal report for the year 2011/12. The Monitoring Officer undertakes a review of the County Council's annual governance arrangements. This review is formally reported to the Audit Committee.

Financial Management

31. The Financial Procedure Rules, Financial Regulations, Scheme of Financial Delegation and Delegation of Powers (paragraph 24 above) are supported by a Treasury Management Manual, a Capital manual, an Accounting Manual and toolkits for use by non-finance specialists which are published on the County Council's intranet.

32. There are teams of professionally qualified staff in the Chief Executive's Office and within Oxfordshire Customer Services. Part of their role is to support managers throughout the County Council in fulfilling their financial responsibilities and in providing regular scrutiny and challenge where appropriate. They also provide assurance that financial management is carried out across the organisation in accordance with the requirements of the CIPFA "Role of the Chief Financial Officer" Statement.

Whistle-blowing and receiving and investigating complaints from the public

33. The Council has formal complaints and whistleblowing procedures which allow staff, service users, contractors, suppliers and the public to confidentially raise concerns about any aspect of service provision or the conduct of staff, elected councillors or other people acting on behalf of the Council.

34. An annual review of reports and incidents is undertaken by the Monitoring Officer and is reported to the Audit Working Group.

Identifying the development needs of Councillors and senior officers in relation to their strategic roles, supported by appropriate training

35. There are specific role descriptions for Leader of the Council, Deputy Leader of the Council and Cabinet and Shadow Cabinet Members. In addition, the County Council's Constitution sets out the roles and functions for all councillors. Members' development needs and appropriate learning and development opportunities are ascertained against these role descriptions identified and prioritised by the cross-party Member Development Group having regard to emerging issues, skills requirements and formal roles identified.

36. Training and development needs for senior managers are identified and followed up through the appraisal and personal development plan process. We have recently started a two year Senior Leadership Programme for the top three tiers of management. The programme aims to give senior managers the tools and support to tackle the complex issues faced in the public sector. The programme will build on the 2011 SOLACE management assessments, which identified a number of individual and collective development requirements for our senior managers. The programme will include a variety of interventions, for example coaching and 360 degree feedback, which will take place at individual and team levels as well as bringing the whole senior management group together for a number of focussed development days.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

37. The County Council has clear channels for communicating with all stakeholders led by the Communications and Engagement Team. This includes a comprehensive website, a press office for managing messages via the media and responding to media enquiries, targeted media campaigns, established channels for communicating with MPs, representatives from district councils and other partners and an intranet system and team brief cascade for communicating with its own staff. Each year the council holds a staff conference and a series of staff roadshows led by the Chief Executive and members of the County Council Management Team, to directly engage with staff and communicate with them about possible changes.

38. The County Council also has well established consultation and involvement arrangements to specifically engage the community and its staff. There is a council-wide Consultation & Involvement Strategy ‘Ask Oxfordshire’, a research governance framework covering consultation, evaluation and research with adult social care customers and a dedicated engagement team working with children and young people and vulnerable adults. Details of the Council’s consultation and involvement activities such as service and policy change consultations, surveys of our Citizens’ Panel ‘Oxfordshire Voice’, service user events and Sounding Boards are published on an online consultation calendar that can be found at http://www.oxfordshire.gov.uk/consultation.

39. The County Council’s new Health and Wellbeing Board will bring together democratically elected representatives, and public representatives with local commissioners to strengthen the democratic legitimacy of commissioning decisions, and provide a forum for challenge and discussion with local people. The Public Involvement Network will support this work ensuring that the views of the public, service users, carers, and advocacy groups are at the centre of service and strategy development. The Shadow Health & Wellbeing Board met for the first time in November 2011. The intention is that the Board will meet in public three times per year but there will also be additional informal meetings.

Understanding community and stakeholder views and needs in support of strategy and policy development and service planning and delivery.

40. The County Council uses a wide range of evidence and information to inform strategy, policy development and service planning and delivery. Examples of this include feedback from consultation and involvement activities, evidence base such as “This is Oxfordshire” in support of the Council’s Corporate Plan and the use of data about the lifestyle types and needs of people in different parts of Oxfordshire to inform decisions on locating services. The county council is the accountable body and host for the Oxfordshire Data Observatory (http://www.oxfordshireobservatory.info/) which is an established partnership service providing a high quality shared evidence base and facilitating information sharing between partners. We also attach great importance to engaging with communities that wish to develop their own plans. Community-led planning allows us to respond to local issues and concerns raised by Oxfordshire's communities while encouraging self-help solutions.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in Oxfordshire County Council's overall governance arrangements.

41. In the past year we have reviewed our existing formal partnership arrangements to maximise the benefit we receive for the investment we make. We have retained those that are critical to addressing priorities that we all recognise can only be tackled through joint working. Oxfordshire County Council continues to deliver jointly in partnership with: Oxfordshire Local Enterprise Partnership; Oxfordshire Skills Board; Oxfordshire Strategic Planning and Infrastructure Partnership; Oxfordshire Environment and Waste Partnership; Oxfordshire Health and Wellbeing Board (including sub groups on Health Improvement, Adult Social Care, Children and Young People, and Public Involvement); Oxfordshire Stronger Communities Alliance (voluntary and community sector) and the Oxfordshire Safer Communities Partnership. All partnerships are driven by the priorities set by the Oxfordshire Partnership, which continues to meet to provide a light-touch overarching sense of direction and ensure delivery of the priorities in Oxfordshire 2030: our community strategy.

42. The Oxfordshire Children and Young People's Trust has been replaced by the new Children and Young People's Partnership Board (CYPP). The CYPP Board is part of the new Health and Wellbeing Board arrangements for Oxfordshire.

Governance and funding within Local Authority Maintained Schools

43. The financial framework for local authority maintained schools is set out in the Scheme for Financing Schools, which is approved by the Schools Forum. The practical day to day application is set out in the Financial Manual of Guidance, which also includes links to the County Council, Constitution, DfE (Department for Education) Toolkit and the best practice advice from the Audit Commission. The Scheme is reviewed annually through the Schools Forum and schools receiving delegated budgets adhere to the financial framework. Failure to comply with the scheme can lead ultimately to withdrawal of delegation.

44. The DSG (Dedicated Schools Grant) is divided between funding direct to maintained schools via a formula (known as the Individual Schools Budget or ISB) and centrally retained expenditure that supports education through key central services to schools. Schools also receive other grant streams via the council and from external sources, particularly for sixth form provision.

45. It is the responsibility of each School's governing body to set down and oversee the proper governance arrangements for the school, supported by the Headteacher and staff. The governing body is accountable to the local authority for the way the school is run. The central schools support and compliance teams visit schools to provide support, advice and challenge to provide assurance on the ISB and other funding streams at each school. The schools support and compliance teams validate all schools' budgets annually and review schools' budget monitoring reports during the year. A helpline is provided to schools to provide immediate SAP applications and finance guidance where needed. The team's use a comprehensive risk assessment tool to identify schools with

higher financial risks or issues and provide them with additional support and oversight. Where progress is not made, a notice of concern can be issued advising the school of recommended actions and ultimately this could, if necessary, lead to withdrawal of (in whole or part) the delegated budget powers from a school.

46. The management accounting team reviews the expenditure and governance of the centrally retained DSG expenditure in Children, Education and Families. Both management accounting and schools support are in turn supported by schools technical team responsible for the DSG funding formula calculation (and other funding streams) based on DfE guidance.

47. Schools Support, Compliance and Technical teams each have responsibilities to ensure compliance with the Financial Manual of Guidance and the Scheme for Financing Schools (section 48 of Schools Standards and Framework Act 1998) as well as the national statutory and regulatory environment governing schools finance. All local authorities are required to publish, under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009, an annual budget statement. Oxfordshire’s Section 251 statement for 2011/12 is available on the Council’s website as per guidance. The 2012/13 Section 251 statement process is in progress at the time of writing.

48. Oxfordshire Schools Forum is consulted on financial and governance issues and advises the council on these from the schools’ perspective as well as council officers’ direct work with schools and schools’ partnerships. Council officers support the work of the forum and its subcommittees and all parties benefit from the exchange of advice and views to improve and develop school governance and management and the work of the forum going forward.

Programme and Project Management

49. The County Council requires projects to be managed using the Project Management Framework which gives a comprehensive structure and processes for project management. The Directorates review projects (progress and governance) as part of quarterly performance reporting. An escalation process is in place to report significant project issues/ risks to the County Council Management Team (CCMT) as part of the quarterly performance reporting process and separately to the Audit Working Group. Project registers are challenged by the Chief Executive’s Office as part of the quarterly corporate monitoring.

ICT and Information Security

50. The Head of ICT Business Delivery has overall responsibility for ICT development and security. The Deputy Head of Law & Governance is the Council’s Data Controller and chairs the Information Governance Group with representatives from all Directorates, Human Resources and ICT. This Group reports to the Corporate Governance Working Group chaired by the Monitoring Officer.

51. The Information Governance Group oversees the operation of the Corporate Data Transfer Policy, plus the new tools and methods of work evaluated by ICT Business Delivery to improve the security of data transfer.

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

Review of effectiveness

52. The County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the County Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, whistleblowing reports and comments made by the external auditors and other review agencies and inspectorates.

53. The following paragraphs describe the process that has been applied in maintaining and reviewing the effectiveness of the governance framework, and include some comment on the role of key bodies.

The Audit Committee

54. The Chairman of the Audit Committee produces an Annual Report to Council. The report for 2011 identified the following key achievements:

    - Audited Statement of Accounts identified no material issues or matters of concern.
    - Good governance and strong System of Internal Control that is effective in minimising the risk of fraud.
    - Risk Management Training of key managers and staff in Directorates has been completed.
    - Risk management is embedded in the Business Management Process and Reporting within Directorates.
    - Escalation reporting to CCMT is focussed on the key business management issues and material risks.
    - Improved performance on the implementation of management actions arising from Internal Audit reports.
    - Earlier engagement with management to ensure areas of unacceptable control is addressed. We continue to respond promptly to Internal Audit reports with "Unacceptable" conclusions and have met with senior managers to get assurance that prompt actions are taken.

    The Annual Report also refers to the effective role performed by the Audit Working Group. The Group has met regularly throughout the year and reviewed specific areas of governance, risk and control, reporting any significant issues identified to the Committee.

Overview and Scrutiny Committees

55. CIPFA guidance indicated that Audit Committees 'should have clear reporting lines and rights of access to …. for example scrutiny committees'. The Chairman of the Strategy and Partnerships Scrutiny Committee has a standing invitation to attend Audit Committee to provide advice in relation to the work of Scrutiny Committees. An annual report on key achievements of all Scrutiny Committees is considered by the Audit Committee in draft and submitted for agreement by Council.

The Standards Committee

56. The Council adopted the model Code of Conduct for Members in May 2007. With the announcement that Standards for England are to be abolished the requirement for quarterly reports has been discontinued by that body. In 2011/12, there were three complaints made against County Councillors of this Authority. In one case the decision of the Initial Assessment Panel was that no further action was required and in the further two cases a finding of 'other action' was made. The Standards Committee's Independent Chairman has produced an Annual Report to Council of its activities for 2011/12. Full Council formally received the report on 15 May 2012.

57. The Monitoring Officer undertook a confidential biennial survey of Member/Officer relations in 2010/11 and has concluded that there are no issues of concern with regards to Member intimidation or bullying or inappropriate attempts to influence Officer decision making.

58. The Members' declarations have been reviewed with no significant issues of concern identified and the Council has placed details of all Members' expenses on-line to demonstrate transparency and re-assurance to the public on these important matters.

Corporate Governance Assurance Group

59. This Group monitors and reviews the Annual Governance Statement action plan and completion of risk registers during the year. It has primary responsibility for collating all of the evidence and producing the first draft of the Annual Governance Statement. No recommendations for improvements were made by the external auditors (the Audit Commission) relating to the 2010/11 Annual Governance Statement.

60. Progress Report on AGS Action Plan 2010/11

Action	Status	
Actions carried forward from 2010-11: 1) To monitor actions to address the improvements identified by Internal Audit in relation to information governance relating to: (a) external data transfers, which include the approval and implementation of the Secure Transfer of Information Policy (b) end user developments, which include the approval and implementation of the Access Strategy and Excel Development Policy	Action completed Corporate Data Transfer Policy in place. Protocols to assist with the appropriate use of Excel and Access now available on the Intranet.	Complete
2) To address the lack of resilience within ICT infrastructure, which include a back-up facility to be sited at Kidlington, review of priorities for recovery of applications and systems used by Group 1 Services, installation of stand-by generators in County Hall and Clarendon House, and improved Telephony resilience.	Action substantially completed. The installation and testing of the Clarendon House generator is complete and a routine testing regime is in place for all three generators. Service was maintained throughout a power cut in March 2012. Work to improve telephony resilience is on-going and will be monitored by Corporate Governance Assurance Group during 2012/13.	Complete In progress
3) To implement improvements to Schemes of Delegation to reflect significant organisational change,	Action completed – continued monitoring required to ensure that Schemes of Delegation are updated as at 1 April 2012 and in accordance with the guidance.	Complete

which includes the issue of clear guidance on how changes should be made and approved.		
4) To implement effective governance of SAP roles, to ensure management of segregation of duties.	Improved processes around the update of SAP roles in place. Ongoing overview needs to be provided by SAP Operations Group.	Complete Work is on-going to ensure that there are no conflicts between roles.
5) To address improvements in respect of weaknesses identified by HSE for not having robust systems in place when awarding, managing and monitoring service provider contracts, which include improvements to health and safety clauses in contracts and related documentation, targeted training of relevant staff to increase their knowledge and ability to challenge providers, and safeguard the authority by supporting providers in improving their health and safety management system performance.	A Health & Safety self-assessment for Social & Community Services Learning Disabilities has been developed and will be rolled out through Joint Commissioning teams in 2012/13. Detailed analysis of schools monitoring shows a lack of competence for contract management and inadequate practice in documentation including terms and conditions and health and safety requirements. Uptake of "Selecting and Monitoring of Contractors and Consultants" H&S course is low. A programme of reviewing contract monitoring arrangements in CEF contracts by the HSW Contract Lead will take place through 2012/13, Guidance to addresses schools' and similar service needs has been drafted and will be available in 2012/13.	On-going - Health & Safety Strategy will be implemented in 2012/13

Internal Audit

61. The Chief Internal Auditor has prepared an Annual Report on the work of Internal Audit which concludes the system of internal control provides reasonable assurance regarding the effective, efficient and economic exercise of the Authority's functions. Where areas for improvement have been identified management action plans are in place.

62. In accordance with the requirements of the Accounts and Audit (England) Regulations 2011, the Monitoring Officer has carried out a review of the effectiveness of the system of internal audit. The scope of the review covered compliance with proper practice (CIPFA Code of Practice for Internal Audit 2006), reporting on performance and outcomes to the Audit Committee, External Auditor's opinion, and a survey of Senior Management on the effectiveness of Internal Audit. In the report to the Audit Committee it was concluded that the Internal Audit Service overall continues to be effective but there are areas which are receiving attention. More priority should be given to resourcing counter-fraud work and delivering the Counter-Fraud Plan; and, significant improvement is required in the timeliness of reporting on audit assignments.

Effectiveness of Governance in Local Authority Maintained Schools

63. Successful schools support, helpline and technical team structures were in operation throughout 2011/12 and supported the full roll-out of SAP in schools along with budget planning and monitoring for the financial year. These structures have enabled staffing resources to be redirected to more effectively challenge higher risk schools and thereby improve financial management and governance across all schools.

64. The Financial Management Standard in Schools (FMSiS), which assessed financial control within schools on a three year cycle, was withdrawn by government during 2010/11. The government has introduced from 2011/12 the Schools Financial Value Standard. Schools Forum has already agreed to a continuation of the current local arrangements using the council's internal audit service to complete assessments against the new standard, which creates efficiencies and synergies for both schools and council in applying the standard. Part of these efficiencies and improved effectiveness is the joint management of the work of the FMSiS audit staff and the Schools Compliance team.

65. Academies are legally separate entities and therefore effective governance does not fall within the direct control or responsibilities of the County Council.

Other external review/assurance mechanisms.

66. The County Council receives external reports from a range of sources that can provide assurance or indicate any issues related to internal control and governance.

67. The Care Quality Commission's annual performance assessment for 2010/11 reported that the Council is judged overall to be "performing well" in how it promotes adult social care outcomes. There are no longer annual assessments of adult social care. CQC will still undertake risk based inspections of services based on, amongst other things,

performance on the adult social care outcome framework. However there was no service wide inspection in 2011/12.

68. The Children's Services annual rating for Oxfordshire for 2011 was 3 "performs well". This performance has been maintained from 2010 to 2011. Most services, settings and institutions inspected by Ofsted were good or outstanding and few are inadequate. Almost all were good at helping children and young people to learn and stay safe.

69. Ofsted's most recent unannounced inspection of contact, referral and assessment arrangements for children in need and children who may be in need of protection found three areas of strength, many areas of satisfactory practice and five areas for development, one from the previous inspection in 2009. There were no priority actions requiring urgent attention. In 2011, a full inspection of safeguarding and services for looked after children judged the overall effectiveness of both as good. Inspection also shows good safeguarding in youth offending work.

70. An Ofsted inspection of the Fostering Service took place in March 2012. The overall quality rating was good with outstanding judgments in three out of six areas assessed. The inspector noted that the fostering service is managed and staffed by those who are suitable and qualified to work with children and young people. There is a strong management team that are experienced and supportive and supervising social workers who are committed to achieving good outcomes for children and young people. Robust systems are in place to monitor and review the performance of the service. Three shortfalls were noted leading to recommendations. These relate to the timeliness of foster carer reviews, placements made outside of foster carers' terms of approval and foster carer records.

71. The Surveillance Commissioner's August 2011 report on the Regulation of Investigatory Powers Act (RIPA) concluded that the Council continues to have a sound RIPA structure, with good policies and procedures and good training.

72. There were no major control issues raised by the Audit Commission, in their 2010/11 annual report. There was only one recommendation for improvement made and this related to the Pension Fund Accounts.

Business Strategy Governance Arrangements for 2011/12

73. Key deliverables within Directorate Business Strategies are managed as projects as a part of the directorate business management process. Updates on projects are reported quarterly, with information reported through existing quarterly business management (performance/risk/projects) reporting procedures. The forecast financial position is reported monthly through the monthly Financial Monitoring & Business Strategy Delivery Reports to Cabinet.

74. Further to these monitoring arrangements, the Chief Finance Officer meets regularly with all Deputy Directors to ensure that support is targeted to projects as required to address exceptions arising.

75. Delivery the Directorate Business Strategies is also being regularly reported to CCMT.

Improving the Quality of Governance

76. Some areas have been identified where the quality of governance could be improved, or where there are planned material changes to the governance arrangements. The action plan for 2011/12 is as follows:

Action Plan for 2012-13

Action	Timescale for Completion	Responsible Officer	Monitoring Body
Data Transfers and Security To set out and monitor in an action plan: a) improvements to ensure effective information governance relating to external data transfers and data security; b) planned actions to raise staff awareness of the requirements of the Acceptable Use Policy.	31 March 2013	Data Controller and ICT Corporate Lead	Information Governance Group
Delivery of the Internal Audit Counter-Fraud Plan	31 March 2013 with set dates set out within the plan	Chief Internal Auditor	Audit Committee
Health Safety & Wellbeing To ensure the Health, Safety and Wellbeing Strategy is embedded across the organisation and a) that roles and responsibilities are clear and understood; b) H&S arrangements in commissioning, awarding and managing service provider contracts are robust.	31 March 2013 or dates set out within the plan	Health, Safety & Wellbeing Corporate Lead	CCMT

Action	Timescale for Completion	Responsible Officer	Monitoring Body
Business Continuity Stakeholders Group to ensure that all directorates have clear and robust recovery systems and procedures and have identified all critical documentation that needs to be restored as a matter of priority. ICT to operate a repository of those critical documents to be restored as agreed by backup arrangements including the Disaster Recovery facility at Kidlington.	30 September 2012	Business Continuity Corporate Lead and ICT Corporate Lead	Business Continuity Stakeholders Group
Implementation and embedding of the Data Quality Policy	30 November 2012	Business Management Corporate Lead (Corporate Performance and Review Manager)	CGAG
Embedding effective Governance arrangements relating to contracts within Children, Education & Families and Social & Community Services and to ensure that procurement and contract monitoring arrangements are robust.	31 March 2013	Deputy Director (Joint Commissioning)	DLT
Embedding effective Governance arrangements relating to contracts within Environment & Economy and to ensure that procurement and contract monitoring arrangements are robust.	31 March 2013	Deputy Director (Growth& Infrastructure) and Interim Deputy Director (Highways & Transportation)	DLT

Action	Timescale for Completion	Responsible Officer	Monitoring Body
Routine management and monitoring of the performance of procurement controls to be introduced, with escalation of serious and/or persistent non-compliance to Directors, S151 Officer, Monitoring Officer and Cabinet Member for information and action. Management report to cover: - Live vendors by vendor category – Actual against target - Use of one-time vendors – with commentary on inappropriate use including multiple use - FB60 payments/services using FB60 process - Red route orders with a commentary of those that have resulted in vendor creation - Duplicate Payments	31 August 2012 Once the management reports are in place, further actions will be established to ensure performance results are brought into line with targets. Appropriate timescales will be set for each of the actions.	County Procurement Manager	S151 Officer/ Service Manager (Pensions, Insurance & Money Management) (Section 151 lead officer for Accounts Payable)

77. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Oxfordshire County Council:

………………………………….	Date ……….	……………………………	Date ……….
Joanna Simons		Sue Scane	
Chief Executive		Chief Financial Officer	
………………………………….	Date ……….	……………………………	Date ……….
Cllr Ian Hudspeth		Peter Clark	
Leader of the Council		Monitoring Officer	

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Division(s): ALL

AUDIT & GOVERNANCE COMMITTEE – 4 JULY 2012

DISPENSATIONS – MEMBERS' INTERESTS

Report by County Solicitor and Monitoring Officer

Introduction

1. At the meeting of Council on 15 May, it was agreed that the terms of reference of this Committee be widened to include certain responsibilities previously undertaken by the Standards Committee. One of these is the responsibility "to grant dispensations to councillors and co-opted members from requirements relating to interests set out in the code of conduct for members".

2. This report sets out potential arrangements for dealing with such instances and which are consistent with both the Council's code of conduct for members and the Localism Act 2011 (and associated regulations).

Background

3. The council's new code of conduct agreed by Council in May and to come into effect on 1 July requires that any councillor or co-opted member who has a disclosable pecuniary interest must register it within 28 days of coming into office. The interest must also be declared at a meeting of the council where the interest relates to any matter under consideration. The code then states that:

   "Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State. You must withdraw from the room or chamber when the meeting discusses and votes on the matter." (Code of Conduct, paragraph 19).

4. The potential arrangements outlined below suggest how the consideration of such potential dispensations could be handled in practice.

Dispensations - potential arrangements

5. The provisions on dispensations have been significantly changed under the Localism Act 2011. The following paragraphs summarised the new grounds for considering a dispensation and suggest how decisions could be made on them.

6. Previously, a member who had a prejudicial interest could apply to the Standards Committee for a dispensation on two grounds:

   (a) That at least half of the members of the decision-making body had a prejudicial interest
   (b) That so many members of one political party had a prejudicial interest in the matter such that it would upset the result of the vote on the matter.

7. In future, a dispensation can be granted in five circumstances:

   (a) That so many members of the decision making body have disclosable pecuniary interests in a matter that it would "impede the transaction of the business".
   (b) That, without the dispensation, the representation of different political groups on the body transacting the business would be so upset as to alter the likely outcome of any vote on the matter;
   (c) That the authority considers the dispensation is in the interests of persons living in the authority's area;
   (d) That, without the dispensation, no member of the Cabinet would be able to participate on this matter; or
   (e) That the authority considers that it is otherwise appropriate to grant a dispensation.

   (Section 33 of the Localism Act 2011)

8. Any grant of dispensation would need to specify how long it lasts for, up to a maximum of 4 years.

9. In addition, the Localism Act gives discretion for the consideration of dispensations to be delegated to a committee or sub-committee or to the Monitoring Officer. A general delegation has been made by this Council to this Committee. However, in practice, the Committee may wish to consider that the Monitoring Officer be delegated with responsibility for determining dispensations under grounds 7(a), (b) and (d) above, given the greater objectivity of those circumstances, with an appeal to the Audit & Governance Committee. Grounds 7 (c) and (e), being more subjective, may be better considered by the Committee itself, potentially in consultation with the Independent Person appointed under the Localism Act.

10. The Committee may wish to consider appointing a Dispensations Sub-Committee to consider applications for dispensations on its behalf. In which case, the Committee may wish to agree the following terms of reference for it:

   (a) A meeting of any such sub-committee should normally comprise three members of the Audit & Governance Committee;
   (b) The Monitoring Officer will select the membership of each sub-committee after consultation with the Chairman or (in his/her absence) the Deputy Chairman of the Audit & Governance Committee;

(c) Meetings of the sub-committee will be chaired by a person appointed by the Chairman or in his/her absence Deputy Chairman of this Committee unless either the Chairman or Deputy Chairman is seeking the dispensation in which case the Monitoring Officer will be able to nominate a chairman;

(d) The sub-committee may comprise more than three members of the Committee up to and including the whole membership of the Committee;

(e) The sub-committee may seek the views or advice of the Independent Person and/or the Monitoring Officer in undertaking its deliberations.

11. Under the previous standards regime, there were no requests for dispensation and it is not anticipated that this will change under the new arrangements. Nevertheless it is considered appropriate that procedures should be put in place should any such requests arise in future.

RECOMMENDATIONS

12. **The Committee is RECOMMENDED:**

(a) **to note the changes outlined in this report to the regime for granting dispensations to members and co-opted members with disclosable pecuniary interests;**

(b) **to consider delegating to the Monitoring Officer consideration of requests for dispensation occurring within the circumstances at paragraphs 7(a), (b) and (d) above, with a subsequent right of appeal to this Committee;**

(c) **to consider whether to appoint a sub-committee for considering applications for dispensation not otherwise delegated to the Monitoring Officer and if so to consider adopting the terms of reference outlined in paragraph 10 (a) – (e) above.**

NAME
County Solicitor and Monitoring Officer

Background papers: Localism Act 2012; Members' Code of Conduct
Contact Officer: Peter Clark

June 2012

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AUDIT COMMITTEE – 4 JULY 2012

WORK PROGRAMME 2012/13

2012

Wed 19 September

Risk Management Annual Report
(Alexandra Bailey)

Final Statement of Accounts 2011/12
(Sue Scane / relevant officer)

Internal Audit Plan – 2011/12 Progress Report and Quarter 3 Plan
(Ian Dyson)

Local Government Ombudsman's Annual Review of OCC
(Peter Clark)

Audit Commission – Annual Governance Report – Oxfordshire County Council
Audit Commission – Annual Governance Report – Oxfordshire Pension Fund
Audit Commission – Progress Report

Wed 21 November

Treasury Management Mid Term Review 2012/13
(Sue Scane / relevant officer)

Annual Governance Statement – Action Plan Progress
(Peter Clark)

Audit Commission – Annual Audit Letter

2013

Wed 16 January

Statement on Internal Control – Annual Review of Effectiveness
(Peter Clark & Sue Scane)

Internal Audit Plan – 2012/13 Progress Report and Quarter 4 Plan
(Ian Dyson)

Review of the Process for Reporting on the Effectiveness of the System of Internal Audit
(Ian Dyson)

Treasury Management Strategy
(Sue Scane / relevant officer)

Audit Committee - Draft Work Programme 2013/14
(Co-ordinated by Committee officer in consultation with relevant directorate officers)

Wed 27 February

Audit Committee Annual Report to Council 2012
(in accordance with the process adopted by the Committee on 29 November 2006)

Internal Audit Services-Internal Audit Strategy & Annual Plan 2013/14
(Ian Dyson)

Standing Items:

- Audit Working Group Reports
  (Ian Dyson)

- Business Strategy: updates & key extracts from the cabinet Financial Monitoring & Business Strategy Delivery Report
  (Sue Scane)

- Scrutiny - governance & control matters
  (Alexandra Bailey)

- Audit Committee Work Programme – update/review
  (Committee Officer/Chairman/relevant officers)

Other matters

AWG 5 Draft Annual Governance Statement
In addition to the inclusion of an action regarding the management control over the Accounts Payable system (AWG7 above), The Group suggested some minor changes to the draft Annual Governance Statement.

Sections 66 - 72 of the draft reviewed refers to "Other external review/assurance mechanisms"; the Group was concerned that with the exception of the Audit Commission reports, the Audit Committee has no oversight of the reports received from other external inspection agencies. It is recommending that a report be brought to the Audit and Governance Committee setting out how these external reports that are used to inform the AGS are received and monitored; in particular how would the Committee be informed at an early stage if there are any governance issue arising from the reports, and what assurance can they get that areas identified for improvement are being considered and actioned on a timely basis

Contact officer: Geoff Malcolm, Committee Officer
Tel: (01865) 815904

June 2012