



To: **Members of the Audit & Governance Committee**

***Notice of a Meeting of the Audit & Governance  
Committee***

**Wednesday, 8 July 2015 at 1.00 pm in Room 2**

**County Hall, Oxford, OX1 1ND**

*Peter G. Clark.*

Peter G. Clark  
County Solicitor

June 2015

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**Membership**

Chairman – Councillor David Wilmshurst  
Deputy Chairman - Councillor Sandy Lovatt

**Councillors**

David Bartholomew  
Yvonne Constance OBE  
Tim Hallchurch MBE

Jenny Hannaby  
Nick Hards  
Roz Smith

John Tanner

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**Co-optee**

Dr Geoff Jones

**Notes:**

- ***Date of next meeting: 16 September 2015***

## 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 Glenn Watson on (01865) 815270 or [glenn.watson@oxfordshire.gov.uk](mailto:glenn.watson@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. Declaration of Interests - see guidance note

## 3. Minutes (Pages 1 - 10)

To approve the minutes of the meeting held on 10 June 2015 (**AG3**) and to receive information arising from them.

## 4. Petitions and Public Address

## 5. Corporate Lead Presentation

1:10

There are eleven 'Corporate Leads' that provide assurance on an issue for governance purposes. The Audit & Governance Committee has asked to be given presentations from each Corporate Lead during the year so that they can better understand each area, particularly focusing on the assurance process:

- How Corporate Leads assure themselves (and then directors) that things are well within their areas; and
- How Leads decide that issues need to be mentioned for 'Action'; and
- How leads ensure that their area complies with regulations and the law.

The Committee will receive the remaining Corporate Leads presentation – Project and Programme Management.

***The Committee is RECOMMENDED to receive the presentation.***

## 6. Fire & Rescue Service Statement of Assurance 2014/15 (Pages 11 - 40)

1:25

Report by the Chief Fire Officer (**AG6**)

The Fire and Rescue National Framework for England (the Framework) sets out a requirement for fire and rescue authorities to provide an annual statement of assurance on financial, governance and operational matters and to show how they have due regard to the requirements of the Framework and the expectations set out in authorities' own integrated risk management plans.

To demonstrate this, the Framework requires that each authority must publish an

annual statement of assurance. The Statement of Assurance 2014/15 document is intended to meet the obligation to produce this statement through reference to public webpages, existing reports and documents. The report was prepared following the Department for Communities and Local Government guidance on statements of assurance for fire and rescue authorities in England. The structure of the report was based on guidance contained in Chief Fire Officers Association (CFOA) Circular 2013-10 appendix - draft table of contents statement of assurance. The statement of assurance is intended to be published on the public website only, it is not intended to produce hard copy versions. The OCC Annual Governance Statement 2014/15 makes reference to the statement of assurance and provides a link to the web address. The statement of assurance should be signed on behalf of Oxfordshire County Council by Councillor Rodney Rose, Cabinet Member with responsibility for the fire and rescue service.

***The Audit & Governance Committee is RECOMMENDED to consider the Statement of Assurance 2014/15 for approval.***

## **7. Annual Report of the Monitoring Officer (Pages 41 - 58)**

1:45

Report by the Monitoring Officer (**AG7**)

The Audit and Governance Committee is responsible for promoting standards of conduct for elected councillors and co-opted members and for ensuring the integrity of the democratic decision-making process. Consequently, the Monitoring Officer reports annually to this Committee on relevant actions and issues that have occurred in the previous year. This report therefore summarises certain activities for the year 2014/15.

***The Committee is RECOMMENDED to consider and endorse the report.***

## **8. Annual Report of the Chief Internal Auditor (Pages 59 - 82)**

2:05

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

This is the annual report of the Chief Internal Audit, summarising the outcome of the Internal Audit work in 2014/15, and providing an opinion on the Council's System of Internal Control. The opinion is one of the sources of assurance for the Annual Governance Statement.

***The Committee is RECOMMENDED to consider and endorse the report.***

## **9. Ernst & Young (Pages 83 - 118)**

2:25

Representative of Ernst & Young will attend for the following items:

Oxfordshire County Council Progress Report July 2015 (**AG9**);  
Oxfordshire Pension Fund Audit Plan (**AG9**);  
Local Government Sector Update, including Questions (**AG9**).

***The Committee is RECOMMENDED to note the reports.***

## **10. Report from the Audit Working Group (Pages 119 - 122)**

2:45

Report by the Chief Internal Auditor (**AG10**).

The report summarises the matters arising at the meeting of Audit Working Group on 11 June 2015.

***The Committee is RECOMMENDED to note the report.***

## **11. Treasury Management Outturn 2014/15 (Pages 123 - 130)**

3:05

Report by the Chief Finance Officer (**AG11**)

The report sets out the Treasury Management activity undertaken in the financial year 2014/15 in compliance with the CIPFA Code of Practice. The report includes Debt and Investment activity, Prudential Indicator Outturn, Investment Strategy, and interest receivable and payable for the financial year.

***The Committee is RECOMMENDED to note the report, and to RECOMMEND Council to note the Council's Treasury Management Activity in 2014/15.***

## **12. Statement of Accounts 2014/15 (Pages 131 - 318)**

3:25

Report by the Chief Finance Officer (**AG12**).

The Accounts and Audit Regulations 2011 require the 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 & Governance Committee for information, before the start of the public inspection period and the commencement of the audit. The Audit & Governance Committee will be asked to consider and approve the accounts at its meeting on 16 September 2015, when the findings of the audit are available.

An overview of the financial position of the Council at 31 March 2015 is contained in the explanatory foreword. A simplified summary of the accounts is attached at Annex 1.

The full 2014/15 Statement of Accounts is attached at Annex 2.

***The Committee is RECOMMENDED to note:***

- (a) the Summary Accounts 2014/15; and***
- (b) the Statement of Accounts for 2014/15 to be submitted to the Auditor.***

### **13. Annual Governance Statement - 2014/15 (Pages 319 - 346)**

3:45

The Head of Law & Governance and County Solicitor 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 is a key determinant of the quality of the services that we provide. This Statement (**AG12**) explains how the County Council has complied with the Code in 2014/15. It meets the requirement to produce an Annual Governance Statement in the Accounts and Audit Regulations 2011.

The Statement includes an update on actions identified last year that were to be carried out during 2014/15. It also lists new actions for 2015/16. The separate statement of assurance needed by the Fire and Rescue service is also mentioned.

We normally publish the Statement at the back of the Statement of Accounts. However, to avoid duplication these two documents appear separately on this agenda.

***The Committee is RECOMMENDED to approve the Annual Governance Statement 2015/16, subject to the Head of Law & Governance making any necessary amendments in the light of comments made by the Committee, after consultation with the Leader of the Council, Chief Executive and Section 151 officer.***

### **14. Update on Hampshire Partnership**

4.05

The Chief Finance Officer will provide the Committee with a verbal update on the status of the On Boarding Project in respect of the Partnership arrangement with Hampshire County Council for the provision of HR and Finance Services effective from 1 July 2015.

***The Committee are RECOMMENDED to receive the presentation.***

## **15. Work Programme (Pages 347 - 348)**

4:30

### **CLOSE OF MEETING**

4:35

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### **Pre-Meeting Briefing**

There will be a pre-meeting briefing at County Hall on **Thursday 2 July 2015** at **11.30 am** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

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## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 10 June 2015 commencing at 2.00 pm and finishing at 4.40 pm.

**Present:**

**Voting Members:** Councillor David Wilmshurst – in the Chair

Councillor Sandy Lovatt (Deputy Chairman)  
Councillor David Bartholomew  
Councillor Yvonne Constance OBE  
Councillor Tim Hallchurch MBE  
Councillor Jenny Hannaby  
Councillor Nick Hards  
Councillor Roz Smith  
Councillor John Tanner

**Non-voting Members:** Dr Geoff Jones

**By Invitation:** Mrs M Grindley and Mr A Witty, Ernst & Young.

**Officers:**

Whole of meeting Lorna Baxter, Chief Finance Officer, Ian Dyson, Chief Internal Auditor, Glenn Watson and Deborah Miller (Chief Executive's Office).

Part of meeting

<b>Agenda Item</b>	<b>Officer Attending</b>
5	Graham Collins (Finance); Maggie Scott (Chief Executive's Office);
6	Carolyn Williamson (Director of Corporate Resources, Hampshire County Council)
7	Kate Terroni, Deputy Director Joint Commissioning and Martyn Ward (ICT Business Delivery)

*The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with the following additional documents: (attached presentations) and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda, reports and additional documents, copies of which are attached to the signed Minutes.*

### **33/15 ELECTION OF CHAIRMAN FOR THE 2015/16 COUNCIL YEAR**

(Agenda No. 1a)

**RESOLVED:** that Councillor David Wilmshurst be elected as Chairman for the 2015/16 Council Year.

### **34/15 ELECTION OF DEPUTY CHAIRMAN FOR THE 2015/16 COUNCIL YEAR**

(Agenda No. 1b)

**RESOLVED:** that Councillor Sandy Lovatt be elected as Vice-Chairman for the 2015/16 Council Year.

### **35/15 MINUTES**

(Agenda No. 3)

The Minutes of the Meeting held on 22 April 2015 were approved and signed.

Matters Arising from the Minutes

Minute 23/15 – Annual Governance Statement

Mr Dyson gave an undertaking to circulate a response from Greg Stacey to the Committee in relation to paragraph 3 of the Minutes 'lessons learnt from the fire at the officers of South Oxford District Council'.

### **36/15 CORPORATE LEADS PRESENTATION**

(Agenda No. 5)

The Audit & Governance Committee had asked to be given presentations from each of the eleven Corporate Leads that provided assurance on an issue for governance purposes during the year so that they could better understand each area, particularly focusing of the assurance process of:

- How Corporate Leads assure themselves (and then directors) that things are well within their areas; and
- How Leads decide that issues need to be mentioned for 'Action'; and
- How leads ensure that their area complies with regulations and the law.

The Committee received presentations from Maggie Scott, Head of Policy on Performance Management, Graham Collins on Procurement and from Glenn Watson, Principal Governance Officer on Legislation (copies of which are attached to the minutes).

Mrs Scott outlined the Performance Management Framework that was in place to ensure the Council achieved progress towards its predetermined objectives, including the council's corporate plans and strategies and performance reporting principals including: quarterly discussion; opportunities for deeper analysis and review; directorate ownership; exception reporting at a corporate level; emphasis on performance trends; relationship between performance and risk; focus on resolutions and mitigating actions and maintaining transparency and accountability. She further

went to outline the areas of performance scrutiny as outlined on page 5 of the presentation and future challenges and next steps including:

- Developing need for more comprehensive reporting framework with a broader range of business information used to inform decision making
- Articulating clearer links between the performance of service delivery activity and the achievement of strategic objectives
- Refining measures used to ensure continued relevance in a changing local authority landscape
- Setting and agreeing realistic targets based on limitations of available resources

In response to questions from members regarding what steps were in place to monitor the effects of cuts on performance and the ever decreasing workforce, Ms Scott explained that it was important for managers to identify the level of performance they wanted to achieve against the resources they had.

Members further queried the ability of the Performance Scrutiny Committee of cover performance across the whole Authority. In response, Ms Scott agreed that the Committee needed to focus on specific areas and then look across the board, with a need to give directorates the job of managing its own business. Quarterly meetings were also held with the Chairman of Scrutiny Committees to ensure issues were being picked up, together with constant scrutiny to identify consistent trends in underperformance.

Mr Collins then went on to give a presentation on Commercial and Procurement Assurance process setting out the systems, mechanisms and responsibilities in place to ensure internal control, including providing an annual statement of opinion on the effectiveness of those systems and mechanisms; identifying any actions to address weaknesses based on those opinions, or improvements required based on the current organisational position and the monitoring and review of any actions identified. Assurance Mechanisms in place were as follows:

#### Commercial Services Board (CSB)

- Oversight of commercial activity
- Visibility of new projects
- Scrutiny of business cases (service design)
- Contract management
- Purchase to Pay
- Non-compliance events

#### Specialist Procurement Teams

- Support for procurement projects over £25k
- Project reporting to CSB via RAG status and escalation within service area
- Comprehensive internal guidance (including Contract Procedure Rules)
- Larger procurements subject to EU Regulations

#### Contract Management

- Contract Management Framework
- Risk based segmentation of contracts (Platinum/Gold/Silver and Bronze)
- Best practice baselining (NAO derived)
- Quarterly performance reporting for platinum contracts
- Accreditation scheme for contract managers ("Passport to practice" + extensive training and guidance)

- Issue escalation to contract managers and CSB

#### Purchase to Pay

- Central Buying Team (CBT) oversight of compliance with CPRs and correct use of corporate contracts
- Oversight of new Vendor creation
- Management of the central contract register
- Reporting compliance issues to specialist procurement teams and CSB

Mr Collins furthered identified Issues for the future as follows:

- Embedding and communicating the role of the Commercial Services Board
- Implementation of the Contract Management Framework
- Development of the County Procurement Team including resources to support the on-going work of the Commercial Services Board and implementation of the contract management framework
- Tackling instability arising out of the externalization agenda and the effect on SAP governance and control mechanisms

Mr Watson then gave a brief presentation outlining how the Monitoring Officer of the Council assured himself that the Council was legally compliant, that the Council complied with regulations and the law and what issues should be flagged for the future. Mr Watson outlined the Assurance Framework for the Council which set out the Council's approach to corporate governance, together with the roles and responsibilities of other committees and groups within the council that insured compliance as follows:

MO and Deputy MO – legal advice:

- Service level agreements
- Meetings with Directors and Deputy Directors
- Lawyers providing advice on cases
- Briefings on new legislation
- Legal (lawyer) training
- Client satisfaction feedback

Corporate Legal Strategy:

- All legal staff to raise issues of concern with MO and Assistant

Procurement and contracts:

- Contract Procedure Rules – annual review + as needed
- Commercial Services Board – oversees procurement process
- MO controls contract exemption requests + legal appraisals
- Internal audit reviews
- Contract compliance register – Central Buying Team

Protocol for implementing new legislation

- Process for raising awareness of...
- New legislation, statutory guidance and best practice
- Forward planning to allow for government policy developments
- Key contacts in directorates – reviewed annually
- Protocol reviewed – biannually

Support to lawyers

- MO briefing to service on protocol and compliance
- Principal solicitors – importance of updates
- E-updates, training

- Closer liaison with policy team

#### Partnerships

- Added as separate Corporate Lead Statement – visibility
- Scrutiny by CGAG and Audit & Governance Committee

#### Data Protection & information technology

- Data Controller co-ordinates Information Governance Group
- Reviews data security; learns from breaches
- Identifies areas for improvement
- Mandatory requirement for staff training

The Committee thanked the officers for all 3 informative presentations and AGREED to take the final Corporate Lead presentation on Project and Programme Management at their meeting in July.

### **37/15 UPDATE ON HAMPSHIRE PARTNERSHIP**

(Agenda No. 6)

The Committee had identified the need to monitor the risk, control and governance arrangements in relation to the proposed partnership arrangements with Hampshire County Council. Accordingly Lorna Baxter, Chief Finance Officer for OCC and Carolyn Williamson, Director of Corporate Resources, Hampshire CC had been invited to attend and give a presentation to the Committee on this issue.

The presentation updated the Committee on progress on the 'On Boarding' Project for the partnership arrangements with Hampshire County Council for the provision of HR and Finance Services from 1 July 2015, including an overview of the governance arrangements of the Project, highlighting key changes in processes for HR and Finance and advice on arrangements for ensuring the wider Council is ready for the forthcoming changes. It also considered changes to internal controls and data transfer arrangements as well as updating the Committee on savings.

Mrs Baxter explained that the project governance was affected through an on-boarding project board which comprised senior officers from Hampshire, Deloitte and Oxfordshire. The board was responsible for making strategic and operational decisions, monitoring project progress and addressing identified risks. The project team was also drawn from the three organisations and they were responsible for delivery of eleven workstreams from the design phase, through build and test phases and finally the deploy phase.

The existing Hampshire partnership is legally underpinned by an unincorporated public to public partnership. This enables each public body to jointly deliver and share the benefits of shared services between themselves. As a partnership rather than a commercial outsourcing, the expectation is that all partners (including Oxfordshire County Council) would collaborate and work together for the good of the partnership. Oxfordshire will join the partnership through a joint working agreement, retaining influence on the partnership through an operational forum which provided a basis for consultation and the exercise of influence in the management of the overall joint working arrangements.

The joint working agreement will include: governance arrangements; service standards and performance measures; role and responsibilities of each partner in the process steps for each service area and apportionment of costs, benefits and liabilities.

A number of reserved matters were also currently being negotiated which would ensure Oxfordshire was able to influence any proposals in relation to the partnership which might affect Oxfordshire's fundamental interests. These would form part of the joint working agreement.

Oxfordshire was working closely with Hampshire to develop a performance management framework, based on financial and non-financial measures being collected as part of the governance arrangements above.

Mrs Baxter further outlined user acceptance testing (details in the presentation) and the OCC business readiness events plan. In relation to defects on the user acceptance testing, the Committee asked Mrs Baxter if she could give an example of a high or low defect. In response Mrs Baxter that an issue such as not being able to print an individual screen shot would be classified as a 'medium' defect.

With regard to Risk Management, Mrs Baxter went on to explain that the partnership worked on a cost share basis. The mechanism for controlling cost increases was now covered in the proposed Deed of Accession which aimed to protect Operational Partners from 'disproportionate impact'. In addition all matters relating to changes to levels of financial contribution would be approved in the setting of the annual budget in accordance with the Governance Protocol.

The Operating model had now been live for just over 12 months during which time all new partners had on-boarded on time, commencing with Hampshire County Council in April 2014, 500+ Hampshire Schools in July 2014, Hampshire Fire & Rescue in August 2014 and Hampshire Constabulary and Police & Crime Commissioner in November 2014.

The experience to date had indicated that 'on-boarding' was a significant change programme which affected the whole organisation and the adoption of the new model by the organisation and its suppliers has been shown from the partners who have on-boarded to date to take around six months to embed. The expectation was similar for Oxfordshire.

In accordance with the project timetable, systems and user testing was still in progress and matters arising are continuously being risk assessed in order to prioritise project resources both pre and post project go-live. The most significant project risk in the run up to and just after go-live is resourcing. This was being monitored closely by the Oxfordshire project board.

In relation to the Committee's concerns over the ability for Hampshire to change their model of working without Oxfordshire having a say, Ms Williamson advised that the agreement contained clauses which ensure if one of the strategic partners wished to change something then all strategic partners would need to decide together if it would benefit the partnership and the cost would be shared between those strategic

partners. . The agreement does however contain a clause that if the strategic partner's decision had a disproportionate and significant detrimental effect to the operational partners, such as Oxfordshire, then Oxfordshire must consent to the change.

Ms Williamson further assured the Committee that there was no intention to outsource the IBC and operating model. There was a clear intention to grow the partnership and within time to invite like-minded organisations on board.

The Committee sought assurance from the Chief Internal Auditor as to whether Oxfordshire County was protected from any risks arising from the Partnership. Mr Dyson, Chief Internal Auditor stated that whilst he could give a general assurance that the Council were protected as he believed the project would be ready by 1 July 2015, he would not be prepared to give complete assurance at this stage as further testing needed to be carried out to assess the risks to OCC if the project did not go forward on time.

In response to questions from members over financing future investment costs, Ms Williamson confirmed that Oxfordshire had capped risks in investment in the project and beyond, whilst Hampshire did not. In practice, this meant that if future upgrades came to more than operational cost, Hampshire would cover that extra cost. .

**RESOLVED:** to receive the presentation from the Chief Finance Officer of OCC and the Director of Corporate Resources, Hampshire CC and to request a further update at their meetings in July and September.

### **38/15 FUTURE OF ADULT SOCIAL CARE IN OXFORDSHIRE - REGULAR PROGRESS UPDATE ON IMPLEMENTATION PLAN**

(Agenda No. 7)

Kate Terroni, Deputy Director Joint Commissioning, and Martyn Ward, Service Manager ICT Business Delivery, gave a presentation to update the Committee on two interlinking projects:

- the Adult Social Care IT Project which will deliver replacement computer systems for Adult Social Care (Swift) and Client Finance (Abacus); and;
- the Adult Services Improvement Programme which is delivering significantly more effective and efficient business processes using LEAN methodologies.

The Committee heard that, following the update given to the Committee in April the project go-live had, with the agreement of CCMT had been rescheduled to November 2015. This would allow the project team to achieve the 99% data quality objective, give sufficient time for the required staff training and enable the production of a permanent interface into the Hampshire IBC for Finance Services.

Mr Ward went on to explain that the revised date would also allow for an upgrade of the IT software to the latest version (v6.1) which would avoid further work and upgrade costs in 2016. It would also deliver improvement to functions such as online financial assessments, safeguarding, reporting, financial services and system configuration.

Mr Ward told the Committee that 98% of financial assessments had now been imported into ContrOCC of which 94% had passed testing and that 97% of care packages had now been imported into ContrOCC of which 95% had passed testing. Three more rounds of data migration were planned. He further confirmed that that new go-live date mitigated most of the risks that could have occurred with the earlier go-live date.

Ms Terroni reiterated the importance of data migration being 99% accurate and outlined the next steps in the project including:

Work with the supplier, Liquidlogic to upgrade the current system (from v5 to v6.1);  
Updating and completing a comprehensive plan to test and deploy the new v6.1 system;  
Updating the Training Plan and producing the necessary training & support materials for all staff & partners;  
Continuing the work to achieve the 99% Data Quality objective;  
Configuring and deploying the necessary interface between Liquidlogic and the Hampshire IBC System for Finance purposes.

The Committee reiterated the importance of accurate data, particularly in relation to the reputation of the County Council and questioned whether officers knew what impact the 1% inaccuracy would have.

Mr Ward responded that once all the data had been migrated they would be able to assess the impact of the 1%.

A Councillor raised a concern around members of staff not being able to use the system and the possibility of staff subverting the system in these cases. Mr Ward assured the Committee that there were tight processes to go through which would not allow staff to subvert the system and that the new system provided audit controls.

In response to questions around whether the system would be able to record how many hours care the client had actually received, Ms Terroni confirmed that it was an aspiration to buy an additional package in the future to tie in contract provision, but that it was important to get the first part of the project accurate and would also be dependent on finances.

## **39/15 REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT**

(Agenda No. 8)

The Audit & Governance Committee had requested that the Monitoring Officer undertake a review of the effectiveness of Internal Audit. The Annual Review was also a requirement under the Accounts and Audit (England) Regulations. The Committee considered a report (AG8) that provided a commentary on the effectiveness of Internal Audit in 2013/14, and which would be used as a source of evidence for the Annual Governance Statement.

**RESOLVED:** to note the report and to continue with an annual survey of senior officers with a report back to the Audit & Governance Committee.



..... in the Chair

Date of signing ..... 2015

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# Statement of Assurance

## 2014-15



*Securing a safer Oxfordshire*

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## Welcome and foreword

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Councillor  
Rodney Rose  
Cabinet member for  
the fire and rescue  
service



Chief Fire Officer  
David Etheridge  
OBE

Welcome to Oxfordshire Fire & Rescue Service's Statement of Assurance. As the Cabinet Member and Chief Fire Officer for Oxfordshire we are pleased to be able to provide assurance to the community on financial, governance and operational matters, through this report which makes reference to public webpages, existing reports and documents.

In 2014 we exceeded the targets set in our 365alive 10 year vision 2006-16 and have set stretch targets to continue on our improvement journey. As part of the county council we are committed to delivering an integrated, high performing fire and rescue service which provides excellent value for money to the tax payers of this county.

Our major project, the Thames Valley Fire Control Service, went live in 2015 providing a joint control room for Oxfordshire, Royal Berkshire and Buckinghamshire & Milton Keynes Fire and Rescue Services. This will provide an improved service to our communities, enhance resilience, provide efficiency savings and create further opportunities for collaboration.

We ensure that our proactive approach, focussed on preventative activities, leads to a safer and healthier thriving Oxfordshire, by working in partnership with other county council teams and key partners. We assist in areas beyond the traditional role of a firefighter, such as working with our partners to ensure the safeguarding of adults and children. The service also works with business through its Trading Standards and protection activities and response to incidents, helping to assist in securing a world class economy and protecting the environment.

We are immensely proud of what we have achieved during 2014-15. Our personnel are our most important resource and it is through them, with the support of our county councillors and our partner agencies that we will continue to be a cost effective, well governed and a well-managed organisation.





# Communities we serve

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## Our community

Oxfordshire is home to around 666,100 people. The population is increasing and is forecast to rise to 764,000 residents by 2026, with the biggest increases expected around Bicester, Didcot, Carterton, Harwell and Wantage. In addition the largest rises are expected within the older population groups, meaning the 75+ age group will increase by 66 per cent to 82,000 people by 2026.

## Our natural environment

Despite the forecast population increases, Oxfordshire remains the most rural county in the south east as well as being a popular visitor destination renowned for its rural beauty covering 260,595 hectares. The provision of a fleet of 4x4 response vehicles and partnership work through the Local Resilience Forum (LRF) and the Emergency Planning Team assists us to manage risks in rural locations and during periods of adverse weather.

## Our built environment

Oxfordshire has significant plans for future economic and housing growth, with a focus on the Local Enterprise Partnership Hubs – the Science Vale UK Area (a Local Enterprise Zone), Bicester and Oxford City. There will be significant developments at other locations including Banbury, Carterton and Wantage.

In 2014-15 we completed a project to review Prevention, Protection and Response resources to meet the expansion and changing risk profile of Banbury, Carterton, Wantage and the south of the county.

## Our heritage

Oxfordshire has over 12,000 listed buildings, including many sites of importance to the country's national heritage. The city of Oxford is internationally famous for its hotels, university and college buildings. Blenheim Palace heads a list of nationally important stately homes and is one of 390 Grade I listed buildings in the county. We will continue to work with owners and occupiers to ensure plans, risks, training and information is reviewed to safeguard our heritage.

# The risks we face

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The Community Risk Management Plan is Oxfordshire County Council Fire and Rescue Service's (OFRS) analysis of the county's community risk profile, together with our strategic approach of how we intend to effectively manage those risks over the period.

The Fire and Rescue National Framework for England (the framework) requires us to produce an Integrated Risk Management Plan (IRMP), known as Community Risk Management Plan (CRMP), that identifies and assesses foreseeable fire and rescue related risk that could affect its community, including those of a cross border, multi authority and / or national nature. The current 2013-18 plan will be reviewed in 2016.

OFRS produces action plans based on the CRMP which sets out a number of priorities and projects to ensure that residents and businesses are safer, whilst at the same time delivering an efficient and effective emergency response when necessary.

- [National Framework Document Published July 2012](#)
- [Community Risk Management Plans and Action Plans](#)

## Social risk

People in Oxfordshire are living longer. The number of people aged 75 and over is projected to grow by 66 per cent between 2011 and 2026. Historical data shows that older people are at a greater risk from suffering serious injuries or death from accidental fires.

Our Home and Community Safety Department, through partnership working, will continue to target the people most at risk through home fire risk checks and education. To support our intelligence, community population profiles will be created and correlated to incidents to focus our activities.

## Environmental risk

Oxfordshire has many waterways, which have associated risks of flooding and drowning. We have firefighters trained to rescue people from both moving and still water, including faster moving 'white water'. They will also respond to national emergencies resulting from large-scale flooding.

Our firefighters identify potential areas of danger on our waterways and develop procedures to ensure they can respond both quickly and effectively when an emergency occurs. All front line appliances carry water rescue equipment and the rescue tender has a boat for river incidents.

## Economic risk

Unemployment in Oxfordshire remains significantly below the average for England. The county is a global seat of education, learning and research, a centre of engineering and scientific excellence, a world leader in automotive and advanced manufacturing, publishing, health care and life sciences and an iconic tourist destination.

This includes a number of nationally and internationally recognised businesses such as, BMW Mini, Oxford Instruments, Williams and Lotus Formula One Teams, the city's two universities and a number of important military establishments. Our operational and fire protection teams work with businesses to plan for emergencies and carry out fire protection enforcement and advice.

## Risks beyond our borders

### Over the border mutual aid arrangements

Through sections 13 and 16 of the Fire and Rescue Services Act 2004 OFRS has set up reinforcement schemes for securing mutual assistance with Berkshire, Buckinghamshire & Milton Keynes, Gloucestershire, Northamptonshire, Warwickshire and Wiltshire Fire and Rescue Service Authorities to provide and utilise resources such as fire engines.

Plans are also in place, through the National Resilience Advisory Team (NRAT), to provide specialist appliances and crews for mass decontamination, urban search and rescue, water and high volume pumping, hazardous chemical analysis and command and control across England and Wales.

### Standard Operating Procedures

OFRS have been engaged in the National Fire and Rescue Service Collaborative Partnership Programme to promote a common approach when working across borders. In 2015 we opened a new joint fire control with two of our neighbouring fire and rescue services, Royal Berkshire and Buckinghamshire & Milton Keynes, known as the Thames Valley Fire Control Service.

We have a team responsible for developing Standard Operating Procedures (SOP) and Tactical Operational Guidance (TOG) documents. This information is carried on fire engines and accessed via on-board computers known as Mobile Data Terminals. It enables all operational staff to access the most up to date guidance and information at the scene of an emergency with neighbouring authorities working to the same procedures.

The National Joint Emergency Services Interoperability Project (JESIP) has also been formed to enhance joint working further across blue light services and collaborate where possible.



# Overview of fire and rescue service

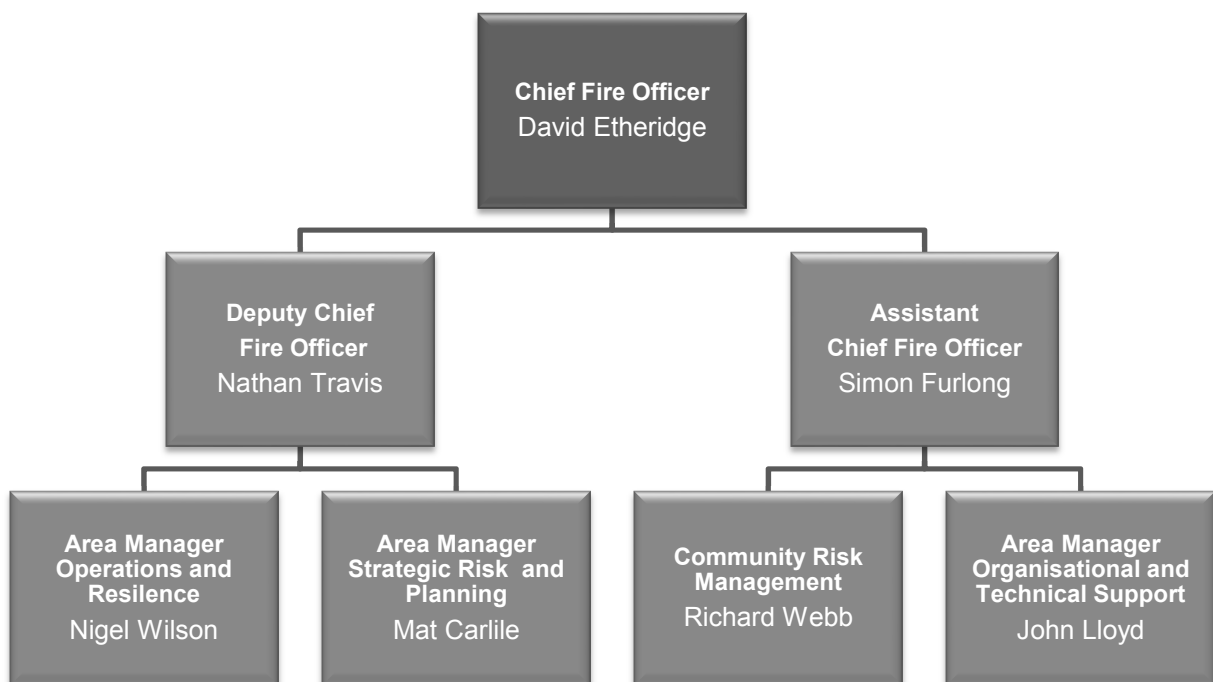
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## Overview of our structure

OFRS is governed by the Strategic Leadership Team (SLT) whose full members are listed below. Full SLT meetings are held monthly with fortnightly meetings to discuss specific issues. SLT reports to County Council Management Team (CCMT).

- Chief Fire Officer — David Etheridge OBE
- Deputy Chief Fire Officer — Nathan Travis
- Assistant Chief Fire Officer — Simon Furlong
- Area Manager Operations and Resilience — Nigel Wilson
- Area Manager Strategic Risk and Planning — Mat Carlile
- Community Risk Management — Richard Webb
- Area Manager Organisational and Technical Support — John Lloyd
- Human Resources Business Partner — Kim Terry
- Finance Business Partner — Sarah Fogden.

## Strategic Leadership Team



## Our people

At the end of March 2015 there were a total of 237 whole-time firefighters and 74 support staff. We also had 337 people working as on-call firefighters in Oxfordshire's local communities.

## Our resources

There are currently 24 fire stations in Oxfordshire, which are crewed 24 hours a day, 365 days a year by a mix of full time and on-call firefighters. They offer safety advice, education and a response to emergencies calls.

We have a front line fleet of 35 fire engines and a number of specialist vehicles to support large or complex incidents. These include an aerial ladder platform and a specialist technical rescue vehicle that attends road traffic collisions and specialist rescues. We have vehicles for environmental protection and firefighter decontamination following incidents involving hazardous materials.

The upgrading of two fire engines to Enhanced Rescue Vehicles for specialist rescues has been a success and we plan to complete a further upgrade in 2015-16. We have specialist vehicles for High Volume Pumping, detecting hazardous materials and decontaminating members of the public as part of a national response strategy. Two Light Response Vehicles are being trialled in the fleet as an effective alternative to the traditional larger fire engine.

## Our values

OFRS fully supports the underpinning values of the county council, as well as those agreed nationally by the Chief Fire Officers Association, the Fire Brigades Union, UNISON and a number of other fire and rescue services. These combined values provide a central focus on the standards and principles we expect our employees to promote, uphold and maintain.

### We value **service to the community** by:

- focusing on our customers' needs
- working with all groups to reduce risks
- treating everyone fairly and with respect
- being accountable to those we serve
- striving for excellence in all we do.

### We value **diversity** in the Service and community by:

- treating everyone with dignity and respect
- providing varying solutions for different needs and expectations
- promoting equality of opportunity in employment and progression within the service
- challenging prejudice and discrimination.



### We value **each other** by practising and promoting:

- fairness and respect
- recognition of merit
- honesty, integrity and mutual trust
- personal development
- 'can-do' attitude, co-operative and inclusive working
- one-team approach.

### We value **improvement** at all levels of the Service by:

- taking responsibility for our performance
- promoting and supporting innovation
- embedding efficiency and effectiveness in all we do
- being open-minded
- responding positively to feedback
- learning from others
- consulting others.

# Our purpose

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## Our vision

OFRS is proud of the quality of the services that it delivers to the public. We have a clear vision and strive to recognise and respond to the key issues and challenges. These combine to create our ten year vision for a safer Oxfordshire. This commenced in 2006 and is called 365alive.

This vision sets three challenging targets for us.

By 2016, thanks to the emergency response and the community and partnership work of Oxfordshire County Council's Fire and Rescue Service, there will be:

- 365 more people alive<sup>1</sup>
- £100 Million saved to the economy of Oxfordshire
- 840,000 safety messages delivered to the community.

By year eight of our ten year initiative we had already achieved our targets. We didn't want to be complacent with that so have set ourselves further stretch targets for the final two years. These are as follows:

- Save an extra 11 lives per year
- Save an additional £2.5 million per year
- Make an extra 20,000 people safer.

We are confident we can rise to this challenge as well as knowing this contributes to making those who work in, live in and travel through Oxfordshire safer.

For more details visit the website at [365alive.co.uk](http://365alive.co.uk)

## Our mission statement

- To secure a safer community in Oxfordshire by reducing the incidence of fire through partnerships, education, advice and enforcement.
- To sustain a highly effective, efficient and economic fire and rescue service, with best value at its heart.

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<sup>1</sup> By looking at the reduction in the number of people who die as a result of fires and road traffic collisions and the number of rescues we perform, we calculate the number of people who are still alive as a result of our work.

## Our aims and objectives

### Fire and Rescue Service Business Strategy

Our Business Strategy covers the Fire & Rescue Service, Emergency Planning and Community Safety Services. The Strategy has been updated in order to capture the medium term (3-5 year) vision for all of the Services identified, as well as their aims to meet the current priorities of the wider county council.

- [Fire and Rescue Business Strategy](#)

### Our challenges and priorities during 2014-15

The OFRS Community Risk Management Plan (CRMP) 2014-15 formed part of our approach to mitigate risk within Oxfordshire through prevention, protection and intervention strategies. The CRMP 2014-15 Action Plan identified the following priorities:

- Project 1: Implement the Training Collaboration Review carried out in 2013.
- Project 2: Review our Aerial Appliance capability and implement changes to staffing supported by that review.
- Project 3: Review of Light Response Vehicle capability and implement changes to staffing supported by that review.
- Project 4: Review of Prevention, Protection and Response resources to meet the expansion and changing risk profile of Banbury, Carterton, Wantage and the south of the county.

We successfully completed Projects 2, 3 and 4 during 2014-15. Project 1 is still on-going into 2015-16.

- [Community Risk Management Plans and Annual Action Plans](#)

## Chief Fire Officer's statement on equality and diversity

Oxfordshire County Council Fire and Rescue Service recognises that all individuals have fundamental human rights and, therefore, adopts a rights-based approach to equality.

Practices will be developed that promote the right for everyone to participate in all aspects of life by promoting initiatives that remove barriers to participation and by actively promoting equality and social inclusion.

We will have due regard to the need to eliminate unlawful discrimination, harassment and victimisation and other unacceptable conduct, to promote equality of opportunity

and to promote good relations between all persons with respect to their disability, sex, race, religion or belief, sexual orientation, transgender status or gender reassignment, age, marital status and pregnancy or maternity.

We seek to develop and provide relevant, appropriate and accessible services that meet the needs of our diverse population. The service will eliminate unlawful or otherwise unjustifiable discrimination and promote equality in the provision of our services. As an employer we value the contribution that every employee makes and respect individual differences, utilising the diversity of our workforce as a positive benefit.

Chief Fire Officer, David Etheridge OBE

The service fully supports the OCC Equality Policy and its objectives and publishes case studies to demonstrate how these objectives are met.

- [Equality and inclusion case studies](#)

## Our services to the community

The Community Risk Management Plan (CRMP) is OFRS's analysis of the county's community risk profile, together with our strategic approach of how we intend to effectively manage those risks over the period.

OFRS produces action plans based on the CRMP that sets out a number of priorities and projects to ensure that residents and businesses are safer, whilst at the same time delivering an efficient and effective emergency response when necessary. We consulted with the community on the four projects in the CRMP 2015-16 action plan.

- [Community Risk Management Plans and Action Plans](#)

## Governance arrangements

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OFRS is an integral part of Oxfordshire County Council (OCC), who are responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

OCC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

OCC has approved and adopted a code of corporate governance that is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.

The OCC Annual Governance Statement enables the fire and rescue service to demonstrate that it has fulfilled its obligations under the framework. Full details can be found in the OCC Annual Governance Statement, which is included in our 'Statement of Accounts' publication at the end of the document.

- [Annual accounts and audit](#)

## Your fire and rescue authority

Oxfordshire County Council is a county authority and is the fire authority for Oxfordshire represented by full council with all members. All the key decisions are made by cabinet members, meeting either jointly as the cabinet or as individual cabinet members, taking delegated decisions within their own responsibilities.

Councillor Rodney Rose has responsibility for:

- Fire and Rescue Service
- Emergency Planning Unit
- Trading Standards
- Thames Valley Fire Control Project
- Internal management
- Human Resources and industrial relations
- Strategic Rail
- West Oxfordshire District Council liaison
- West Oxfordshire Local Strategic Partnership
- Policy co-ordination
- Equalities
- Localities and Community cohesion.

The performance of the fire and rescue service is overseen by the Performance Scrutiny Committee and the Audit and Governance Committee. Cabinet meetings are held once a month and are attended by all cabinet members. The cabinet is also responsible for preparing the budget and policies to propose to the full council. The scrutiny committees provide advice to the cabinet on major policy issues and may review its decisions.

Details of how the community can attend meetings and access agendas and reports can be found at:

- [Meetings and decisions web page](#)

## Our legal responsibilities

### Responsibilities under the Fire and Rescue Services Act 2004

The Fire and Rescue Services Act 2004 sets out the duties and powers of fire and rescue authorities. Under the Act, the Fire Authority has a number of core functions:

- Fire safety - promoting fire safety - including the provision of information and publicity on steps to be taken to prevent fires and the giving of advice on how to prevent fires and on the means of escape from buildings in case of fire.
- Firefighting - extinguishing fires and protecting life and property in the event of fires.
- To respond to and rescue people from road traffic collisions (RTCs) and protecting people from serious harm in the event of RTCs.
- Emergencies - when necessary deal with emergencies other than fires and road traffic accidents.

We address these core functions in our Community Risk Management Plan (CRMP), which identifies and assesses foreseeable fire and rescue related risks that could affect our community. We produce action plans based on the CRMP that sets out a number of priorities.

- [The Fire and Rescue Service Act 2004](#)
- [Community Risk Management Plans and Action Plans](#)



## Responsibilities under the Civil Contingencies Act 2004

The Civil Contingencies Act 2004 (CCA) places certain duties on all Category 1 Responders as defined by the Act, including OFRS. One of these duties is the formation of the Thames Valley Local Resilience Forum (TVLRF).

The purpose of this forum is to ensure that there is an appropriate level of preparedness to enable an effective multi agency response to emergencies that may have a significant impact on the communities OFRS serve.

TVLRF is a partnership consisting of representatives from police, local authorities, fire, ambulance, environment agency, health and the military as well as utility and transport companies.

The Act requires Category 1 Responders to maintain the plans for preventing emergencies; reducing, controlling or mitigating the effects of emergencies; and taking other action in the event of emergencies. Provide advice and assistance to businesses and voluntary organisations regarding business continuity management.

These plans are drawn from risk assessments and have regard for the arrangements to warn, inform and advise the public at the time of an emergency. The Emergency Planning Unit, of which OFRS has overall responsibility, is key to helping the council meet these duties.

- [Civil Contingencies Act 2004](#)
- [Thames Valley Local Resilience Forum website](#)

## Responsibilities under the Fire and Rescue Services (Emergencies) (England) Order 2007

The Fire & Rescue Services (Emergencies) (England) Order 2007 instructs fire authorities to make provision for:

- Decontamination of people and to limit harm to the environment at chemical, biological, radiological or nuclear emergencies.
- The rescue of people at emergencies involving collapse of building, structures, incidents involving trains, trams or aircraft, and where resources are required beyond the scope of day to day operations.
- Personnel, services and training and make arrangements to carry out these above functions.
- Response to emergencies outside the fire authorities' area.

We make provision for these requirements through operational planning and procedures as part of our involvement with the National Resilience Programme. Chief Fire Officers Association National Resilience (CNR) is the organisation that provides assurance to the Department for Communities and Local Government that the National Resilience capabilities generated are able to meet the new threats to national stability. CNR provides operational assurance at the strategic level.

- [Fire resilience website](#)
- [The Fire & Rescue Services \(Emergencies\) \(England\) Order](#)

## Responsibilities under the Regulatory Reform (Fire Safety) Order 2005

Oxfordshire Fire and Rescue Service enforces general fire safety legislation on behalf of the county council. Other related legislation the authority enforces includes:

- The Dangerous Substances (Notification & Marking of Sites) Regulations 1990
- The Health and Safety (Safety Signs and Signals) Regulations 1996
- The Construction (Design and Management) Regulations 2015.

Our enforcement activities adhere to the principles of 'better regulation' contained in the Enforcement Concordat and Regulators Compliance Code and we aim to support business and other responsible persons through education and the provision of advice and guidance. Where it is absolutely necessary, we will take enforcement action and will only consider prosecution where it is in the public's best interest.

Full details of how we discharge our responsibilities under fire safety legislation can be found at:

- [Fire safety advice for businesses web page](#)

## Responsibilities under the Health & Safety at Work etc. Act 1974 and the Management of Health & Safety at Work Regulations 1999

OFRS operates within the county council's management framework which incorporates the provisions of the Health & Safety at Work etc. Act 1974, the Management of Health & Safety at Work Regulations 1999 and the responsibility to provide, so far as is reasonably practicable, a safe and healthy working environment for all employees.

Our health and safety policy documents explain how we discharge our responsibilities under health and safety legislation.

We undertook a full external Royal Society for Prevention of Accidents (RoSPA) Quality Safety Audit (QSA) of our Health and Safety management systems in June 2014, achieving an 87 per cent score.

- [Audit reports | Oxfordshire County Council Intranet](#)
- [Fire and Rescue Service Health and Safety Policy Part 2](#)
- [Fire and Rescue Service Health and Safety Policy Part 3](#)

## Responsibilities under the Localism Act 2011

The Localism Act 2011 gives fire authorities powers of competence to:

- Carry out its functions so that it will be able to do anything they consider appropriate for purposes linked to their statutory responsibilities to help deliver innovative and more personalised services to their communities.
- Make charges for certain services. These powers enable both councils and fire and rescue authorities to act innovatively to generate efficiencies and secure value for money outcomes.

Full details of the of the Localism Act 2011 and community right to challenge and right to bid for community assets can be found at:

- [Community Rights and Localism Act web page](#)

## The Fire and Rescue Service National Framework

The current Fire and Rescue National Framework for England published in 2012 sets out the government's priorities and objectives for fire and rescue authorities in England to:

- Identify and assess the full range of foreseeable fire and rescue related risks their areas face, make provision for prevention and protection activities and respond to incidents appropriately.
- Work in partnership with their communities and a wide range of partners locally and nationally to deliver their service.
- Be accountable to communities for the service they provide.

A gap analysis has been completed to ensure that OFRS has met the requirements of the framework document and an action plan has been established.

- [National Framework Document Published July 2012](#)
- [National Framework Requirements Gap Analysis](#)

## Management of risk

The county council has a risk management strategy which aims to ensure that there is continuous improvement in the arrangements for managing risk across the directorates.

Full details can be found in the OCC Annual Governance Statement which is included in our 'Statement of Accounts' publication at the end of the document. These are published each year, on the Council's website at:

- [Annual accounts and audit web page](#)

OFRS risk management strategy follows the principles of the Office of Government Commerce's Management of Risk Framework. All members of staff work to identify threats and opportunities to the service and our communities.

Once a risk has been identified we decide how we want to deal with it then monitor it closely. Risk registers are maintained for strategic risk, operational risk, community incident and firefighter safety risk and a business and resident profile risk report is kept. The nature of certain risks means that not all records will be accessible to all.

- [Risk Management Strategy](#)

The Trading Standards Service administers over 200 Acts or sets of regulations which the County Council has a duty to enforce. These statutes broadly address consumer protection issues and include those relating to:

- Consumer product safety.
- Fair trading (including controls on descriptions applied to goods and services supplied to consumers and pricing legislation).
- The provision of consumer credit.
- Consumer rights (e.g. information that must be provided to consumers in certain circumstances).
- Food labelling, safety and food chain integrity (including food hygiene at some establishments).
- Animal disease control and rules concerning livestock feed.
- Age restricted products.
- Weights and measures.
- Explosives and petroleum licensing and storage.

In addition, the Service also enforces some legislation that the local authority has the power to enforce, including:

- Livestock animal welfare.
- Some aspects of consumer rights legislation.
- Road weight restrictions.
- Performing animal controls.

Much of the capacity of the Service is invested in fulfilling these duties, mainly through investigating suspected breaches of this legislation (e.g. suspicions based on complaints received about businesses in this area). It also provides business advice and support to assist local businesses to meet the requirements of consumer law.

The Service operates on an intelligence-led basis, reviewing information and intelligence to identify the issues that present the most significant risks to consumers and businesses and allocating resources to address these risks. National Trading Standards (a Department of Business, Innovation and Skills Board) has published an intelligence operating model setting out organisational arrangements applying at local authority, regional and national level which provide for an integrated framework for allocation of resources at each of these levels.

## Codes of Practice

One of our key responsibilities is the enforcement of food law through the food chain on behalf of the Food Standards Agency. Codes of Practice require that local authorities set out their food law enforcement arrangements in food law enforcement plans. In terms of food enforcement our business plan reflects the enforcement programme for food standards (including materials and articles in contact with food), animal feeding-stuffs and on farm medicine records legislation.

Trading Standards enforcement of food safety and livestock feed legislation is governed by statutory Codes of Practice.

- [Food Law Codes of Practice](#)

## Responsibilities under the Road Traffic Act 1988 section 39

Oxfordshire County Council as the local authority has a statutory responsibility under section 39 of the Road Traffic Act 1988 for road safety engineering, education, training and publicity (ETP) that are discharged through both the Environment and Economy and fire and rescue service, as part of Social and Community Services Directorates. Full details of how we discharged are responsibilities to provide road safety information, advice and training under the Road Traffic Act 1988 can be found at:

- [Road safety web page](#)

## Our collaborative arrangements

Memorandums of Understanding (MOU's) exist with other agencies such as Highways Authority, Thames Valley Police, South Central Ambulance Service and the Defence Fire and Rescue Service.

We also have MOU's with other local organisations such as RAF Brize Norton, British Red Cross, HMP Huntercombe, Emergency Response Team Search and Rescue and Oxfordshire Lowland Search and Rescue.

A full list of Memorandums of Understanding can be found on the website at:

- [Memorandums of understanding document](#)

## Reinforcement schemes

Under sections 13 and 16 of the Fire and Rescue Services Act 2004, OFRS have a duty to enter into reinforcement schemes with other fire and rescue authorities. A list of these schemes can be viewed at:

- [Memorandums of understanding document](#)

## How we secure business continuity

Business continuity management is a series of processes and plans that identify risk and develop OFRS resilience to ensure that adverse events cause minimal disruption to the services provided and that critical services are maintained. Plans have been developed for all sites and critical functional departments, and these plans have been tested and exercised. The plans were implemented during periods of national industrial action.

# Our performance

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## How we performed during 2014-15

A full analysis of the Trading Standards Service workload and performance is published annually in the Trading Standards Service business plan. There are two main performance measures that are monitored corporately through the year.

- Money saved for consumers as a result of our interventions: £507,881
- High risk business inspections completed (target 100%): 97.79%
- [Trading Standards Service Business Plan](#)

A description of the fire authority's key performance indicators and targets against which the service is measured can be found in Oxfordshire County Council Fire and Rescue Service Annual Report. This report reviews our performance over the last financial year and shows the headline statistics and trends in incidents and emergencies that we have attended.

This allows us to recognise areas where we have done well, identify where we can improve our service and trends in specific incidents and emergency types. It helps us decide where to focus our efforts and resources to reduce threats and explore opportunities. The report contributes to our future planning and is essential to our process of integrated risk management.

- [Performance information - Annual Reports](#)

## Response standards performance

Since April 2005 OFRS has had local response standards for attending emergency incidents in the county. The Chief Fire Officer is required to report annually on the fire and rescue service's performance against these standards and bring forward any recommendations as appropriate. Our response targets remain stretching, yet over recent years we have achieved levels within a few per cent of the target.

Local response standards are:

- 80 per cent of all emergency incidents will be responded to within 11 minutes
- 95 per cent of all emergency incidents will be responded to within 14 minutes.

The above is measured by the time it takes to get the first fire appliance to the scene from the time at which the fire station is first alerted.

In 2014-15 our response times for the year exceeded our stretch targets:

<b>Response standards performance 2014-15</b>	<b>Total emergency incidents in scope</b>	<b>Incidents responded to &lt;11mins</b>	<b>per cent response standards &lt;11mins</b>	<b>Incidents responded to &lt;14mins</b>	<b>per cent response standards &lt;14mins</b>
<b>Totals</b>	3565	3031	85.02%	3397	95.29%

- [Oxfordshire Fire and Rescue Service performance web page](#)

## Benchmarking

We use national benchmarking reports and tools. We are also part of a [Chief Fire Officers Association](#) (CFOA) family group to facilitate benchmarking against fire and rescue services of similar size and demographics and to promote best practice. The Fire Statistics Monitor publication provides headline figures on fire, false alarm and special service incidents in England.

- [Fire Statistics Monitor Report](#)

## What others have said about our performance

### Operational Assessment (OpA) Peer Challenge

The Local Government Associations (LGA's) Fire Peer Challenge of OFRS was successfully completed in May 2014 and resulted in positive feedback from the peers within their report.

An initial self-assessment to establish a benchmark against the seven Key Assessment Areas (KAA's) was undertaken by OFRS. The KAA's included community risk management, prevention, protection, response, health & safety, training & development and call management & incident support. The peer team then met with a broad cross-section of elected members, officers, staff, front line firefighters, stakeholders and partners, over 80 people in total.

An action plan was produced based on the final report to improve performance. The OpA report can be found on the link below:

- [Peer Challenge Report](#)

### Customer Service Excellence

The government wants services for all that are efficient, effective, excellent, equitable and empowering with the citizen always at the heart of service provision. With this in mind, Customer Service Excellence was developed to offer services a practical tool for driving customer focused change within their organisation.



OFRS have maintained the Customer Service Excellence award following the re-assessment in March 2015 and the report can be found on the link below.

- [Customer Service Excellence Report](#)

## Organisational Assurance Team

The Organisational Assurance Team ensures consistently high performance throughout the organisation by conducting quality assurance audits. The Organisational Assurance Policy outlines how the service is assured and the Procedure on Organisational Assurance Audits details the audit process. The following audits have been undertaken:

- Operational audit, debrief, monitoring and feedback systems and processes
- Review of Operational Information Systems
- RoSPA Quality Safety Audit of Health & Safety
- Equipment Management System (EMS) Redkite
- The Purchase, Issue, Security and Management of Fuel
- Review of methodology for the frequency of re-inspections for fire safety audits
- Joint Assurance of TVFCS
- Benchmarking Survey.

## Lessons learnt

### Operational debriefs

Operational debriefs are used at both incidents and exercises and form part of a quality control system to ensure effectiveness of core activities at a tactical level. They help ensure that any lessons learnt can be actioned and improve the service we provide. Outcomes and actions taken from previous debriefs are made available to all personnel.

### Coroners Regulation 28 Notices

OFRS attend coroner's court as a result of fire fatalities. The coroner, through Regulation 28 of their legislative powers, has the ability to produce a preventable future death report. OFRS attended a fatal fire on 5 September 2014. The cause of the fire was investigated and found to be the electrical wiring situated behind the walls of the home. The coroner issued a preventable future death report and said:

'The fault in the wiring that resulted in this fire may be present in other similar properties within the estate built at the same time. Electrical testing will not necessarily reveal this fault. Consideration as to what information and action can be undertaken by the Fire and Rescue Service to alert the local community on this matter.'

We have produced an action plan which we are actively progressing.

# Financial performance: statement of accounts

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## Where our money came from

Our budget for 2014-15

OFRS are an integral part of OCC who provide the statement of accounts and audit that can be found on the OCC public website:

- [Annual accounts and audit](#)

## What your money was spent on

### Revenue expenditure

The net budget for the Fire and Rescue Service for 2014-15 was £25,463,601. A summary of OFRS expenditure can be found in the Annual Report at:

- [Oxfordshire Fire and Rescue Service performance web page.](#)

### Expenditure per head of population<sup>2</sup>

The cost of providing the fire and rescue service in 2013/14 was approximately 10p per day for each person within Oxfordshire.

The cost per head of population for 2013-14 was £38.64 compared to the average cost of:

- South east region fire and rescue services - £40.05
- Family group fire and rescue services - £38.63
- All English fire and rescue services - £40.50
- County council fire and rescue services - £39.54

### Expenditure per member of staff

We provided a service at a cost of £42,901 per member of staff in 2013-14 compared to the average cost of:

- South east region fire and rescue services - £48,705
- Family group fire and rescue services - £44,681
- All English fire and rescue services - £46,079
- County council fire and rescue services - £43,048
- [Pay Policy Statement](#)

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<sup>2</sup> Financial data is taken from the CIPFA Fire and Rescue Statistics 2013/14, as CIPFA 2014/15 statistics are not currently available. County council fire and rescue service figures do not include Isle of Wight or Isles of Scilly as they do not represent a fair comparison due to their size

## Expenditure per incident

Our overall expenditure against the number of incidents we attend is £4,791 per incident in 2013-14 compared to the average of:

- South east region fire and rescue services - £4,531
- Family group fire and rescue services - £4,274
- All English fire and rescue services - £4,431
- County council fire and rescue services - £4,529.

## How we provide value for money

Oxfordshire County Council Corporate Plan 2013-14 to 2017-18 sets out the key objectives and priorities for action for the council. It is a key document and sets out the broad strategic direction, as well as the council's values and principles that guide all of our work. We have an absolute focus on ensuring services are efficient and delivering value for money for local people.

- [Oxfordshire County Council Corporate Plan](#)

## Auditors findings

A summary of auditors' reports and findings can be found in the Annual Audit Letter 2013-14 on the link below. The Accounts and Audit (England) Regulations 2011 require local authorities, including fire and rescue authorities, to prepare an annual governance statement in support of the annual statement of accounts. Full details can be found in the OCC Annual Governance Statement, which is included in our 'Statement of Accounts' publication at the end of the document.

- [Annual accounts and audit | Oxfordshire County Council](#)

## Our future plans

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### OFRS overarching plan 2015-16

In 2015-16 we are facing increasing business and efficiency challenges set against a changing public sector environment. The purpose of the Overarching Plan is to provide all our staff with details of the context in which we are working and provide information to enable them to make an effective contribution to the Vision of Oxfordshire Fire and Rescue Service. This plan is a précis of each of the functional plans drawn up for 2015-16.

- [Overarching Plan 2015-16](#)

### Our future challenges

We regularly analyse the county's community risk profile and set out our strategic approach as to how we will effectively manage those risks.

This is detailed in our Community Risk Management Plan (CRMP) 2013 to 2018, which can be found on the link below. The government requires us, by law, to regularly produce and review our plan, which is also known as our 'Strategic Integrated Risk Management Plan'. We plan to fully review our risks in 2016 and produce a new five year CRMP in 2017.

- [Community Risk Management Plan 2013-2018](#)

### Trading Standards

The Trading Standards Service has formally adopted a strategic plan setting out our priorities for the period 2013-14 to 2017-18. The Service also publishes an annual business plan to set out in detail how we will progress work on the agreed strategic priorities.

This business plan also explains how we work on a day to day basis and how we prioritise our response to issues within the scope of the service that we could respond to. It also explains how we measure and monitor our performance and what we achieved in the previous year.

- [Trading Standards Strategic Plan](#)

## Our future commitments

The Community Risk Management Action Plan 2015-16 details the specific projects we commenced in 2015.

- Project 1: Implement Emergency Medical Support Services in collaboration with South Central Ambulance Service (SCAS).
- Project 2: Review adverse weather resilience arrangements with the emergency planning team and other partners.
- Project 3: Trial emergency cover review recommendations in the Carterton area.
- Project 4: Identify opportunities to work with partners to improve health, safety and wellbeing in local communities.
  
- [Community Risk Management Action Plan 2015-16](#)

## Our community engagement

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Consultation on the draft Community Risk Management Action Plan 2015-16 commenced on 10 October 2014 and concluded on 2 January 2015. In order to obtain the widest spectrum of responses, several different means of capturing opinions and ideas were used in the consultation process. A total of 73 responses were received and can be found in the consultation responses document:

- [CRMP Consultation Responses](#)

### Comments and compliments

The fire and rescue service is passionate about delivering top quality customer service. Delivering excellent customer service benefits us as individuals, our organisation and our customers. We also know that we need to continually adjust and improve our levels of customer service because we need to meet the changing needs and expectations of our customers.

If you have any comments, compliments, complaints or suggestions, please contact us using whichever of the following methods is most convenient to you:

- Telephone: 01865 815906.
- Email: [complaints@oxfordshire.gov.uk](mailto:complaints@oxfordshire.gov.uk).
- Online: [www.oxfordshire.gov.uk/complaints](http://www.oxfordshire.gov.uk/complaints).
- Post: write to: Complaints Team  
FREEPOST (SCE 7709)  
Oxford  
OX1 1YA

Comprehensive information is available in the following links:

- [How to make a complaint about Oxfordshire County Council](#)
- [Fire and rescue service comments, compliments and complaints](#)

## How you can become involved

To make a request for a free Home Fire Risk check, call the community Safety Helpline free on 08000 325999 or visit [365alive.co.uk](http://365alive.co.uk) and complete our quick on-line questionnaire.



For fire and road safety advice, visit [365alive.co.uk](http://365alive.co.uk).

Follow us on Twitter at [@OxonFireRescue](https://twitter.com/OxonFireRescue) or on Facebook at [Oxfordshirefireandrescueservice\(official\)](https://www.facebook.com/Oxfordshirefireandrescueservice(official)).

## Access to information

Details regarding the fire authority's arrangements in respect of access to data and information can be found on the council's [access data and information web page](#).

## Signature

Signed on behalf of Oxfordshire County Council:

Date: May 2015

Councillor Rodney Rose

Cabinet member with responsibility for the fire and rescue service

## Do you want to become an on-call firefighter?

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There is currently a shortage of on-call firefighters at some fire stations in OFRS. This is particularly the case in our small towns and rural areas because nowadays there are fewer people who live and work in their local towns and villages. You might be just the person to fill the gap.

### Where do you work?

First of all, you need to live or work near to a fire station because you have to be able to get there within a few minutes of a call. Secondly, because we can't predict when you'll be called out, you have to be flexible in your work. The chances are that you'll be working at home, self-employed or for a community-minded employer who can let you off from time to time.

### Are you fit for the job?

To apply to join the fire and rescue service you don't need any paper qualifications. You must be at least aged 18, with good all-round fitness. You will be asked to take a straightforward physical test as part of the process, and just as important are qualities like common sense, commitment and enthusiasm.

### How often will you be needed?

On average, you will be called out two or three times a week for a couple of hours. If you cannot be available all the time, that's not a problem. You can be paid for being "on-call" for only part of the day or week. There is a particular shortage of people who are available during weekends, but you would have some evenings and weekends free if you need to, and still do a valuable and worthwhile job. If you really can't be on-call - for example because of a holiday or a deadline at work - you can take time off.

### What do you get out of it?

Apart from the excitement, the challenge and the satisfaction of a job well done, your on-going training will assist you in becoming more self-reliant and confident. After all, if you can cope in a real emergency, you are ready for anything else that life might throw at you. You will meet a lot of people in your local community and earn their confidence and respect. You will also get continual, on-going training in the use of equipment and in other more general life skills including first aid. Added to all this, you get paid! You get paid a basic retainer, plus a fee for call-outs and another fee for going into action. You also get paid for training and duties like equipment maintenance.

If you think you've got what it takes to join the team, contact your local fire station for further information, or check out [our vacancies pages](#).



Division(s):
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## AUDIT & GOVERNANCE COMMITTEE – 8 JULY 2015

### ANNUAL MONITORING OFFICER REPORT

#### Report by the Monitoring Officer

#### Introduction

1. The Audit and Governance Committee is responsible for promoting standards of conduct for elected councillors and co-opted members and for ensuring the integrity of the democratic decision-making process. Consequently, the Monitoring Officer reports annually to this Committee on relevant actions and issues that have occurred in the previous year. This report therefore summarises certain activities for the year 2014/15.

#### The Committee's responsibilities for ethical standards

2. The terms of reference of the Audit and Governance Committee contain the following roles:
  - To promote high standards of conduct by councillors and co-opted members
  - To grant dispensations to councillors and co-opted members from requirements relating to interests set out in the code of conduct for members
  - To receive report from member-officer standards panels appointed to investigate allegations of misconduct under the members' code of conduct.
  - To advise the Council as to the adoption or revision of the members' code of conduct.
3. This regime, stemming from the Localism Act 2011, demonstrates the Council's expectation that high standards of conduct will continue to be promoted and maintained among elected councillors and co-opted members.

#### Standards in Oxfordshire – overview of arrangements

4. The county, district and city councils in Oxfordshire maintain harmonised **Codes of Conduct**. This has the benefit of creating transparency and accountability for the public and also clarity of expectation for councillors who may also be members of more than one authority. This harmonisation is itself a key aspect in promoting and maintaining high standards across Oxfordshire. The Code is also held out to parish and town councils as a model to follow.

5. While each authority has adopted slightly different approaches to **handling complaints** about councillor conduct, there is a common theme of proportionality in these arrangements, as envisaged by the Localism Act. The Council has recruited an independent person as envisaged under the Act, to support these arrangements. The Monitoring Officer is in the process of recruiting a further independent person to buttress the sustainability of the arrangements.
6. In brief, the complaints process adopted by Oxfordshire County Council is as follows:
  - Each complaint is considered by the Monitoring Officer who, after consultation with the Independent Person, decide whether it merits formal investigation
  - The Monitoring Officer may seek to resolve issues informally without the need for formal investigation
  - The Monitoring Officer will determine the procedure to be adopted if a formal investigation is considered appropriate and this may involve the appointment of an Investigating Officer
  - The member complained of will normally be provided with a copy of the complaint
  - Following an investigation a report will be prepared for the Monitoring Officer, copied to the member concerned
  - Following consultation with the Independent Person the Monitoring Officer may decide that the report is sufficient and that no further action is required
  - If there is evidence of failure to comply with the Code, the Monitoring Officer will either seek local resolution or constitute a local hearing through a Member Advisory Panel
  - A Members' Advisory Panel may only recommend certain sanctions:
    - Censure or reprimand
    - Publish its findings
    - Report its findings to full Council
    - Recommend removal from relevant body e.g. Cabinet, Committee etc.
    - Recommend training
    - Withdraw facilities
  - There is no right of appeal
7. The Members' Advisory Panel will be formed of members of this Committee.
8. In addition to these measures, the Council has implemented Register of Interests arrangements that are fully compliant with the Localism Act and subsequent government guidance and regulations.

## **Democratic process**

9. Clarity and accountability in the decision making of the Council is an important bedrock for good member governance. During 2014-15, the Monitoring Officer undertook a comprehensive review of the Constitution, involving members widely in the process. One of the member-led changes adopted as a result of the review was the reintroduction of gifts and hospitality register and protocol for members. While no longer a statutory requirement, members considered that it was in the interests of transparency and accountability that councillors and co-opted members should have the separate facility to register the offer of gifts and hospitality, should they wish to use it rather than the catch-all box on the register of interests form. Members will be reminded of this new facility alongside the six monthly requests to members to update their register of interest entries, the next being this summer.
10. Given the Committee's role in overseeing good member governance, it is also appropriate to update this Committee from time to time on the exercise of aspects of this structure including:
- Closed sessions – instances where the public have been excluded from meetings by virtue of the business being transacted
  - Cabinet Forward Plan – instances in which exceptions have occurred to the inclusion of items in the Forward Plan
  - Scrutiny call-in – instances where exemptions to the call-in procedures have been awarded by virtue of urgency of the business in question
  - Chief Executive decisions – instances where the Chief Executive has used delegated powers to undertake any function of the Cabinet

#### Closed Sessions

11. The public can be excluded from the whole or part of a meeting if the meeting is to discuss confidential or exempt information (as set out in Schedule 12A of the Local Government Act 1972, as amended). The Monitoring Officer, in his role of ensuring lawful decision making, has reviewed the number of times this has happened over the past year. The results are set out in the **Annex 1** to this report. In each case, the Monitoring Officer is satisfied that the reasons for closure were appropriate.

#### Cabinet – Forward Plan

12. Items for decision by the Cabinet over any forthcoming four-month period are included in a Forward Plan. Occasionally, decisions are needed on items that have not been included on a Forward Plan. These are dealt with by General Exception notices to the Forward Plan. The Monitoring Officer reviewed the instances in which this occurred and was satisfied with the reasons in each case. **Annex 2** lists the instances. It also lists items included as a matter of special urgency plus additional non-key-decision items.

#### Scrutiny Call-In

13. The Council's Scrutiny Procedure Rules (Rule 17a) allow for executive decisions to be exempted from call-in if they are deemed urgent and any

delay would prejudice the council's interests. There were **eight** such instances in 2014/15 and these are listed in **Annex 3**.

#### Chief Executive Decisions

14. Under the Council's Constitution, the Chief Executive has delegated powers to undertake any function of the Cabinet after appropriate consultation. Any exercise of this function is reported to the Cabinet. During the year 2014/15 this delegation was exercised on 8 occasions; six were related to exemptions to the requirements of the Contract Procedure Rules and required (and received) a legal (County Solicitor) and financial (Chief Finance Officer) and procurement (Service Manager – Procurement) appraisal.

#### The Monitoring Officer

15. Monitoring Officers from Oxfordshire's county and district councils have continued to meet together to discuss issues of common concern. This comparison of experiences has been particularly useful in monitoring the operation of the harmonised codes of conduct and the registration of members interests. It also proved useful through the development of Special Interest Groups – which involve the sharing of good practice around a range of legal, democratic and electoral issues which are then reported to the overall Monitoring Officer group. During the year, a special interest group was also established for Contracts and Procurement.

#### Restructure

15. During 2014/15 there was a proposal as to whether the Council should operate without a Chief Executive. As the matter gave rise for concern by some members as to the procedure followed, it is worth mentioning this point in this Annual Report.
16. At the Full Council meeting of the 17 February 2015, a decision was taken relating to the restructuring of the Senior Management Team of the Council resulting in the deletion of the post of Chief Executive. Following that decision, a Notice of Dismissal was issued to the Chief Executive.
17. The rationale for the restructuring was set out in an earlier report of the County Solicitor and concerned the need to introduce a new operating model to address the serious funding challenges and embrace a more distributed model of managerial leadership. Concerns were raised by some members regarding the legality of the process that was followed in the light of the Local Authorities (Standing Orders) (England) Regulations 2001. Arguably there should have been a two-stage process (i.e. a decision by Council to dismiss subject to a view expressed by the executive, and then consideration of whether to approve that decision following notification to members of the executive).
18. I therefore determined as Monitoring Officer, under my statutory powers under the Local Government & Housing Act 1989, that the matter should be returned

to Full Council and that the previous decision be rescinded. This was to allow a further consideration of the restructuring and to take member views into account and then to follow a process that clearly followed the legal and constitutional requirements. This was done and, in the event, Council did rescind the decision and also determined not, at that time, to delete the post of Chief Executive. In short, this has been a matter of learning for me and the organisation in dealing with such matters in future.

#### Modern.Gov, transparency and access

20. Modern.Gov is the software package adopted by the Council (and also used in some district councils across Oxfordshire) for creating, tracking and publishing council meeting agendas, reports and minutes. It also contains a module for elections which was initially successfully used in the May 2013 county council elections and a subsequent by-election, and has again been successfully used in connection with the Leys and Witney West & Bampton by-elections.
21. The system also manages the Council's Forward Plan and councillors' web pages are also updated using information from the system, including responsibilities (such as Chairman or Cabinet Member), committee appointments, as well as appointments to outside bodies. The system is also able to publish (on the website) parish council contact names and details.
22. The Constitution Review during 2014-15 resulted in a Council decision to cease operating the e-petition scheme. The withdrawal of the petition scheme reflected the fact that it was no longer statutory and arrangements for the public to submit petitions were covered in any case within the Council's Constitution.

#### ***To Promote and Maintain High Standards of Conduct by Councillors and Co-opted Members***

23. It is a core duty of this Committee to promote and monitor high standards of conduct by councillors and co-opted members.
24. During 2014-15, the Monitoring Officer continued the process of member development and conference attendance. Targeted sessions were also held for the Audit & Governance Committee generally and for the members of its Appeals & Tribunals Sub-Committee. Induction sessions were also held for the successful candidates duly elected at by-elections, including Code of Conduct and (as appropriate) Planning Code of Practice sessions.
25. In addition, the Monitoring Officer issues guidance to members (by email) to give advice on a number of topics including:
  - Disclosable Pecuniary Interests
  - Dispensations with regard to the February budget setting meeting
  - Deadlines for Cabinet questions

- Giving apologies and arranging substitutions for attendance at meetings

***To advise the Council as to the adoption or revision of the members' code of conduct.***

26. To enable the Committee to advise the Council on adopting or revising a members' code of conduct, it is important that the Committee is kept up to date with any issues arising from the operation of the code, both in terms of experience and any future amendments to the regulations or legislation.

Bias and predetermination

27. As part of the review of the Council's Constitution, the Monitoring Officer also revised, in conjunction with his colleagues in the city and district councils, a protocol for handling bias and predetermination.

Declaration of interests

28. There is still a requirement to declare disclosable pecuniary interests at meetings if they are not otherwise included in the Register and to register them thereafter. Declarations need to be made unless a dispensation has been given. It is useful for this Committee to be updated on the instances in which these provisions have been observed.
29. The usual safeguards are in place including a reminder to members of the need to declare interests at all meetings, and all agendas contain a standard item headed "Declarations of Interest". The item refers to detailed guidance attached to the agenda setting out how and when to declare an interest.

Number and Outcome of Applications for Dispensations

30. There have been no applications for dispensation.

The Number and Nature of Complaints of Breaches of the Code

31. There have been **six** complaints against members during 2014-15. One complaint was withdrawn; one is still under consideration but of the others no breach of the code was found. The complaints can be summarised as follows:

Complaint/allegation	Outcome
Undue interference in staffing matters at a school	Withdrawn
Behaviour of councillor as chairman of public meeting	No breach
Misuse of councillor budget	No breach
Inappropriate comment on blog	No breach – voluntary apology given

Discriminatory remark	No breach
Inappropriate representations made to a Committee	Pending resolution

### ***Members' allowances and a review of councillor demography***

32. During 2014-15, a full review of the Council's members' allowances scheme was carried out by the Independent Remuneration Panel. The Panel made recommendations to Full Council which accepted the recommendations. Each councillor's preference as to the amount of basic or special allowance to take was respected and double-checked with Payroll.
33. Another outcome of the Panel's recommendations to Council was an agreement to establish a councillor demography working group to consist of members of this committee, with a view to identifying any actions the Council could legitimately take to encourage a greater diversity of councillors. This has now been appointed and will meet within 2015-16 to identify potential actions.

### **Summary**

34. This annual review highlights the progress that has been made in implementing the code of conduct for members and in promoting and maintaining high standards of conduct and public accountability.

### **RECOMMENDATION**

35. The Committee is **RECOMMENDED** to consider and endorse the report.

P G CLARK  
Monitoring Officer & County Solicitor

Background Papers: Nil

Contact Officer: P G Clark Tel: (01865) 323907

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Closed sessions – exempt reports

<b>Committee/Cabinet member</b>	<b>Date</b>	<b>Provision (see note)</b>
Pension Fund Committee	6 June 2014	3
Cabinet Member for Public Health and the Voluntary Sector	25 June 2014	3
Performance Scrutiny Committee	26 June 2014	3
Cabinet	15 July 2014	3
Pension Fund Committee	5 September 2014	3
Remuneration Committee	9 September 2014	1, 3 & 4
Pension Fund Committee	5 December 2014	3
Remuneration Committee	9 December 2014	1, 3 & 4
CMDCCS	5 January 2015	1,2 and 3
Remuneration Committee	19 January 2015	4
Pension Fund Committee	13 March 2015	3
Cabinet	17 March 2015	3
Cabinet Member for Environment	19 March 2015	3
Appeals & Tribunals Sub-Committee	Various dates (x 16)*	1, 2 and 3
Pension Benefits Sub-Committee	Various dates (x 9)*	1,2 and 3

\* These Sub-Committees hear individual personal appeals

**Provisions**

1. Information relating to any individual
2. Information likely to reveal the identity of an individual
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)
4. Information relating to any consultations or negotiations or contemplated consultations or negotiations in connection with any labour relations matters arising between the authority or a Minister of the Crown and employees of or office holders under the authority
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings

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## **General Exceptions to the Forward Plan**

### ***Access to Information Procedure Rules Paragraph 16 Special Urgency***

None.

### ***Access to Information Procedure Rules Paragraph 15 General Exception – Key Items***

#### **Partnership with Hampshire Fire & Rescue for the Provision of Fleet and Stores Management Systems**

To seek approval for a partnership with Hampshire Fire & Rescue for the provision of Fleet and Stores Management system following the implementation of the integrated business centre.

### ***Additions to the Forward Plan – Non Key items***

#### **Proposed Disabled Persons Parking Place – West Oxfordshire – Part 2**

To seek approval of the proposal.

#### **Better Care Fund**

To seek agreement of the Better Care Fund for Oxfordshire regarding how the fund will be spent in 2014/15 and 2015/16 for submission to NHS England by 19 September 2014.

#### **Request for Exemption from Contract Procedure Rules (CPR) – Supported Living Service – Owens Way**

To determine a request for exemption from CPR for Supporting Living Service – Owens Way.

#### **Time Extension for Agreement to Recycle Street Sweeper Waste with Leicestershire County Council**

To seek approval under delegated decisions and in accordance with the Council's Contract Procedure Rules Exemption Procedure to allow the Council to extend a Service Level Agreement to continue the recycling of street sweepings whilst an OCC contract is procured

#### **Proposed Removal of Disabled Persons Parking Place, Playing Close, Charlbury**

To seek approval of the proposals

### **Independent Inquiry into Child Sexual Exploitation in Rotherham by Alexis Jay**

To note Oxfordshire County Council's Action Plan in relation to the independent inquiry.

### **Provision of Education Services to Oxfordshire Schools**

To seek approval not to continue with a partnership with Hampshire in relation to Education Services.

### **Child Sexual Exploitation Update.**

To receive an update on actions taken by OCC and its partners in relation to Child Sexual Exploitation.

### **Reconsideration of Call-In Item – Proposed Pelican Crossing – A415 Marcham Road and Ock Street, Abingdon**

To consider the recommendations of the Performance Scrutiny Committee referring the decision of the Cabinet Member for Environment made on 9 October 2014, to Cabinet for re-consideration.

### **Preparing for Future Financial Pressures**

To consider for information the report of the Leader of the Council.

### **Proposed Parking Restrictions – Sandhills Areas, Oxford**

To seek approval of the proposals.

### **Proposed 20mph Speed Limit - Shiplake**

To seek approval of the proposals.

### **Proposed Puffin Crossing – Broad Gap, Bodicote**

To seek approval of the proposals.

### **Proposed Amendments to Residents Parking Scheme - Henley**

To seek approval of the proposals.

### **Oxfordshire Employment Service Contracts with Other Local Authorities and Agencies**

To seek approval for Oxfordshire Employment Service to enter into contracts with other local authorities and agencies.

### **Section 75 Agreement**

To seek approval for amendments to the agreement that governs the pooled budget arrangements between health and social care.

### **Addressing the Council's Future Challenges**

It is timely following the general election to consider the likely future national policy context and the priorities for the council. As further reductions in funding are expected over the course of the next parliament, it is timely to consider what will be required for the council to achieve the step change that will be required. The report sets out the potential challenges and priorities and proposals to drive the change required for the council to become fit for purpose in the future.

### **Tri-Counties Prospectus**

To ratify the approach being taken by the three counties and 3 county LEPs on way to work together to achieve increased prosperity for the area.

### **Review of Adult Social Care ICT Implementation Project**

To seek approval for a variation in the Capital Scheme.

### **Supported Transport Programme Public Consultation – Transport Hub & Subsidised Bus Services**

To seek approval to award funding to first set of community transport grant applications.

### **Learning Disability Health Provision**

To seek a decision in respect of the current contract for learning disability health services.

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## **Scrutiny call-in: Exemptions to the call-in procedure by virtue of urgency of business**

### **Alteration of Upper Age Limit at Icknield Community College, Watlington** *(Cabinet Member for Children, Education & Families Decision 3 November 2014)*

The Cabinet Member for Children, Education & Families considered and approved the extension of the age range at Icknield Community College to include post-16 provision.

*Agreed on the basis of Scrutiny Procedure Rule 18(a) where any delay would seriously prejudice the Council's interests, in that the Cabinet Member's role would be negated by referral to the Schools' Adjudicator if the decisions were not taken within two months of the end of the Statutory Notices.*

### **The Proposed Closure Of The Boarding Facility Known As The Hostel At Northfield School, Oxford**

*(Cabinet Member for Children, Education & Families Decision 8 December 2014)*

The Cabinet Member for Children, Education & Families considered and approved the closure of the boarding facility at Northfield School Oxford, following the results of a Health & Safety Survey.

*Agreed on the basis of Scrutiny Procedure Rule 18(a) where any delay would seriously prejudice the Council's interests, in that the Cabinet Member's role would be negated by referral to the Schools' Adjudicator if the decisions were not taken within two months of the end of the Statutory Notices.*

### **The Proposed Closure Of The Hearing Impairment Resource Base At Rush Common School, Abingdon**

*(Cabinet Member for Children, Education & Families Decision 5 January 2015)*

The Cabinet Member for Children, Education & Families considered and approved the proposal to formally close the Hearing Impairment Resource Base at Rush Common School as from September 2014 there were no children attending this resource base.

*Agreed on the basis of Scrutiny Procedure Rule 18(a) where any delay would seriously prejudice the Council's interests, in that the Cabinet Member's role would be negated by referral to the Schools' Adjudicator if the decisions were not taken within two months of the end of the Statutory Notices.*

### **Closure Of The Communication & Interaction Resource Base At Queensway School, Banbury**

*(Cabinet Member for Children, Education & Families Decision 9 February 2015)*

The Cabinet Member for Children, Education & Families considered and approved the closure of the Communication & Interaction Resource Base at Queensway School on the basis that this provision was met by other means.

*Agreed on the basis of Scrutiny Procedure Rule 18(a) where any delay would seriously prejudice the Council's interests, in that the Cabinet Member's role would be negated by referral to the Schools' Adjudicator if the decisions were not taken within two months of the end of the Statutory Notices.*

### **The Proposed Closure Of The Communication & Interaction Resource Base At Caldecott Primary School, Abingdon**

*(Cabinet Member for Children, Education & Families Decision 9 February 2015)*

The Cabinet Member for Children, Education & Families considered and approved the closure of the Communication & Interaction Resource Base at Caldecott Primary School on the basis that this provision was met by other means.

*Agreed on the basis of Scrutiny Procedure Rule 18(a) where any delay would seriously prejudice the Council's interests, in that the Cabinet Member's role would be negated by referral to the Schools' Adjudicator if the decisions were not taken within two months of the end of the Statutory Notices.*

### **Proposal To Expand Hook Norton CE Primary School**

*(Cabinet Member for Children, Education & Families Decision 9 February 2015)*

The Cabinet Member for Children, Education & Families considered and approved the proposal to increase the formal published admission number for Hook Norton CE Primary School from 30 to 45, on a permanent basis starting from September 2015, in order to eventually increase the school's total capacity from its current 210 places in year groups Reception – Year 6 to a maximum of 315.

*Agreed on the basis of Scrutiny Procedure Rule 18(a) where any delay would seriously prejudice the Council's interests, in that the Cabinet Member's role would be negated by referral to the Schools' Adjudicator if the decisions were not taken within two months of the end of the Statutory Notices.*

### **Proposal to Close West Kidlington Nursery School and Extend the Age Range of West Kidlington Primary School to Effect a "Merger"**

*(Cabinet Member for Children, Education & Families Decision – 9 March 2015)*

The Cabinet Member for Children, Education & Families considered and approved a proposal is to close West Kidlington Nursery School and alter the age range at West Kidlington Primary School to enable the establishment of a Nursery class, which would effect a "merger" between the two currently separate establishments.

This proposal's intention was to maintain the same level of high quality early years places while improving the financial viability and long term future of this provision.

*Agreed on the basis of Scrutiny Procedure Rule 18(a) where any delay would seriously prejudice the Council's interests, in that the Cabinet Member's role would be negated by referral to the Schools' Adjudicator if the decisions were not taken within two*



*months of the end of the Statutory Notices.*

## **Bus Service Subsidies Review**

*(Cabinet Member for Environment Decision – 19 March 2015)*

The Cabinet Member for Environment considered and approved a review of subsidised bus services which included the Vale of White Horse and South Oxfordshire areas and some others elsewhere in Oxfordshire, which for technical reasons included some additional services which operated in both those areas.

*Agreed on the basis of Scrutiny Procedure Rule 18(b) where delay would result in the discontinuity of service provision.*

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**Oxfordshire County Council  
Internal Audit Services  
Annual Report of the Chief Internal Auditor  
2014/15**

**Date Issued: June 2015**

**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 Internal Audit Service in accordance with proper internal audit practices. The Public Sector Internal Audit Standards 2013 (the Code), which sets out proper practice for Internal Audit, requires the Chief Internal Auditor (CIA) to provide an annual report to those charged with governance, which should include an opinion on the overall adequacies of the 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 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 The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards; however, there are currently three areas of non-conformance with those standards:-

- The Chief Internal Auditor has operational management responsibility for the Risk Management and Strategic Insurance functions, so is not wholly independent. The risk of conflict of interest is managed where audit activity is undertaken in areas where the CIA has operational responsibility as the Audit Manager reports directly to the Chief Finance Officer (S151 Officer);
- An Internal Audit Charter is to be drafted and presented to the Audit and Governance Committee; and,
- A Quality Assurance and Improvement Programme is being drafted and will be presented to the Audit and Governance Committee with the Internal Audit Charter

1.4.2 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 included a survey of Senior Management on the effectiveness of Internal Audit. In the report to the Audit and Governance Committee it was concluded the Internal Audit Service overall continues to be effective.

1.4.3 The Internal Audit Strategy and Quarterly Plans for 2014/15 were approved by the Audit and Governance Committee, who received quarterly progress reports from the CIA, 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.

1.4.4 The quarterly Internal Audit Plans identified the individual audit assignments. The activity was undertaken using a systematic risk-based approach. Terms of reference were prepared 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.

1.4.5 Internal Audit reports provide an overall conclusion on the system of internal control using one of the following ratings:

**GREEN** There is a strong system of internal control in place and risks are being effectively managed.

**AMBER** There is generally a good system of internal control in place and the majority of risks are being effectively managed. However some action is required to improve controls.

**RED** The system of internal control is weak and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls.

In appendix 1 to this report there is a list of all completed audits for the year showing the overall conclusion at the time audit report was issued, and the current status (24 June 2015) of management actions against each audit, (based on information provided by the responsible officers).

1.4.6 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 2014/15 the Internal Audit Service was delivered by a mixture of an in house team, and audit professionals from Hampshire County Council. The specialist area of IT audit has also been outsourced. The in house team also provided services to external organisations, Thames Valley Police and Buckinghamshire County Council.

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

1.5.3 It is a requirement to notify the Audit and Governance Committee of any conflicts of interest that may exist in discharging the internal audit activity:

- The Chief Internal Auditor and the Senior Auditor who leads on counter-fraud in the team are related. To manage that conflict, the CIA has no direct management of the Senior Auditor, and their line manager reports directly to the CIA's line manager on all personnel and performance matters.
- In addition to the above, a close relative of those staff also works for Oxfordshire County Council as a Manager within Social and Community Services. The CIA and the Senior Auditor, are not involved in any audit activity where they could be conflicted.

- The Chief Auditor has operational management responsibility for the Risk Management and Insurance functions, so is not wholly independent. The risk of conflict of interest is managed where audit activity is undertaken in areas where the CIA has operational responsibility as the Audit Manager reports directly to the Chief Finance Officer (S151 Officer)

## **2 OPINION ON SYSTEM OF INTERNAL CONTROL**

### **2.1 BASIS OF THE AUDIT OPINION**

2.1.1 The 2014/15 Internal Audit Plan has been completed with the exception of Adult Social Care Management Controls.

2.1.2 The plan was revised during the year, and eleven audits originally planned have been cancelled or deferred (these were report to the April 2015 Audit Committee):

- CEF SEND (Special Education Needs and Disability) Programme
- CEF Thriving Families Grant
- CEF Multi Agency Safeguarding Hub
- SCS Contract Procurement and Contract Management
- SCS Personal Budgets and Direct Payments
- EE Capital Programme Governance and Delivery
- EE Highways Contract
- EE Waste Disposal Contracts
- EE Planning
- EE OCS Externalisation of ICT Services
- PH Grants / Contract Procurement and Contract Management

2.1.3 The completed internal audit activity and the monitoring of audit actions through the action tracker system enable the Chief Internal Auditor (CIA) to provide an objective assessment of whether systems and controls are working properly. In addition to the completed internal audit work, the CIA also uses evidence from other audit activity, including counter-fraud activity, and attendance on working groups e.g. Corporate Governance Assurance Group and Commercial Services Board. 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.

2.1.4 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

- 2.1.5 The overall opinion for each audit, highlighted 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. The current status of those actions is also highlighted in appendix 1, for each audit. Reports on outstanding actions have been 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.
- 2.1.6 The Anti-fraud and corruption strategy remains current and relevant. During 2014/15 there has been an increase in the amount of reported fraud, or attempted fraud, including external fraud
- 2.1.7 The National Fraud Initiative data matching reports have been reviewed and key matches are being investigated.
- 2.1.8 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.
- 2.1.9 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.
- 2.1.10 In arriving at our opinion we have taken into account:
- The results of all audits undertaken as part of the 2014/15 audit plan;
  - The results of follow up action taken in respect of previous audits;
  - Whether or not any priority 1 actions have not been accepted by management - of which there have been none;
  - 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.

2.2.2 As also stated last year, 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. Whilst this is a positive assurance the organisation continues to operate under significant financial pressure, and in a state of continuous change. Governance is strong which provides a good foundation for managing these pressures effectively, but there is an inherent risk to the control framework when capacity within an organisation becomes stretched.

2.2.3 Whilst this opinion is of the whole system of internal control, the level of assurance that can be provided on commissioning and contract management is limited. The Council has introduced a Commercial Board, with a terms of reference to provide oversight and challenge over the performance and governance of the council wide commissioning and contract management activity; however the operations of the Board are not yet sufficient to provide that management assurance; in addition the amendments to the Internal Audit Plan in year has reduced the work undertaken in this area, therefore the level of assurance from the CIA is restricted and cannot be considered as a representation across the Council.

2.2.4 There have been 30 audits completed in 2014/15, of which only three resulted in an opinion of with a RAG status of Red (Children's Social Care Management Controls - Transport, ASC IT System and Residential and Home Support Payment Systems).

2.2.5 The audit of Adult Social Care Management Controls and the Governance Reports to Directorates is to be completed.

2.2.6 The outcomes of the audits, including a summary of the key findings are reported quarterly to the Audit and Governance Committee. The summaries of the audits completed since the last report (22 April 2015) are attached as appendix 2;

- Main Accounting
- Payroll
- Pensions Administration
- Schools Support
- Treasury Management
- CEF Contract Management
- CEF Childrens Social Care Management Controls - Transport

- Accounts Receivable
- Procure to Pay / Accounts Payable
- Pension Fund

## 2.3 INTERNAL AUDIT PERFORMANCE

2.3.1 The following table shows the performance targets agreed by the Audit Committee and the actual 2014/15 performance.

Measure	Target	Actual Performance 2013/14
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	52% of the audits met this target. (2013/14 this was 70%, in 2012/13 this was 55%)
Elapsed time for completion of the audit work (exit meeting) to issue of draft report	15 Days	83% of the audits met this target. (2013/14 this was 82%)
Elapsed time between issue of draft report and the issue of the final report	15 Days	69% of the audits met this target. (2013/14 this was 65%)
% of Internal Audit planned activity delivered	100% of the audit plan by end of April 2014.	64% of the plan was completed by the end of April 2015. (2013/14 this was 86%).
% of agreed management actions implemented within the agreed timescales	90% of agreed management actions implemented	214 Management Actions agreed in 2014/15: 49% implemented, 39% not yet due, 12% due or partially implemented.  382 Management Actions agreed in 2013/14: 92% implemented, 8% not yet due, overdue or partially implemented.
Customer satisfaction questionnaire (Audit Assignments)	Average score < 2	Based on 8 questionnaires returned the average score was 1.02  (13/14 was 1.24, 12/13 and 11/12 were both 1.32).

<b>Measure</b>	<b>Target</b>	<b>Actual Performance 2013/14</b>
Directors satisfaction with internal audit work	Satisfactory or above	Achieved – Review of System of Internal Audit

Ian Dyson

Chief Internal Auditor

June 2015

## **APPENDIX 1 Audit & Governance Committee July 2014 - Implementation status of 2014/15 management actions.**

Note implementation status is reported by management. Internal Audit has not yet undertaken any further testing to confirm.

<b>Directorate</b>	<b>Audit</b>	<b>Overall Conclusion at Final Report Stage</b>	<b>Number of Management Actions agreed</b>	<b>Reported implementation status as at 22 June 2015</b>
CEF	Early Years Payments	Amber	4	3 implemented, 1 not due
CEF	Schools Assurance - Schools Support	Green	0	n/a
CEF	Church Cowley School	Amber	8	8 implemented
CEF	Frameworki (Children Social Care system)	Green	2	2 implemented
CEF	Placement Strategy	Amber	3	1 implemented, 2 not due
CEF	Contract Procurement and Contract Management	Amber	12	12 not due
CEF	Children's Social Care Management (Transport) Controls	Red	42	6 implemented, 35 not due, however in progress and 1 partially implemented.
SCS	Client Charging	Amber	10	5 implemented, 5 not due
SCS	Residential and External Home Support Payments Systems	Red	35	26 implemented, 2 not due and 7 partially implemented

Directorate	Audit	Overall Conclusion at Final Report Stage	Number of Management Actions agreed	Reported implementation status as at 22 June 2015
SCS	Pooled Budgets	Amber	7	1 implemented, 1 not due and 5 not implemented
SCS	Adult Social Care Information System	Red	12	5 implemented, 4 not due and 3 partially implemented
SCS	Adult Social Care Management Controls	Amber (provisional)	Draft report to be issued	
EE	Property and Facilities Management Contract	Amber	12	1 implemented, 11 not due
EE	Oxfordshire Innovation Support Programme	Amber	6	4 implemented, 2 not implemented
EE	Integrated Transport Unit	N/A	Management letter to be issued identifying any residual issues not reported within the Children's Social Care Management Controls Transport Audit.	
EE	Energy Recovery Facility (Energy From Waste)	Green	6	5 implemented, 1 not due
EE	ITU Overtime Claims	N/A	5	3 implemented, 2 not due
EE OCS	Windows Active Directory	Amber	13	6 implemented, 1 not due, 3 partially implemented and 3 not implemented
EE OCS	Managed Connectivity Services Part 1	Amber	7	7 implemented

Directorate	Audit	Overall Conclusion at Final Report Stage	Number of Management Actions agreed	Reported implementation status as at 22 June 2015
EE OCS	Managed Connectivity Services Part 2	Green	5	4 implemented, 1 partially implemented
EE OCS	PSN Code of Connection	Amber	13	9 implemented, 4 not due
EE OCS	IT Disaster Recovery	Amber	6	3 implemented, 3 not due
EE OCS	Pensions Administration	Green	0	n/a
EE OCS	ICT Strategy	Amber	5	3 implemented, 2 not implemented
Key Financial System	Payroll	Green	0	n/a
Key Financial System	Procure to pay including accounts payable	Amber	4	4 not yet due
Key Financial System	Accounts Receivable including cash receipting	Green	0	n/a
Key Financial System	General Ledger & Main Accounting	Green	0	n/a
Key Financial	Treasury Management	Green	0	n/a

Directorate	Audit	Overall Conclusion at Final Report Stage	Number of Management Actions agreed	Reported implementation status as at 22 June 2015
System				
Key Financial System	Pension Fund Management	Green	0	n/a

- In addition to the Internal Audit reviews, the internal audit team has undertaken a series of governance interviews with tier 3 managers, identifying the level of assurance and methodology those managers have over their teams' compliance with the key governance systems. The outcome of this work has confirmed the level of management control is good. There are some areas where actions are required, but these are not material to the overall level of assurance.
- There are two on going pieces of risk management work that were to form part of the annual assurance opinion, however these have not yet been concluded:
  - Public Health
  - Business Continuity in the supply chain.

The outcome of this work should be available for reporting to the Committee in September.

## **APPENDIX 2**

### **Summary of Completed 2014/15 Audits for Audit & Governance Committee on 08 July 2015 since last reported to the Audit & Governance Committee on 22 April 2015.**

#### **Main Accounting 2014/15**

Opinion: Green	08 May 2015	
Total: 0	Priority 1 = 0	Priority 2 = 0
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

#### **Overall Conclusion is Green**

Internal Audit identified that there is a strong system of internal control in place and risks are being effectively managed. Areas of good practice noted were:

- Journals and Internal recharges are effectively processed. The sample of 30 reviewed had appropriate authorisation, commentary and adequate supporting documentation.
- Clear procedures and template forms are available to staff on the Intranet for requesting journals, internal recharges and new or amended cost centre and GL codes.
- The Dynamics system effectively maintains an audit trail of emails and other documentation for processes managed by the Finance Service Desk, including journals, internal recharges and AP uploads. Each is allocated a unique number which can be cross referenced to SAP.
- There is a register of feeder systems with approved authorising officers.
- Generally procedures are clear, up to date and are being followed for uploading data from feeder systems into SAP. From the sample of five feeders reviewed, these were adequately controlled and authorised. Reconciliation between SAP and the feeder data is made by checking the control totals in the requestor's email to a screen shot taken of SAP following the upload.
- Sample checking of feeder systems, journals and internal recharges are undertaken by an independent team and issues were appropriately followed up and resolved.
- Control and suspense accounts are appropriately reconciled and checked by the Banking and Control team.
- From the sample of bank reconciliations tested, these were adequately completed, authorised and issues resolved.
- Changes to profit and cost centres and GL codes were requested on the appropriate form, reviewed, authorised and notification of completion issued.



Follow up: All actions from the 2013/14 Main Accounting audit are reported as fully implemented.

### **Payroll 2014/15**

Opinion: Green	08 May 2015	
Total: 0	Priority 1 = 0	Priority 2 = 0
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

### **Overall Conclusion is Green**

Internal Audit identified that there is a strong system of internal control in place and risks are being effectively managed. Areas of good practice noted were:

- Starters and leavers were supported by appropriate documentation. A review of 30 starters and 30 leavers found that the details input in SAP agreed with what had been recorded on the supporting paperwork.
- A review of a sample of changes to standing data found that all had been authorised by either the employee or their line manager.
- Variations, adjustments, deductions and additions to pay had been authorised and were supported by documentation where appropriate. Overpayments are recorded on a spreadsheet held by the PEI team and are discussed at six monthly meetings.
- A sample of two months of the payroll processing were tested and it was found that the details were reconciled to SAP and the details were checked by two people prior to the payroll being released. A further two months were reviewed to confirm that payments made to HMRC were made on time.
- A number of checks are carried out each month by the PEI team to ensure that the changes have been input accurately and are supported by appropriate documentation. They also carry out the ad-hoc checks to pick up any errors prior to the payroll being released. Evidence was supplied by the Workforce Information team of the quarterly reports they issue to the directorates to ensure that post information is accurate.

Follow up: All actions from the 2013/14 Payroll audit are reported as fully implemented.

## **Pensions Administration 2014/15**

Opinion: Green	12 May 2015	
Total: 0	Priority 1 = 0	Priority 2 = 0
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

### **Overall Conclusion is Green**

Internal Audit identified that there is a strong system of internal control in place and risks are being effectively managed. Areas of good practice noted were:

- detailed procedure notes in place for all key processes.
- sample tests confirmed that procedures had been followed for new members, deaths, retirements & changes to personal details.
- management checks are carried out on specified processes and are evidenced.
- changes in pension regulations are communicated to stakeholders.
- training for staff is a continual process.
- performance is benchmarked using the CIPFA benchmarking group.
- monthly checks are carried out to confirm that pension payments are within set tolerances and unusually high payments are double checked.
- monthly checks are carried out to confirm that scheme employers provide the requisite information on their members.
- there is a defined process for admitting new employers to the scheme and this is administered by the Pensions Services Manager.
- monthly performance monitoring is carried out, ensuring that potential backlogs in workloads are identified promptly and remedial action instituted.

However, the following supplementary issues were noted during the audit:

- A high degree of reliance is placed on the Pension Services Manager for admitting new employers to the pension scheme. There is an operational risk should this expertise be lost or extensive backlogs develop.

Follow up: The action from the 2013/14 Pension Administration audit is reported as fully implemented.

### **Schools Support 2014/15**

Opinion: Green	12 May 2015	
Total: 0	Priority 1 = 0	Priority 2 = 0
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

#### **Overall Conclusion is Green**

Internal Audit identified that there is a strong system of internal control in place and risks are being effectively managed. Areas of good practice noted were:

- Allocations from the Department for Education are reconciled to the individual allocations made to the schools.
- The Schools Forum is provided with regular updates regarding the funding formula and are active in considering the implications of funding decisions.
- Additional funds made available by central government are distributed in line with pre-agreed formulae.
- Schools are provided with easy to access guides via the intranet and are encouraged to communicate with the support section.
- Schools are monitored for the timely preparation of their budgets and chasing action is instituted where schools fail to submit their budgets on time.
- Deficits are approved at an appropriate level (although one of the random samples included a school where the budget, and deficit have not been approved for 2014/15. Evidence was observed to indicate that support continues to be provided to assist the school in meeting its obligations).
- Performance against budget is monitored during the year.

Follow up: There were no actions from the 2013/14 Schools Support audit to follow up.

### **Treasury Management 2014/15**

Opinion: Green	21 May 2015	
Total: 0	Priority 1 = 0	Priority 2 = 0
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

#### **Overall Conclusion is Green**

Internal Audit identified that there is a strong system of internal control in place and risks are being effectively managed. Areas of good practice noted were:

- The Treasury Management strategy and policy documents have been created in adherence to the CIPFA Treasury Management Practices and have been reported appropriately to Cabinet, Full Council and the Audit and Governance Committee
- Operational procedures have been made available to all relevant officers through checklists included on the Lending Database
- Treasury Management activity is reported to Cabinet and Full Council with sufficient frequency and detail to allow informed strategic decisions to be made
- There is sufficient separation of duties at the operational level to verify the compliance of investment transactions to the agreed strategy and policy and controls are in place and are working effectively to ensure the security of Council funds as far as possible
- Midterm and end of year reports to Cabinet and Full Council have included the fact that no new borrowings have been planned or made during the year
- Investments are reconciled to the bank statement on a daily basis to ensure the security of Council funds and inform cash flow forecasts.

Follow up: The actions from the 2013/14 Treasury Management audit is reported as fully implemented.

### **CEF Contract Management 2014/15**

Opinion: Amber	09 June 2015	
Total: 12	Priority 1 = 03	Priority 2 = 09
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	12	

### **Overall Conclusion is Amber**

An audit of CEF Contract Procurement and Contract Management was undertaken in 2012/13 (final report issued 22 April 2013). The overall conclusion was Red due to the significant control weaknesses identified in the management of this activity. There were six priority 1 management actions agreed and eleven, which were priority 2. This audit has followed up on the implementation of those management actions.

There has been a noticeable improvement in control within CEF contract management activity since the previous audit. Joint Commissioning have allocated a Quality & Contracts Manager to work full-time specifically to CEF in July 2014; this post has played a significant role in this improvement and particularly her work with the CEF operational managers to support them with the contract management activity that they still manage. Improvements have also been achieved within Joint Commissioning with the maintenance of the CEF contracts register, risk assessment of contracts to determine CEF contract management activity, checks on financial status of contractors, and improvements to

policies and processes, including the new quality monitoring toolkit, documented action plans and formalised escalation procedures.

There is still however further improvement required and on that basis the overall grading following this follow up audit is amber.

Of the 17 management actions agreed;

- 8 are fully implemented.
- There are 2 management actions which were recorded by management as superseded, however one of these has been re-stated within this report.
- There is 1 management action still not reported as implemented by management on the system, however management report the process is now drafted and is ready for implementation.
- There are 6 management actions (2012/13 report reference 2, 5, 6a, 6b, 7a and 7b which were reported as implemented however further testing of these has identified they have only been partially implemented and therefore they are re-stated again in the report.

The decision made by CEF DLT in September 2013 to transfer responsibility for all contract management and monitoring activity, other than for spot provision, from the service area to Joint Commissioning has not been fully implemented. The improvements noted within Joint Commissioning, in respect of their revised policies and processes for contract monitoring have not been fully implemented by CEF operational managers who have retained responsibility. Consequently there are still inconsistencies in approach, documentation, action tracking and failure to holistically consider all information gathered.

There is no regular information provided to Senior Management within CEF to enable them to properly consider contract activity. A contract overview report has been provided to DLT since April 2014. One was due in October 2014 and was ready for presentation to DLT however the meeting was cancelled.

### **CEF Childrens Social Care Management Controls - Transport 2014/15**

Opinion: Red	29 April 2015	
Total: 42	Priority 1 = 03	Priority 2 = 09
Current Status:		
Implemented	6	
Due not yet actioned	0	
Partially complete	1	
Not yet Due	35 - all in progress	

### **Overall Conclusion is Red**

The audit reviewed the management controls in place for the transportation of children, focussing on the governance arrangements, including policy and standards, performance

monitoring, management reporting and communication, between CEF as the commissioning Directorate, and EE as the Directorate responsible for managing the service provision. At the time of the audit, management had identified some operational weaknesses and had initiated actions to address these; however, the audit highlighted to Senior Management further weaknesses in the governance arrangements and system of control such that overall the assurance that risks are being managed effectively is limited.

The response to the report was immediate, with an action plan agreed by CCMT, and a task group and project team assigned to ensure the actions are to be effective and delivered on time.

### **Accounts Receivable 2014/15**

Opinion: Green	10 June 2015	
Total: 0	Priority 1 = 0	Priority 2 = 0
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

### **Overall Conclusion is Green**

Internal Audit identified that there is a strong system of control in place and that, through compliance with the financial regulations, risks are generally well managed. The findings of this review can be summarised as follows:

- Invoices are being raised accurately in accordance with set charges or costs agreed with the customer to recover costs of service. Outstanding debts are monitored frequently and non payment is followed up with the customer in an effort to recover all monies owed.
- Credit notes and bad debt write offs are only applied where a customer organisation has ceased to exist, or where it has been agreed that it would be uneconomical to pursue further having attempted to chase payment.
- The receipt of cash and cheque income is recorded and retained in Directorates as evidence that all income received is paid into the bank.
- Income processed through SAP is reviewed by the Banking and Control team who perform weekly reconciliations to ensure income is coded accurately in the general ledger.

One finding was identified that out of a sample of 29 new customer records, six were duplicates of records that had previously been set up. Checks to confirm whether a customer record already exists in SAP do take place, but these cases had not been identified.

## **Procure to Pay / Accounts Payable 2014/15**

Opinion: Amber	23 June 2015	
Total: 04	Priority 1 = 0	Priority 2 = 04
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	04	

Overall Conclusion is Amber

### **Background:**

At the time of the review, the County Council was undertaking a project to transfer the Procure to Pay and Accounts Payable process to Hampshire County Council's Integrated Business Centre (IBC). Many of the outstanding actions emanating from the previous review should be addressed by the implementation of the IBC Project, e.g. drafting outstanding policies and procedures and late payment of invoices reporting. Although this review focussed on current processes, we also discussed future considerations, such as data ownership (including vendor accounts) and management information requirements (to ensure compliance with internal guidance and legislation).

### **Governance and Management Information:**

We were advised that due to the IBC project, the Commercial Services Board and Vendor Data Group have been suspended during the implementation phase. Both groups were previously tasked with managing and overseeing the performance of the system. As part of our review, we found that some existing policies available on the intranet to guide staff may be out of date as they had not been reviewed as planned. However, we acknowledge that many of these policies and procedures will need to be updated to reflect future working practices.

We found that management information was being generated in order to identify compliance issues and ensure the accuracy of payments to vendors. However, some of these current reports are bespoke and the Council will need to be clear as to reports required following transfer to the IBC, e.g. retrospective purchase orders and the use of red routes and where and by whom such reports will be generated.

### **Vendor Creation and Maintenance, including Change of Bank Details:**

We found that in all instances tested the vendor maintenance form was used, as required, to request the creation of a new vendor - both commercial and non-commercial. Requests are emailed (with the vendor forms attached) to the Central Buying Team's (CBT) shared inbox, and we found that requests were processed by CBT promptly (generally within one day). However, as with the previous review, we found instances when email requests were not copied to the appropriate line manager and this has been interpreted as insufficient management approval. Specifically regarding non-commercial vendor creations, we found 25 out of the 30 samples tested had been approved by an officer who did not appear on the current list of acceptable authorisers. However, we were

subsequently provided with an amended list as it transpired the original list was out-of-date. Keeping this list up-to-date may need to occur on a more regular basis.

We found that there was adequate supporting evidence for bank account changes, and we were advised that CBT seek verification for bank account changes by contacting the vendor. However, other changes such as address and email changes are not verified. Regular reports to summarise all changes, including bank account changes, are not generated. We did not test OTVs created by the departments, but we reviewed the list of OTVs reported in January 2015. We identified four OTVs with potential multiple use, however, have obtained assurance that inappropriate (excessive) use had not occurred.

### **Scheme of Delegation Application and Segregation of Duties:**

The Procure to Pay processes are split between the Central Buying Team (CBT) and the Accounts Payable (AP) Team with the CBT responsible for maintaining vendor master data and orders and the AP team responsible for processing the invoice payments. Different SAP user roles have been created for CBT staff and Accounts Payable staff. Thus, there is an in-built separation of duties in place within the system. We obtained a list of users to confirm who were currently able to access and amend master data in SAP and one individual was identified who should no longer have access. The individual's access was removed during the audit.

### **Purchasing and Payments Process:**

The Council uses validation software called Basware to check scanned in invoices. Any document that fails the validation check is blocked and is not automatically transferred to SAP for payment. The number of first time validations are reported as part of the KPI dashboard, in order to provide an indicator of the compliance levels. From our sample of 30 payments tested, we found that all invoices examined were paid within the standard 28 days, once posted in SAP.

We identified some issues with compliance that have affected performance and will continue to do so on transition to the IBC. For example, we found retrospective purchase orders had been raised in three instances (represented 10% of the sample and validated the management information being reported by CBT, which was also at 10%). We found that lengthy delays sometimes occurred in respect of Directorates submitting invoices for settlement to Accounts Payable, e.g. we found two instances when there was a gap of at least 162 days between invoice date and SAP processing date (only the AP team scan in invoices). Furthermore, we found six instances when handwritten purchase order numbers appeared on invoices – this too presents a risk of delayed payments as they are returned to the Directorate for corrective action.



## **Pension Fund 2014/15**

Opinion: Green	23 June 2015	
Total: 0	Priority 1 = 0	Priority 2 = 0
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

### Overall Conclusion is Green

Internal Audit identified that there is a strong system of internal control in place and risks are being effectively managed. Areas of good practice noted were:

- Fund objectives are clearly defined through the Funding Strategy Statement, Statement of Investment Principles, Pension Fund Scheme of Delegation, Governance Policy Statement and Communication Policy Statement and these policies are subject to review and formal approval
- The Pension Fund Committee are regularly informed of performance through reports by the Fund Managers; fund valuations and by the Independent Financial Advisor
- WM Performance Services provide an annual report on the fund managers' performance to the Pension Fund Committee
- Officers keep up to date with financial news to identify any emerging issues and an on-going training programme is in place for Committee Members
- The Annual Report 2013/14 was reviewed by the Pension Fund Committee prior to acceptance of the Accounts and the Committee has oversight of company engagement for all fund managers
- Quarterly rebalancing meetings take place and a record of decisions is maintained
- Cash flow forecasting and monitoring arrangements are in place and are reviewed by service management and the independent financial advisor during quarterly meetings.
- The latest three yearly 'Fundamental Review of the Pension Funds Investment Management' was presented to the Pension Fund Committee in March 2014 and employer contribution rates and deficit values have been accurately captured and administered
- Fund managers' performance against targets based on overall market performance is monitored by quarterly benchmarking reports
- Pension contribution returns are subject to a robust monitoring process and are reconciled with SAP. Charges are raised, where appropriate, for incorrect account codes
- There is a reconciliation process for third party invoices and charging for inaccurate payments from admitted bodies.

- The Pensions Fund Team checks the custodian's monthly report, comparing their fund valuations with the valuations reported by the Fund Managers
- Invoices from fund managers, the custodian and the IFA for their fees are checked, approved and paid in a timely manner
- The daily bank reconciliations are further enhanced by a weekly bank reconciliation process to SAP.

The following supplementary issue was noted during the audit:

- The latest available ISAE 3402 (external report) for the custodian covered the period to September 2013 and was published in December 2013. However, this report was not made available for review during the audit.

Follow up: There were no actions from the 2013/14 Pension Fund audit to follow up.

## Audit Progress Report Year ending 31 March 2015

Oxfordshire County Council

8 July 2015

Ernst & Young LLP



Building a better  
working world

Audit and Governance Committee  
Oxfordshire County Council  
County Hall  
New Road  
Oxford  
OX1 1ND

8 July 2015

Direct line: 07769 932604

Email: [mgrindley@uk.ey.com](mailto:mgrindley@uk.ey.com)

Dear Members

## **Audit Progress Report 2014/15**

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Audit and Governance Committee with an overview of the timetable we are proposing for your 2014/15 audit and to ensure our audit is aligned with the Committee's expectations.

Our audit will be undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We provided our Audit Fee Letter to the Chief Executive and the Audit and Governance Committee in April 2014.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley  
Director  
For and Behalf of Ernst & Young LLP  
UK

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## 1. Planned work

### 2014/15 Planning

Since our last progress report we presented our 2014/15 Audit Plan to the Audit and Governance Committee in April 2015. We will continue to keep the plan under review and will inform you of any changes to our risk assessments and planned work.

### Meetings and progress to date

We continue to have regular meetings with key officers as part of our ongoing audit process. These have proved beneficial as we have discussed a number of significant issues including the financial position of the Council, progress on the Hampshire Partnership, progress on the production of the financial statements and review of payments made in relation to claims against the Council. We have undertaken early testing of the de-recognition of schools transferring to academy status.

Following our interim review there are two issues we wish to bring to your attention:

- ▶ the accountant responsible for the production of the plant, property and equipment figures for the balance sheet has left the Council and this has delayed the closure process. We have discussed the issues with the Chief Finance Officer and have agreed to delay the start of our audit by one week to provide Council staff with sufficient time to complete the work and produce supporting working papers;
- ▶ the strategic risk register has not been updated since September 2013. Action 5 of the draft Annual Governance Statement (AGS) is to have the register updated by 31 September 2015. Whilst service risk registers are in place and are updated more regularly we believe that the strategic risk register should be updated quarterly especially during periods of significant change at the Council.

We will undertake:

- ▶ fortnightly meetings with key finance staff during the opinion audit visit to discuss significant risks around the accounts, and provide updates on our work; and
- ▶ quarterly meetings with the Chief Finance Officer to discuss the significant risks faced by the Council and our approach and progress with the audit.

### Audit and Governance Committee

If members of the Audit and Governance Committee have any particular issues they want to discuss with us we would be pleased to discuss these.

## 2. Timetable

### Audit and Governance Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts, and the deliverables we have agreed to provide to you through the 2014/15 and 2015/16 Audit and Governance Committee cycle.

We will provide formal reports to the Audit and Governance Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Audit and Governance Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Deliverable
High level planning:	<b>April 2014</b>	Fee Letter provided to the Chief Executive and Chair of the Audit and Governance Committee in April 2014
Risk assessment and setting of scopes	<b>April 2015</b>	Audit Plan – presented to the Audit and Governance Committee in April 2015
Update on progress and interim feedback	<b>July 2015</b>	Progress report - reported to the Audit and Governance Committee in July 2015
Value for money conclusion	<b>Jan to Sept 2015</b>	Ongoing
Year-end audit	<b>July to Sept 2015</b>	Report to the Audit and Governance Committee in September 2015 including: <ul style="list-style-type: none"> <li>- Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources);</li> <li>- Audit completion certificate; and</li> <li>- Whole of Government Accounts certification.</li> </ul>
Reporting	<b>Nov 2015</b>	Annual Audit Letter
Certification work	<b>Jan 2016</b>	2014/15 Certification of claims and returns annual report if required.

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters through our Sector Briefings.

### Planning discussions

We will update our planning throughout the course of our audit.

## Appendix A    Audit Progress

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
<b>2013/14 Certification of claims and returns annual report</b>	January 2015	Completed	Reported to the Audit and Governance Committee in January 2015
<b>Audit Plan</b>	March 2015	Done	Reported to the Audit and Governance Committee in April 2015
<b>Annual Results Report to the Audit and Governance Committee</b>	September 2015	not due	
<b>Auditor's Report (including opinion and vfm conclusion)</b>	September 2015	not due	
<b>Audit Certificate</b>	September 2015	not due	
<b>WGA Certificate</b>	October 2015	not due	
<b>Annual Audit Letter</b>	November 2015	not due	
<b>2014/15 Certification of claims and returns annual report</b>	January 2016	not due	



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## Ernst & Young LLP

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# Oxfordshire Pension Fund

Year ending 31 March 2015

Audit Plan

April 2015

Ernst & Young LLP



Building a better  
working world

Councillor David Wilmshurst  
Chair Audit and Governance Committee  
Oxfordshire County Council  
County Hall  
New Road  
Oxford  
OX1 1ND

10 April 2015

Dear Committee Members

## **Audit Plan – Oxfordshire Pension Fund**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2014/15 audit in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, Standing Guidance, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this plan with you on 22 April 2015 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully



**Baldeep Singh**  
**Partner**  
For and behalf of Ernst & Young LLP  
Enc

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

**Our Complaints Procedure** – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

# 1. Overview

## Context for the audit

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ our audit opinion on whether the financial statements of Oxfordshire Pension Fund give a true and fair view of the financial position as at 31 March 2015 and of the income and expenditure for the year then ended.

When planning the audit we take into account several key inputs:

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; and
- ▶ management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund. Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

In part three of this plan we provide more detail on the above areas and we outline our plans to address them. Our proposed audit process and strategy are summarised below and set out in more detail in section four.

We will provide an update to the Audit and Governance Committee on the results of our work in these areas in our report to those charged with governance in September 2015.

## Our process and strategy

### Financial statement audit

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

To the fullest extent permissible by auditing standards, we will seek to rely on the work of internal audit wherever possible.

## **2. The Local Audit and Accountability Act 2014**

The Local Audit and Accountability Act 2014 (the 2014 Act) closes the Audit Commission and repeals the Audit Commission Act 1998.

The 2014 Act requires the Comptroller and Auditor General to prepare a Code of Audit Practice. This must be laid before Parliament and approved before 1 April 2015.

Although this new Code will apply from 1 April 2015, transitional provisions within the 2014 Act provide for the Audit Commission's 2010 Code to continue to apply to audit work in respect of the 2014/15 financial year. This plan is therefore prepared on the basis of the continued application of the 2010 Code of Audit Practice throughout the 2014/15 audit.

### 3. Financial statement risks

We outline below our assessment of the financial statement risks facing the Pension Fund, identified through our knowledge of the Pension Fund's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<b>Risk of management override</b>	
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>▶ reviewing accounting estimates for evidence of management bias, and</li> <li>▶ evaluating the business rationale for significant unusual transactions</li> </ul>

There are no other financial statement risks arising from our planning and work to date. We will keep our risk assessment under review throughout our audit and communicate to the Audit Committee any revisions to the specific risks identified here and any additional local risk-based work we may need to undertake as a result.

#### Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ identifying fraud risks during the planning stages;
- ▶ enquiry of management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud; and
- ▶ performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may refer to it in our reporting to you.



## 4. Our audit process and strategy

### 4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code') our principal objectives are to review and report on, the Pension Fund's financial statements to the extent required by the relevant legislation and the requirements of the Code.

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also review the Pension Fund's annual report and form an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Oxfordshire County Pension Fund.

### 4.2 Audit process overview

Our approach is to assess the Pension Fund's level of internal controls and to place reliance upon those controls where our assessment allows.

In doing so, we will look to rely on the work of Internal Audit as much as possible whilst complying with the requirements of auditing standards. We have discussed our requirements with Internal Audit, establishing which financial systems they are reviewing this year and have built this in to our work plan.

#### Processes

Our initial assessment of the key processes across the Pension Fund has identified the following key processes, both manual and IT:

- ▶ Contributions
- ▶ Fund administration - Lump sum and retirement benefits
- ▶ Transfers in and out of the Pension Fund
- ▶ Cash and bank processes
- ▶ Pension's payroll
- ▶ Investments including the transition to Insight; and
- ▶ Financial statements close procedures.

We will also undertake work in accordance with our IAS 19 protocol to provide information on which relevant admitted bodies of the Oxfordshire Pension Fund can place reliance when preparing their financial statements.

#### Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ▶ give greater likelihood of identifying errors than random sampling techniques.

### **Internal audit**

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements

### **Use of experts**

In producing the financial statements, management will place reliance on the work undertaken by a small number of experts. We anticipate being able to undertake sufficient procedures such that we will be able to place reliance on the work undertaken by management's experts.

We will use specialist EY resource as necessary to help us to form a view on judgments made in the financial statements.

### **Mandatory procedures required by auditing standards**

As well as the financial statement risks outlined in section three, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### ***Procedures required by standards***

- ▶ addressing the risk of fraud and error;
- ▶ significant disclosures included in the financial statements;
- ▶ entity-wide controls;
- ▶ reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ auditor independence.

#### ***Procedures required by the Code***

- ▶ reviewing, and reporting on as appropriate, other information published with the financial statements; and
- ▶ reviewing and examining, where appropriate, evidence relevant to the Pension Fund's corporate performance management and financial management arrangements, and its reporting on these arrangements.

## **4.3 Materiality**

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Pension Fund is £16,312,110 based on 1% of net assets. We will communicate uncorrected audit misstatements greater than £816,000 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements,

including the total effect of any audit misstatements, and our evaluation of materiality at that date.

## 4.4 Fees

The Audit Commission has published a scale fee for all authorities. This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the Pension Fund is £24,108. Further information is provided in Appendix A.

## 4.5 Your audit team

The engagement team is led by Baldeep Singh, a partner who is the head of EY's pensions assurance team. Baldeep is supported by Alan Witty who is responsible for the day-to-day direction of audit work and is the key point of contact for your finance and pensions team. Maria Grindley is the director leading our overall engagement with Oxfordshire County Council and our relationship with the Audit and Governance Committee.

## 4.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit. The timetable includes the deliverables we have agreed to provide to the Pension Fund through the Audit and Governance Committee's cycle in 2014/15. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Committee timetable	Deliverables
High level planning	April 2014		Audit Fee letter April 2014
Risk assessment and setting of scopes	January to March 2015	April 2015	Audit Plan
Testing routine processes and controls	March to April 2015		
Year-end audit	June to August 2015		
Completion of audit	September 2015	September 2015	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements). Audit completion certificate
Conclusion of reporting	November 2015	November 2015	Annual Audit Letter (County Council)

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

## 5. Independence

### 5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission's Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

### 5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

#### **Self-interest threats**

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Pension Fund. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Pension Fund has approved and that are in compliance with the Audit Commission's Standing Guidance.

At the time of writing, there are no non-audit services provided to the Pension Fund. No additional safeguards are required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Pension Fund. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

#### ***Self-review threats***

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report

#### ***Management threats***

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

#### ***Other threats***

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

#### ***Overall Assessment***

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Baldeep Singh, the audit engagement Partner and the audit engagement team have not been compromised.

### **5.3 Other required communications**

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended 27 June 2014 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2014>

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2014/15 £	Out-turn 2013/14 £	Published fee 2013/14 £	Explanation
Total Audit Fee – Code work	24,108	24,108	24,108	
Non-audit work	0	0	0	

*All fees exclude VAT.*

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;
- ▶ We can rely on the work of internal audit as planned and permissible;
- ▶ The Audit Commission making no significant changes to the use of resources criteria on which our conclusion will be based;
- ▶ Our accounts opinion and use of resources conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Pension Fund; and
- ▶ The Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Pension Fund in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

## Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit and Governance Committee. These are detailed here:

Required communication	Reference
<b>Planning and audit approach</b> Communication of the planned scope and timing of the audit including any limitations.	▶ Audit Plan
<b>Significant findings from the audit</b> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	▶ Report to those charged with governance
<b>Misstatements</b> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	▶ Report to those charged with governance
<b>Fraud</b> <ul style="list-style-type: none"> <li>▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	▶ Report to those charged with governance
<b>Related parties</b> Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	▶ Report to those charged with governance
<b>External confirmations</b> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	▶ Report to those charged with governance
<b>Consideration of laws and regulations</b> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of</li> </ul>	▶ Report to those charged with governance

Required communication	Reference
<b>Independence</b> Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement director's consideration of independence and objectivity such as: <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> </ul>
<b>Going concern</b> Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<b>Significant deficiencies in internal controls identified during the audit</b>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<b>Fee Information</b> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> <li>▶ Annual Audit Letter if considered necessary</li> </ul>



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# Local government audit committee briefing

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This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving. It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



## Government and economic news

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### EY Item Club Spring 2015 Forecast

In its latest quarterly forecast the EY Item Club forecasts strong economic performance with GDP growth of 2.8% this year, rising to 3% in 2016. The Consumer Prices Index (CPI) Inflation is expected to average 0.1% for 2015, but expected to rise above 1% this winter, paving the way for possible base rate rises in spring 2016. Consumption is forecast to grow by 2.8% this year (mainly due to a real income increase of 3.7%) and strong growth over the medium term supported by buoyant incomes rather than borrowing. An additional driver for growth is the fall in the Euro against the pound. Business surveys indicate that the effect of this exchange rate move on export competitiveness has been countered by the strength of the European market.

The report highlights that its forecasts are far more positive than the Office of Budget Responsibility (OBR) which it accepts needs to be cautious, seeing room for expansion in the consumer and housing markets without significant adverse effect on household debt or house prices. Additionally long term output growth prospects are better than indicated by OBR projections. The forecast suggests that the outlook for the government post-election will be more positive than official statistics.

### Manchester devolution

On the 27 February 2015, a memorandum of understanding was signed between Greater Manchester's 10 local authorities, 12 NHS clinical commissioning groups and 15 NHS providers, as well as NHS England chief executive Simon Stevens and Chancellor George Osborne. This memorandum builds on the devolution

settlement for Manchester which was signed in November 2014, and proposed the devolution of powers to Greater Manchester in various areas including transport, planning and housing.

NHS England worked with the Manchester bodies to develop a plan for further joined up and integrated health and social care. The next stage will be the development of a roadmap, followed by production of a business plan. Due for publication in October, the outline business plan will outline the scope for possible savings through integration; as well as setting out the capital investment that will be needed to deliver the proposed shift from acute care to the primary and community sectors.

Under the plan, a new joint decision-making process for all £6bn of health and social care spending will be developed. A Greater Manchester Strategic Health and Social Care Partnership Board will be set up, and will oversee the development of the health and care system. A joint commissioning board will be responsible for financial plans and budget proposals for the sizeable budget, which represents approximately a quarter of all public spending in the region.

George Osborne has said that this reform was "exactly what we want to see more of in our health care."

Greater Manchester Combined Authority chair Lord Peter Smith confirmed his commitment to working with NHS colleagues in the city: "By ensuring that decisions about health for Greater Manchester are taken in Greater Manchester, we can ensure we have a system specifically tailored to the needs of people in our area."



## Government and economic news

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This radical change follows on from the Community Budget programme, of which Manchester was one of the four pilots. This programme was intended to pool funds to improve the effectiveness of public spending across the city's 10 councils. An analysis from EY commissioned by the Local Government Association concluded that more than £4bn could be saved every year if all areas adopted a Community Budget approach and were able to cut the unnecessary waste, duplication and red tape. Of these, it was estimated 80% would come from the budgets of central government departments and agencies.

### DWP Welfare Reforms

The NAO has produced a report which considers the changes made by the Department for Work & Pensions (DWP) over the past five years and its mixed record of implementation. The report is intended to provide the DWP and other readers with an opportunity to learn from experience. They have also produced a briefing with more general relevance – *'Lessons for major service transformation'* which draws out broader principles from their DWP review.

Eleven lessons are identified which may be helpful for authorities seeking to transform services and processes in the face of budget constraints:

- ▶ Transformation programmes raise the greatest risks of failure
- ▶ Set realistic goals and be honest about what really matters
- ▶ Policy development must take account of implementation
- ▶ Don't be tempted to score benefits early
- ▶ Do identify tangible short-term gains
- ▶ Recognise the (senior) organisational cost of transformation
- ▶ Don't underestimate what you can learn from engagement
- ▶ Recognise the value of learning and market development
- ▶ Do anticipate the need to make changes in live running
- ▶ Recognise the opportunities and limits of technology
- ▶ Set out clear decision-making and challenge





# Accounting, auditing and governance

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## Transport Infrastructure Assets

**What are transport infrastructure assets (TIA) and why are they relevant to highway and non-highway authorities?**

The *Code of Practice on Transport Infrastructure Assets (TIA Code)* was first published in 2010 and updated in 2013. The key aim of this document was to improve the asset management of TIA. The TIA Code classified TIA as:

- ▶ Carriageways
- ▶ Footways and Cycleways
- ▶ Structures
- ▶ Street Lighting
- ▶ Traffic Management Systems
- ▶ Street Furniture

The TIA Code also sought to provide the basis for improved financial information by setting out a move to valuation of such assets on a Depreciated Replacement Cost (DRC) basis, which in simple terms is the difference between the current costs of replacing an asset less an allowance (depreciation) for the age of the current asset.

Local Government continued to use depreciated historic cost (DHC) as the valuation approach for infrastructure assets when the *Code of Practice on Local Authority Accounts in the United Kingdom (Accounting Code)* moved to an IFRS basis effective from 1 April 2010. Thus one of the key elements for full implementation of the TIA Code, valuing assets using DRC, was not in place within Local Government.

Following consultations over a number of years, CIPFA initially announced through the 2014/15 Accounting Code, and confirmed in the 2015/16 Accounting Code, that TIA within local government

will be valued at DRC with effect from 1 April 2016. It has been estimated centrally that this will add some £200bn to the net worth of local government balance sheets. Our work to date with clients suggests that this is a significant underestimate. At an individual client level the inclusion of TIA, at this different valuation basis, will transform the balance sheet.

Although the above will apply to all highway authorities there will also be a number of non-highway authorities who hold material TIA under the new valuation basis. In particular, cycleways, structures and roads on industrial estates may lead to material levels of TIA at non-highway authorities. It is important to note that for those non-highway authorities the full requirements of the TIA Code will have to be met.

### What are the implications?

This is a fundamental change in approach which will require new accounting and estimation approaches as well as amendments to existing systems, or implementation of new systems design and operation. Early engagement and project planning were highlighted as core requirements in *LAAP BULLETIN 100: Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17*, to the effective delivery of this change within the tight timetable.

The change is to be applied retrospectively and thus will require valuations as at 1 April 2015 and comparative values for 2015/16. CIPFA issued specific Guidance Notes on TIA in May 2015 and have identified a number of proposed changes to the Accounting Code for 2016/17 that will be consulted upon over the summer.

Close working through the implementation period with external auditors is highlighted as being pivotal to successful implementation. We have identified a number of areas that are crucial to the delivery of this project and will be discussing these with officers over the coming months.



## Accounting, auditing and governance

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The additional audit work involved in this area was recognised by the Audit Commission in their 2015/16 fee consultation. It did not however, identify a fee; leaving that to local negotiation due to the scale of work required. Following local fee discussions we will be looking to have carried out initial detailed work for all audit clients by the end of the calendar year. This work could range from confirming with non-highway authorities that they do not have material TIAs and therefore do not have to implement the changes, to major systems reviews at highway authorities.

At all authorities with material TIA, further work will be required to address the results of the changes proposed in CIPFA's consultation on the 2016/17 Accounting Code. Our intention is to have reviewed the remaining areas of implementation before the end of the 2015/16 financial year at all audit clients.

### Working together

In addition to the work undertaken locally, following requests from clients, we will be running specific transport infrastructure assets workshops for officers of highway authorities across the country in July and August at the following venues:

- ▶ 28 July 2015 – London Becket House
- ▶ 29 July 2015 – EY Birmingham Office
- ▶ 5 August 2015 – London Becket House
- ▶ 6 August 2015 – EY Newcastle Office
- ▶ 13 August 2015 – EY Manchester Office
- ▶ 14 August 2015 – London MLP

Formal invitations will be issued in early June. If you have any questions regarding these events please contact Neil Gibson on [ngibson@uk.ey.com](mailto:ngibson@uk.ey.com).

For non-highway authorities with material TIA we will, in addition to our local work, facilitate contact between clients and, if there is demand, arrange similar workshops for them.

As with all major changes, early engagement with your local audit team will assist in a smooth implementation of the changes.

### Thought leadership – board effectiveness

EY has worked with The Investment Association to produce a thought leadership report 'Board effectiveness – continuing the journey'. The report is based on debates on board effectiveness held as a series of individual meetings and roundtables with leading chairmen, board directors and senior investors. Whilst the report recognises that all boards are different, it aims to identify leading practice and point to new ideas for boards to improve and demonstrate their effectiveness. It addresses board effectiveness across seven themes:

- ▶ Role of the chairman
- ▶ The role of non-executive directors (NEDs)
- ▶ Progress on diversity
- ▶ Board succession and the work of the nomination committee
- ▶ The purpose and impact of board evaluations
- ▶ Information flows to the board
- ▶ The role of investors

To encourage discussion between management, NEDs and stakeholders, the report includes a checklist of questions under each of the seven themes.



# Accounting, auditing and governance

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## 2015-16 work programme and scales of fees

Public Sector Audit Appointments Ltd (PSAA) has now confirmed the work programme and scale fees for the audit of the accounts for 2015-16 for local government, fire, police and health bodies.

For most local government, fire, and police bodies scale fees show a reduction of 25% to the fees applicable for 2014-15. This does not, however, apply to pension fund audits (where fee pressures have been rising due to the increasing complexity of the funds audited) or to local government audited bodies with 2014/15 scale audit fees below £20,000.

The current expectation is that these fee reductions will apply until the end of the audit contracts (subject to annual review).

The current contracts with audit suppliers run until 2017, with a possible extension for up to three years. Under its responsibility to manage the audit contracts, PSAA is required to consult on and set fees for 2016-17.

In addition to the core accounts audit work, auditors have a responsibility to satisfy themselves about an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources, and in some cases certification of claims. Fees to cover the costs of any special investigations, (e.g., arising from disclosures under the Public Interest Disclosure Act 1998) are charged as a variation to the scale fee.

The scale audit fees for individual bodies and the work programme are published on the PSAA website, with the aim of supporting transparency and helping audited bodies compare their fees with those of similar bodies. They are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

It is a matter for the auditor to decide the work necessary to complete the audit. Where an auditor considers more or less work

is required than is represented in the scale fee, they are required under the audit contracts to seek approval from PSAA for a variation to the scale fee, and to agree the amount of this variation with the audited body. PSAA also consider the reasonableness of the explanations provided before agreeing to any variation to the scale fee.

## Whole of Government Accounts: 2013-2014

The Comptroller and Auditor General, Amyas Morse, released his audit report on the 2013/14 Whole of Government Accounts at the end of March. This is the fifth year that the Treasury has produced the Whole of Government Accounts, which is intended to show in a single document the overall financial position of the UK public sector by consolidating the financial activities of more than 5,400 organisations across the public sector into a single set of audited accounts. The bodies that are consolidated include central and local government bodies, as well as other public corporations including the Bank of England.

The audit opinion has again been qualified this year on six counts:

- ▶ The application of the WGA accounting boundary
- ▶ Inconsistencies in the underlying accounting treatments within the WGA
- ▶ Disagreement on the accounting treatment of 3G/4G mobile licences
- ▶ Lack of evidence in support of the completeness and valuation of school assets
- ▶ Underlying material qualifications of the Department for Education and Ministry of Defence accounts
- ▶ Inaccuracies in the elimination of intragroup transactions and balances





# Accounting, auditing and governance

Overall, Amyas Morse has commended the progress made by HM Treasury, whilst noting areas for improvement:

**“We are strongly supportive of the way HM Treasury is moving forward with the Whole of Government Accounts project. The Department is improving the content of the WGA and the document has been produced faster than ever. This is welcome and represents a significant step forward for the WGA. The Department is also taking steps to make sure that more information is being given to taxpayers on how government spends their money and longer terms risks on the balance sheet are being highlighted. However, there are opportunities to exploit the WGA’s potential more fully and to improve the WGA to enable me to remove my qualifications. The Treasury also needs to work with the bodies that provide data to improve the timeliness and accuracy of the information that it receives. Furthermore, better analysis by the Department of trends in government’s assets and liabilities will help to demonstrate the full financial impact of changes in the delivery of public service in the next Parliament.”**

## Financial reporting simplification agenda

The need to simplify and streamline local government financial statements has been a topic of discussion since the introduction of International Financial Reporting Standards (IFRS) in 2010/11. In December 2013 CIPFA issued *Financial Statements: A Good Practice Guide for Local Authorities* which includes a chapter around materiality and clutter. The report highlighted the negative impact of two types of clutter identified by the Financial Reporting Council in their report *Cutting Clutter*, namely:

- ▶ Immaterial disclosures that inhibit the reader’s ability to identify and interpret relevant information
- ▶ Explanatory information that remains unchanged from year to year

Since the publication of the good practice guide, CIPFA carried out a specific consultation on the potential for simplifying and streamlining local authority accounts during the summer of 2014. As a result greater emphasis was placed in the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and 2015/16* on removing immaterial disclosures. CIPFA also issued a second edition of its report *How to Tell the Story: Local Authority Financial Statements, including this within the Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners 2014/15*.

CIPFA/LASAAC and CIPFA remain committed to enable the financial reporting of local government bodies to relate a more streamlined story that is understandable to the varied users of their financial statements. It has been stated that the consultations on the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* will include more fundamental changes.

Key proposals are expected to include a:

- ▶ New funding statement that more clearly reconciles the accounting and funding regimes
- ▶ Refocussing of the Comprehensive Income and Expenditure Statement
- ▶ Revision of the existing Movement in Reserves Statement

The progress on these changes will impact on the detailed approach that local government bodies make to achieve the earlier closedown requirements from 2018. Thus that work should be fully integrated with the streamlining agenda.

EY has also produced a think piece on earlier closedown; if you have not already received a copy, please contact your audit team for more information.



## Regulation news

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### The Transparency Code

The Local Government Transparency Code 2014, intended to increase democratic accountability by giving people the tools and information they need to enable them to contribute to the local decision making process, was published by DCLG on 3 October 2014.

It is governed by three main principles:

- ▶ Demand led – new technology should support transparency and accountability. Public bodies should release data in a way that allows the public and other interested parties to use it
- ▶ Open – availability of public data should be promoted and publicised. Presentation should be helpful and accessible
- ▶ Timely – data should be made public as soon as possible following production

The Code is a statutory requirement for local government bodies; however, it does not apply to Police and Crime Commissioners. It sets out the minimum data and information that all local authorities must publish; the frequency at which it should be published and how it should be published.

One of the mandatory disclosures contained in the Code is the requirement to publish information on senior managers' salaries. The Accounts and Audit (England) Regulations (2011) and section 3.4 of the Accounting Code set out the disclosure requirements in relation to senior management remuneration required for the financial statements.



## Key questions for the audit committee

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### What questions should the Audit Committee be asking itself?

- ▶ Have we fully considered opportunities for integration with other local services and whether this could offer improvements to service delivery as well as cost savings?
- ▶ Have we reviewed the NAO briefing 'Lessons for major service transformation' and is there anything that could be taken from it to increase the likelihood of successful implementation of projects?
- ▶ Are we as an organisation fully aware of the implication of future accounting requirements for TIA and do we have a plan in place to meet these?
- ▶ Have we considered the EY report 'Board effectiveness – continuing the journey' and whether it can support the improvement and effectiveness of our Committee?
- ▶ Are we aware of the 2015-16 scale fee/work programme and confident that arrangements ensure that accounts provided for audit are materially correct and fully supported, and that it has sufficient resources to support the audit process?
- ▶ What steps are we taking to plan for the earlier financial statement closedown arrangements for 2017/18?
- ▶ Have we critically reviewed the accounts and identified areas where they can be streamlined?
- ▶ Have we identified any disclosures or other areas which could be prepared early?
- ▶ Is resourcing within finance areas sufficient? Are there any areas which will need additional support?
- ▶ Do we have plans in place to start producing interim financial statements at month nine if this is something that we do not already do?
- ▶ Do we engage in early discussions with our auditors over working paper requirements and any proposed amendments to the accounts compared to the prior year?
- ▶ Do we engage in early discussions with our auditors over key areas of judgement and technical accounting areas well before closedown?
- ▶ Are we aware of the disclosure requirements contained in the transparency code and are we actively monitoring compliance?
- ▶ Have we engaged with our local communities to identify the areas where there is an appetite for more data to be shared?
- ▶ Do we publicise the access that is available to public data?
- ▶ Is the data that we make publicly available easily accessible both in terms of its location and its format?





## Find out more

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### **EY Item Club spring 2015 forecast**

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

### **Manchester devolution**

For a copy of the Memorandum of Understanding for Greater Manchester Health and Social Care devolution, see [http://www.agma.gov.uk/cms\\_media/files/mou.pdf](http://www.agma.gov.uk/cms_media/files/mou.pdf)

### **DWP Welfare Reforms**

For copies of the NAO's reports, see <http://www.nao.org.uk/wp-content/uploads/2015/05/Welfare-reform-executive-summary.pdf> and [http://www.nao.org.uk/wp-content/uploads/2015/05/Briefing\\_Lessons\\_for\\_major\\_service\\_transformation.pdf](http://www.nao.org.uk/wp-content/uploads/2015/05/Briefing_Lessons_for_major_service_transformation.pdf)

### **Transport Infrastructure Assets**

For more information about Transport Infrastructure Assets, please contact Neil Gibson for details of how to attend one of the EY courses.

### **Thought leadership – board effectiveness**

The report can be found at [http://www.ey.com/Publication/vwLUAssets/EY-UK-board-effectiveness-report/\\$FILE/EY-UK-board-effectiveness-report.pdf](http://www.ey.com/Publication/vwLUAssets/EY-UK-board-effectiveness-report/$FILE/EY-UK-board-effectiveness-report.pdf)

### **2015-16 work programme and scales of fees**

Details of the 2015-16 work programme and scales of fees are at <http://www.psaa.co.uk/wp-content/uploads/2015/03/Work-programme-and-scales-of-fees-2015-16-Local-Gov-FINAL-250215.pdf>

### **Whole of Government Accounts: 2013-14**

For the Certificate and Report of the Comptroller and Auditor General on the 2013-14 Whole of Government Accounts, see <http://www.nao.org.uk/wp-content/uploads/2015/03/Whole-government-account-2013-14.pdf>

### **Financial reporting simplification**

For more information about the Financial reporting simplification agenda, please contact your local audit team.

### **The Transparency Code**

For a copy of the new transparency code, see [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/360711/Local\\_Government\\_Transparency\\_Code\\_2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360711/Local_Government_Transparency_Code_2014.pdf)

## Note

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## **AUDIT & GOVERNANCE COMMITTEE – 11 JUNE 2015**

### **REPORT OF THE AUDIT WORKING GROUP (AWG)**

The Audit Working Group met on 11 June 2015

The meeting was attended by:

Dr Geoff Jones – Chairman; Cllr D Wilmshurst; Cllr S Lovatt; Cllr R Smith; Cllr N Hards; Cllr J Hannaby; Lorna Baxter; Peter Clark; Ian Dyson, and Alan Witty (Ernst & Young).

Part meeting only: AWG15.03 Cllr R Rose; Jim Leivers; Sue Scane; Hannah Farncombe; Alexandra Bailey, and Mark Kemp; AWG15.04 Kate Terroni and Andrew Colling.

#### **To Note:**

A special meeting of the AWG was convened on Wednesday 10 June 2015, at 1:15pm, immediately before the Audit & Governance Committee. This meeting lasted 45 minutes, with only one item, the annual private session with the Chief Internal Auditor. The meeting was attended by all members of the committee. There were no matters for reporting; however, it was suggested that these sessions are held more frequently, so a second meeting will be planned in during 2015/16.

#### **Matters to report from the meeting 11 June 2015:**

There were six items considered at the meeting:

##### **AWG 15.03 Internal Audit Report CEF Management Controls (Transport)**

This audit was completed since the last Internal Audit progress report to the Audit & Governance Committee. The conclusion of the audit provided only limited assurance on the management controls in place so at the request of the Chairman of the Committee the AWG was asked to consider the report, and to obtain management response to the issues being raised.

The audit report highlighted weaknesses in the governance arrangements and system of internal control including, management information systems and communication between the two Directorates, CEF as the commissioners, and EE who manage the service provision.

The Group appreciated Senior Management attendance at the meeting and their explanations which helped give more context to the risk and complexity of the services being provided.

Management accepted the Internal Audit report, and the Group noted the immediate management response, using the audit report to prepare and initiate an action plan, with a project team established to ensure actions are effective and timely. The improvement project is being overseen by a governance group, which is chaired by Peter Clark and attended by Internal Audit. The majority of the actions are targeted for completion by the end of September 2015. The Group noted from management the commitment to get the systems and controls in place, and have asked for a report back to the Group at the October meeting.

#### **AWG 15.04 Update on Residential and Home Support Payments**

The Deputy Director provided an update and progress report on the issues raised following the internal audit of this area. The Group was content with the progress, noting that Internal Audit will be undertaking a follow up audit in 2015/16 that will provide the Committee with an independent view on the adequacy and effectiveness of the actions taken.

#### **AWG 15.05 Fraud Benchmarking**

The Audit Commission produced their second annual fraud benchmarking report. The report compares the level of fraud activity detected in Oxfordshire with other local authorities. The report shows that Oxfordshire has a much lower reported rate of fraud, across all the key fraud risk areas. It is inconclusive whether this is due to more effective controls, or the limited resource allocated to proactive fraud work. The Group noted that additional resource has been obtained for proactive fraud detection.

#### **AWG 15.06 Draft Annual Governance Statement (AGS)**

The Group reviewed the draft AGS, and commented on the wording of the actions planned for 2015/16, asking that they are more specific so that completion can be clearly evidenced. The Group did not like the use of the word "embedded" in the actions. Officers were advised to include a further action reflecting the outcome of the internal audit on CEF Management Controls (Transport), as reported above.

#### **AWG 15.07 Whistleblowing Incidents 2014/15**

The Group received and was content with the annual report on whistleblowing incidents. There were no matters to report.

#### **AWG 15.08 Risk Management Report**

The Group received and noted the latest risk management report. The Corporate risk register remains an outstanding action, which is being highlighted in the AGS.

**The Committee is RECOMMENDED to note the report.**

**LORNA BAXTER**

Chief Finance Officer

Contact: Officer: Ian Dyson, Chief Internal Auditor Tel 01865 323875  
[ian.dyson@oxfordshire.gov.uk](mailto:ian.dyson@oxfordshire.gov.uk)

**AUDIT WORKING GROUP**



**WORK PROGRAMME 2015/16**

**03 September 2015 - 14:00 - 16:00 (Audit & Governance meeting 16 September 2015)**

- Internal Audit Update - Ian Dyson
- C EX Risk Register - Eira Hale
- Oxfordshire Fire & Rescue Service Risk Register - Richard Smith
- Strategic Risk Register - Ian Dyson
- 2014/15 NFI Summary- Ian Dyson

**15 October 2015 - 14:00 - 16:00 (Audit & Governance meeting 18 November 2015)**

- Risk Management Update
- Directorate annual risk management review (CEF)
- Management Update - Transport (CEF/EE)

**05 November 2015 - 14:00 - 16:00 (Audit & Governance meeting 13 January 2016)**

- Internal Audit Update

**09 December 2015 (WEDNESDAY) - 14:00 - 16:00 (Audit & Governance meeting 13 January 2016)**

- Risk Management Update
- Directorate annual risk management review (EE)

Ian Dyson  
Chief Internal Auditor

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Division(s): N/A
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## **AUDIT & GOVERNANCE COMMITTEE – 8 JULY 2015**

### **TREASURY MANAGEMENT OUTTURN 2014/15**

#### **Report by 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 the Council (via Cabinet) and Audit & Governance Committee receives an updated report on Treasury Management activities at least twice per year. This report is the second report for the financial year 2014/15 and sets out the position as at 31 March 2015.
2. Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
3. The following annexes are attached

Annex 1	Debt Financing 2014/15
Annex 2	Public Works Loan Board (PWLb) Maturing Debt
Annex 3	Lending List Changes
Annex 4	Investment portfolio 31/03/2015
Annex 5	Prudential Indicators Outturn
Annex 6	Benchmarking

#### **Strategy 2014/15**

4. The Treasury Management Strategy for 2014/15 was based on an average base rate forecast of 0.50%. The budget for interest receivable assumed that an average interest rate of 0.80% would be achieved, 0.30% above base rate.
5. 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.
6. The Strategy included the Treasury Management Strategy Team (TMST) keeping external fund investments under review, with decisions to advance or withdraw funds to external fund managers delegated to the TMST.

## Market Background – Provided by Arlingclose

7. **Growth and Inflation:** The robust pace of GDP growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.
8. Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price (which fell to \$44.35 a barrel, a level not seen since March 2009) and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.
9. **Labour Market:** The UK labour market continued to improve and at the time of writing remains resilient across a broad base of measures including real rates of wage growth. March 2015 showed a headline employment rate of 73.5%, while the rate of unemployment fell to 5.5% from 6.8% a year earlier. Comparing the three months to February 2015 with a year earlier, employee pay increased by 1.9% including bonuses and by 2.2% excluding bonuses.
10. **UK Monetary Policy:** The Bank of England's MPC maintained interest rates at 0.5% and asset purchases (QE) at £375bn. Its members held a wide range of views on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to be panicked into response to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited, and below average historical levels.
11. Political uncertainty had a large bearing on market confidence this year. The possibility of Scottish independence was of concern to the financial markets, however this dissipated following the outcome of September's referendum. The risk of upheaval (the pledge to devolve extensive new powers to the Scottish parliament; English MPs in turn demanding separate laws for England) lingers on. The highly politicised March Budget heralded the start of the general election campaign and markets braced for what was, at the time, predicted to be another hung parliament.
12. On the continent, the European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05% in September and the rate paid on commercial bank balances held with it was from -0.10% to -0.20%. The much-anticipated quantitative easing, which will expand the ECB's balance sheet by €1.1 trillion was finally announced by the central bank at its January meeting in an effort to steer the euro area away from deflation and invigorate its waning economies.

The size was at the high end of market expectations and it will involve buying €60bn of sovereign bonds, asset-backed securities and covered bonds a month commencing March 2015 through to September 2016. The possibility of a Greek exit from the Eurozone refused to subside given the clear frustrations that remained between its new government and its creditors.

13. The US economy rebounded strongly in 2014, employment growth was robust and there were early signs of wage pressures building, albeit from a low level. The Federal Reserve made no change to US policy rates. The central bank however continued with 'tapering', i.e. a reduction in asset purchases by \$10 billion per month, and ended them altogether in October 2014. With the US economy resilient enough to weather the weakness of key trading partners and a strong US dollar, in March 2015 the Fed removed the word "patient" from its statement accompanying its rates decisions, effectively leaving the door open for a rise in rates later in the year.
14. **Market reaction:** From July, gilt yields were driven lower by a combination of factors: geo-political risks emanating from the Middle East and Ukraine, the slide towards deflation within the Eurozone and the big slide in the price of oil and its transmission through into lower prices globally. 5-, 10- and 20-year gilt yields fell to their lows in January (0.88%, 1.33% and 1.86% respectively) before ending the year higher at 1.19%, 1.57% and 2.14% respectively.

## **Treasury Management Activity**

### **Debt Financing**

15. The Council's debt financing position for 2014/15 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 2014/15 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 was arranged during 2014/15 with either the Public Works Loan Board (PWLB) or through the money markets.
18. At 31 March 2015, the authority had 66 PWLB loans totalling £349.38m and 10 LOBO<sup>1</sup> loans totalling £50m. The average rate of interest paid on PWLB debt was 4.63% and the average cost of LOBO debt in 2014/15 was 3.94%. The combined weighted average for interest paid on long-term debt was 4.54%.
19. The Council continues to qualify for the Certainty Rate on PWLB loans, offering a 0.20% discount on the Standard Rate (currently gilts plus 1.00%). Qualification is based on provision of additional information on long-term borrowing and associated capital spending plans.

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

20. In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the Public Works Loans Board. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The authority intends to use the PWLB's replacement as a potential source of borrowing if required.

### **Maturing Debt**

21. The Council repaid £2m of maturing PWLB loans during the year. The weighted average interest rate payable on the matured loans was 2.35%. The details are set out in Annex 2.

### **Debt Restructuring**

22. No long term debt was restructured during 2014/15.

### **Investment Strategy**

23. 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 Council's approved Lending List.
24. During 2014/15 the Council limited the exposure to banks by lending to local authorities. At 31 March 2015 the Council had £47m of long term fixed deposits (deposits over 364 days), all of which were placed with local authorities or police authorities. The aim was to maintain a high level of security and manage exposure to interest rate and counterparty risk.
25. The weighted average maturity of all deposits at 31 March 2015, including money deposited in short-term notice accounts, was 165 days (compared with 296 days during 2013/14). This comprised £221m fixed deposits with a weighted average maturity of 184 days and £30.8m invested in money market funds with same day liquidity. The reduction in weighted average maturity was due to significant reductions to maximum duration limits with banks and building societies, as well as in-year forecasts signalling a move towards a rising interest rate environment, making long term lending less attractive.
26. The Council used fixed and structured deposits, as well as call accounts, money market funds and pooled funds to deposit its in-house temporary cash surpluses during 2014/15.

### **The Council's Lending List**

27. 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 the Cabinet on a bimonthly basis. 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 2014/15, in accordance with the approved credit rating criteria and additional temporary restrictions.

## **Investment Outturn**

28. The average daily balance of temporary surplus cash invested in-house was £341m in 2014/15. The Council achieved an average in-house return for the year of 0.77%, producing gross interest receivable of £2.636m. 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 three month London Interbank Bid (LIBID) rate.
29. Gross distributions from pooled funds totalling £0.235m were also realised in year, bringing total investment income to £2.871m.
30. Pooled fund investments saw an increase in value of £1.229m to £67.630m for the financial year. This has been recognised via an increase to the Council's available for sale reserve. Gains cannot be realised as investment income until the point at which fund units are sold.
31. During 2014/15 the average three month LIBID rate was 0.43%. The Council's average in-house return of 0.77% exceeded this benchmark by 0.34%. The average in-house return was 0.03% lower than the budgeted rate of interest of 0.80%. This was in part a result of significant reductions to bank and building society duration limits made in October 2014. This subsequently reduced the Council's capacity to pick up yield in durations between 6 and 12 months. Additionally, original forecasts included an increase in base rate towards the end of the financial year, which did not materialise.
32. The Council operates a number of instant access call accounts and money market funds to deposit short-term cash surpluses. During 2014/15 the average balance held on instant access was £34.8m.
33. At 31 March 2015, the Council's investment portfolio of £366.41m comprised £268m of fixed term deposits, £30.78m at short term notice in money market funds and £67.63m in pooled funds with a variable net asset value (VNAV). Annex 4 provides an analysis of the investment portfolio at 31 March 2015.
34. 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 March 2015 is shown in Annex 4.

## **External Fund Managers**

35. Having reviewed further investment options in consultation with the Council's treasury advisors Arlingclose Ltd, the Treasury Management Strategy Team

approved decisions to invest £10m in the CCLA Local Authorities Property Fund and £5m in the Royal London Cash Plus Fund in October 2014 and December 2014 respectively.

36. The CCLA Local Authorities Property Fund is invested in commercial and industrial properties in the United Kingdom. It aims to provide, over the long term, a satisfactory total capital and income return on the units of the fund. The fund aims to maintain a suitable spread between different types of property and geographical location.
37. The Royal London Cash Plus Fund invests in cash, deposits, covered bonds and short-dated government securities. The performance of the funds will be monitored by the Treasury Management Strategy Team.

### **Prudential Indicators for Treasury Management**

38. 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 5.

### **External Performance Indicators and Statistics**

39. The County Council is a member of the CIPFA Treasury and Debt Management Benchmarking Club and completed returns for the financial year 2014/15. The results of this exercise are not yet available.
40. Arlingclose has also benchmarked Oxfordshire County Council's investment performance against its other clients. For 2014/15 the Council has achieved a yield on its deposits above the average for all Arlingclose clients, whilst simultaneously maintaining low credit risk. This is partly attributable to a higher than average allocation of deposits to local authorities, a significant proportion of which had durations of over a year when traded, thus providing favourable rates of interest. The investment performance benchmarking is shown on Annex 6.

### **Financial and Legal Implications**

41. The combined activities of debt and investment management contribute to the strategic measures element of the Council's budget. The outturn for Interest Payable in 2014/15 was £18.227m, exceeding the budget of £18.181m in the Medium Term Financial Plan by £0.046m.
42. The 2014/15 budget for interest receivable was £2.404m, compared with the outturn of £2.871m (including pooled fund distributions), giving a net overachievement of £0.467m. The overachievement in interest received was due to higher than forecast average cash balances, due in part to slippage on the capital programme, as well as the introduction of two pooled funds paying



cash distributions, which performed solidly. In addition the 2014/15 accounts recognise an increase in the value of available for sale assets<sup>2</sup> of £1.229m.

## **RECOMMENDATION**

43. **The Committee is RECOMMENDED to note the report, and to RECOMMEND Council to note the Council's Treasury Management Activity in 2014/15.**

**LORNA BAXTER**

Chief Finance Officer

Contact officer: Lewis Gosling: Telephone Number: 01865 323988

June 2015

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<sup>2</sup> Available for sale assets comprise variable net asset value pooled funds, comprised of short dated bond funds, strategic bond funds and property funds.

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Division(s): N/A
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## **AUDIT & GOVERNANCE COMMITTEE - 8 JULY 2015**

### **STATEMENT OF ACCOUNTS 2014/15**

#### **Report by the Chief Finance Officer**

1. The Accounts and Audit Regulations 2011 require the 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 financial position. This report presents the accounts certified by the Chief Finance Officer to the Audit & Governance Committee for information, before the start of the public inspection period and the commencement of the audit. The Audit & Governance Committee will be asked to consider and approve the accounts at its meeting on 16 September 2015, when the findings of the audit are available.

#### **Summary Accounts**

2. The Summary Accounts (Annex 1) 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.

#### **Statement of Accounts**

3. The 2014/15 Statement of Accounts is attached at Annex 2. An overview of the financial position of the Council at 31 March 2015 is contained in the explanatory foreword.
4. The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code").
5. The core financial statements comprise a Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement, together with accompanying notes. The statement of accounts also includes the accounts for the Oxfordshire Local Government Pension Scheme and the Firefighters' Pension Scheme, together with the Annual Governance Statement which is considered elsewhere on this agenda.
6. The 2014/15 Code adopted amendments to some financial standards that applied from 1 April 2014. The main changes to the Code relate to the adoption of the new or amended group accounting standards. IFRS 10 introduces a new principle of control in determining group relationships. Under IFRS 11, classification of joint arrangements is based on 'rights' and

'obligations' and is not solely determined by the legal form of the arrangement. However, the changes to the group accounting standards do not have an impact on the County Council's accounts for 2014/15 as there are no group relationships.

7. Any questions of detail that members of the Committee may have regarding the accounts can be raised with Kathy Wilcox, Chief Accountant, 01865 323981.

## **RECOMMENDATIONS**

8. **The Committee is RECOMMENDED to note:**
  - (a) **the Summary Accounts 2014/15; and**
  - (b) **the Statement of Accounts for 2014/15 to be submitted to the Auditor.**

LORNA BAXTER  
Chief Finance Officer

Background Papers: Nil

Contact Officer: Kathy Wilcox, Chief Accountant, 01865 323981

June 2015

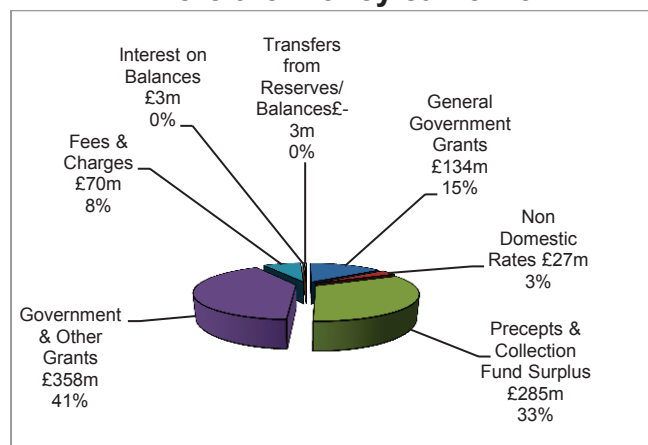
# SUMMARY ACCOUNTS 2014/15

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.

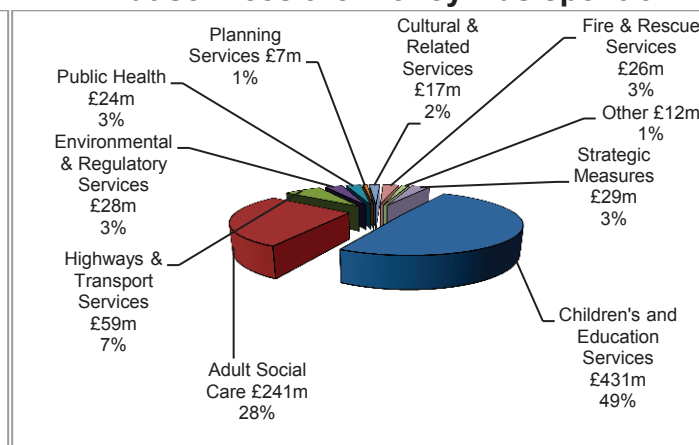
## Review of 2014/15

**Total  
£874m**

### Where the money came from



### What services the money was spent on



The Council set a net revenue budget for the year of £430.3m to finance day to day service provision. Actual spending for the year after transfers to earmarked reserves was £427.5m, £2.8m lower than had been planned. The County Fund balance has increased by £2.8m from £21.5m at the beginning of the financial year to £24.3m at 31 March 2015. This includes the remaining £2.1m of the £3.0m Severe Weather Recovery Grant received in March 2014 that is expected to be spent in 2015/16.

## Summarised Revenue Account

### Net cost of services

Other operating expenditure  
Financing and investment income and expenditure  
Taxation and non-specific grant income

### Deficit on provision of services

Adjustments between accounting basis & funding basis:

Income and expenditure to be excluded  
Capital financing costs to be included

### Net decrease before transfers to earmarked reserves

Transfers from earmarked reserves

### Increase in County Fund balance for the year

	Gross Expenditure £m	Income £m	Net Expenditure £m
	891.4	-422.4	469.0
	110.8	-1.9	72.0
	54.4	-11.1	43.4
	0.0	-529.1	-529.1
	1,056.6	-964.4	92.2
	-188.3	88.1	-100.2
	24.3	0.0	24.3
	898.6	-897.2	1.4
		-19.1	-19.1
	892.6	-895.4	-2.8

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 (ie. to Council Tax).

## County Fund Balance

Balance at start of year (1 April 2014)  
Increase in year  
Balance at end of year (31 March 2015)

£m

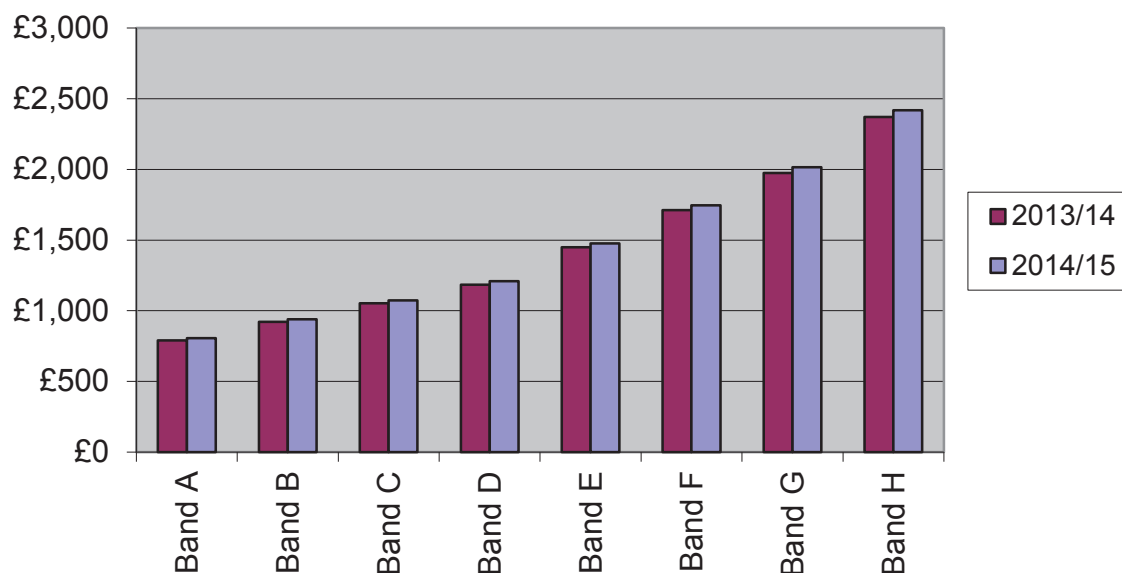
21.5

2.8

24.3

## Our Council Tax Funding

The graph below shows how much Council Tax for County Council services was charged for each property band in 2013/14 and 2014/15. Band D Council Tax increased by 1.99% compared to 2013/14.



	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
2014/15	£806	£934	£1,074	£1,208	£1,476	£1,745	£2,014	£2,217
2013/14	£790	£921	£1,053	£1,185	£1,448	£1,711	£1,975	£2,370

## Capital Investment

We also spent money on improving the council's assets...

Spending...	£m	Paid for by...	£m
Children's and education services	37.4	External borrowing	0.4
Environment, roads and transport	45.6	Grants & contributions	88.4
Social, community and other services	3.8	Revenue	6.6
Properties, offices and technology	8.6		
	<b>95.4</b>		<b>95.4</b>

Some of the larger capital schemes that have benefited the community include:

Oxford Bayards Hill Primary School	£3.7m
New Special Educational Needs provision (Endeavour Academy)	£4.1m
Oxford St Christopher's Primary School	£1.8m
Oxford St Gregory the Great	£2.9m
Bicester South West Primary School	£2.9m
Didcot Milton Interchange Improvement	£2.7m

Kennington Roundabout Improvement	£5.9m
Oxford Frideswide Square	£1.9m
A4130 Bix Dual Carriageway	£3.7m
A420 Shrivenham Bypass	£2.8m
Witney Ducklington Lane/Station Lane Junction	£2.1m
Broadband	£6.1m
Asset Strategy Implementation	£2.1m

## Summarised Balance Sheet as at 31 March 2015

The balance sheet shows the Council's financial position at 31 March 2015, the end of the 2014/15 financial year. It is a snapshot of what we own, what we owe and how this is funded. The value of the balance sheet is significantly reduced by the council's estimated pensions liabilities as at 31 March 2015.

	£m
<b>Net Assets</b>	
Long-term assets	1,162.1
Cash and short-term investments	311.9
Money owed to the Council	57.2
Other short-term assets	0.1
Money owed by the Council	-101.5
Borrowing	-403.8
Pensions and other liabilities	-864.4
Capital grants and contributions	-71.4
<b>Total assets less total liabilities</b>	<b>90.2</b>
<b>Financed by</b>	
Earmarked reserves	111.7
Other usable reserves	90.0
Unusable reserves	-111.5
<b>Net Assets</b>	<b>90.2</b>

## Earmarked Reserves

The Council's earmarked reserves that have been set aside for agreed purposes and are available to be spent in future years as at 31 March 2015 are as follows:

	£m
School Balances (held on behalf of LEA maintained schools)	22.0
Capital investment (ie, funding for the capital programme)	30.9
Insurance	4.5
Cash flow (Budget Reserve – used to manage the cash flow implications of the Medium Term Financial Plan)	8.8
Other corporate reserves	1.9
Directorate reserves	43.6
	<b>111.7</b>

## Other Usable Reserves

The Council's other usable reserves as at 31 March 2014 are as follows:

	£m
County Fund balance (including £2.1m Severe Weather Recovery Grant)	24.3

Capital investment balances (ie. funding for the capital programme)	65.7
	<b>90.0</b>

## 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 2014	16.3
Cash in	1,193.5
Cash out	-1,187.6
Cash in hand at 31 March 2015	<b>22.2</b>

## Plans for future service delivery

2015/16 is the second year of the four - year directorate business strategies agreed by Council in February 2014. These build on the previous strategies agreed in 2011, and were not extended beyond 2017/18 due to uncertainty over future levels of government funding.

Sustained reductions in government funding combined with pressure to restrict council tax increases have resulted in a significant squeeze on council resources at a time when demand for services has been increasing. The Corporate Plan for 2014/15 set out that over the period 2010/11 to 2017/18 the Council planned to save £265m to offset funding reductions and to meet additional expenditure pressures.

On-going expenditure pressures that were not anticipated when those savings were agreed have been highlighted in the Financial Monitoring and Business Strategy Delivery reports to Cabinet throughout 2014/15. Additional savings of £27m over that period are now required to manage these pressures, bringing the total savings over the period 2010/11 to 2017/18 to £292m.

## Oxfordshire County Council Pension Fund

The County Council is the administering authority for the Oxfordshire Local Government Pension Fund.

### Fund Summary at 31 March 2015

	£m
Opening net assets at 1 April	1,631.2
Net income from fund members	8.1
Net returns on investments	206.2
<b>Closing net assets at 31 March 2015</b>	<b>1,845.5</b>

### Net Assets at 31 March 2015

	£m
Value of investments	1,785.0
Net money owed to the pension fund	48.2
Long term assets	12.3
<b>Net assets of the pension fund at 31 March 2015</b>	<b>1,845.5</b>

There were 21,858 contributing members to the fund at 31 March 2015, and 13,465 pensions were paid. Contribution rates for 2014/15 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](http://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 audited Statement of Accounts 2014/15. The full Statement of Accounts is 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 Kathy Wilcox, Chief Accountant

Telephone: 01865 323981

[kathy.wilcox@oxfordshire.gov.uk](mailto:kathy.wilcox@oxfordshire.gov.uk)

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 Investment**

Investment in assets that will be used for more than one year, such as buildings and roads.

### **Capital Investment Balances**

Capital grants and contributions and capital receipts reserves that will be used to fund capital expenditure in future years.

### **Capital Receipts**

Receipts from the sale of capital assets.

### **Cash Flow**

The movement of money into or out of the County Council during the financial year.

### **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.

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# **OXFORDSHIRE COUNTY COUNCIL**

## **STATEMENT OF ACCOUNTS**

**2014/15**

## FOREWORD BY THE CHIEF FINANCE OFFICER

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### Introduction

These accounts set out the financial results of Oxfordshire County Council's activities for the twelve months up to 31 March 2015. 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 2014/15 ("the Code"). To meet statutory requirements, the Chief Finance Officer is required to sign the accounts no later than 30 June 2015 and certify that they give a true and fair view of the County Council's position. This was achieved on 30 June 2015 when the Chief Finance Officer authorised the accounts for issue. The County Council is required to consider and approve the accounts no later than 30 September 2015. The Audit & Governance Committee is scheduled to meet on 16 September 2015 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 performance during the year
- an overview of the County Council's future plans for service delivery and how they will be funded

A glossary of terms is provided at the end of the accounts 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 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 2014/15 the net reduction in the County Fund Balance before transfers from earmarked reserves was £16.268m. After transfers from earmarked reserves the closing balance for the County Fund was £24.297m.
- **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 2014/15 was £92.216m.

- **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 2015 were £90.208m.
- **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 2014/15 was £5.970m.
- **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.

The 2014/15 Code adopted amendments to some financial standards that applied from 1 April 2014. The new or revised financial standards adopted were:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 27 *Separate Financial Statements* (as amended in 2011)
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011)
- IAS 32 *Financial Instruments: Presentation*
- *Annual Improvements to IFRS 2009-2011 Cycle*

The main changes to the Code relate to the adoption of the new or amended group accounting standards (IFRS 10 - IAS 28 above). IFRS 10 introduces a new principle of control in determining group relationships. Under IFRS 11, classification of joint arrangements is based on 'rights' and 'obligations' and is not solely determined by the legal

form of the arrangement. The changes to the group accounting standards do not have an impact on the County Council's accounts for 2014/15 as there are no group relationships.

Local authority maintained schools (community, voluntary aided, voluntary controlled and foundation) should be treated as entities for financial reporting purposes in accordance with IFRS 10, and adapts the definition of single entity financial statements so that schools are consolidated into these statements. In December 2014 CIPFA/LASAAC issued LAAP Bulletin 101 Accounting for Non – Current Assets used by Local Authority Maintained Schools which provided further guidance on the practical application of the Code for non current assets used by schools, particularly in respect of Voluntary Aided, Voluntary Controlled, and some foundation schools where non current assets are owned by a third party. Current assets and income and expenditure by schools continue to be consolidated into the the Council's accounts consistent with IFRS 10 and LAAP Bulletin 101.

Changes to IAS 32 provide clarification regarding offsetting financial assets and financial liabilities and presenting the net amount in the Balance Sheet. The County Council does not offset financial assets and financial liabilities and therefore this change has no impact on the financial statements.

The annual improvements to IFRS are minor in nature and are not considered to have any impact on the financial statements.

### **Revenue Expenditure**

2014/15 was the first budget of the Conservative Independent Alliance administration following the elections in May 2013. The agreed budget for 2014/15 and the Medium Term Financial Plan (MTFP) to 2017/18 reflected the Council's overarching aim of a 'Thriving Oxfordshire'.

As part of the Service & Resource Planning process for 2014/15, Directorates were asked to develop new business strategies for the period up to 2017/18 and put forward savings proposals to address funding shortfalls and emerging expenditure pressures faced by the Council. These strategies incorporate the £31m planned savings that formed part of the 2013/14 to 2016/17 Medium Term Financial Plan agreed by Council in February 2013.

Although the previous Medium Term Financial Plan had assumed large reductions in the Council's funding from Government, further reductions in local government funding announced in the 2013 Budget and the 2013 Spending Round (which set out Government spending plans for 2015/16), restrictions on the level of Council Tax increase imposed by referendum limits and new expenditure pressures (particularly from demand led services) required additional savings of £64m over the period up to 2017/18 taking the total to £265m over the period 2010/11 – 2017/18.

The County Council set a Council Tax requirement for 2014/15 of £277.734m. Following two years when the council tax increase was frozen, pressures and reductions in funding meant that the Band D Council Tax increased by 1.99% in 2014/15.

In the main, directorate business strategies are being delivered as planned with the majority of the savings for the year being achieved. Additional demand led pressures in Adults' and Children's Social Care which have become apparent in 2014/15 have been considered through the 2015/16 Service & Resource Planning Process.

## FOREWORD BY THE CHIEF FINANCE OFFICER

In terms of the County Council's actual expenditure, the Code requires the presentation set out in the Comprehensive Income and Expenditure Statement (page 15). However for internal purposes, expenditure is reported on a directorate basis.

The Provisional Revenue and Capital Outturn Report to Cabinet on 23 June 2015 (summarised in the following table) shows expenditure compared to the original and latest budgets and the overall impact on the amount required to be met from Council Tax.

Directorate	Original budget £'000	Latest budget £'000	Actual net expenditure £'000	Variation against latest budget £'000
Children, Education & Families	102,618	105,752	107,302	1,550
Social & Community Services	214,724	214,168	214,339	171
Environment & Economy	81,532	83,054	81,809	-1,245
Chief Executive's Office	20,748	21,211	20,539	-672
Public Health	0	0	0	0
	<b>419,622</b>	<b>424,185</b>	<b>423,989</b>	<b>-196</b>
<b>Strategic Measures:</b>				
Contributions to / from (-) Reserves	-12,519	-11,378	-10,086	1,292
Contributions to Balances	3,000	1,466	0	-1,466
Pension Past Service Deficit Funding	830	830	830	0
Contingency	3,476	68	8	-60
Capital Financing	35,254	35,258	34,376	-882
Interest on Balances	-4,548	-4,552	-4,852	-300
	<b>25,493</b>	<b>21,692</b>	<b>20,276</b>	<b>-1,416</b>
Government Grants	-14,832	-15,594	-16,805	-1,211
Council Tax	-6,929	-6,929	-6,929	0
Revenue Support Grant	-80,623	-80,623	-80,623	0
Business Rates Top-Up Grant	-36,390	-36,390	-36,390	0
Business Rates	-28,607	-28,607	-28,587	20
<b>Council Tax Requirement</b>	<b>277,734</b>	<b>277,734</b>	<b>274,931</b>	<b>-2,803</b>

A breakdown of expenditure met from the County Fund and how it is financed is shown in the pie charts on page 12.

The directorates' variation against budget of -£0.196m is the position after achieving the savings built into the budget and the use of reserves to support expenditure on a one – off basis. This included the use of £1.500m from the Pooled Budget reserves to support the Learning Disabilities Pooled budget and £1.135m from the Public Health reserve being used to support revenue expenditure on public health functions delivered elsewhere in the council on a one – off basis. £2.751m additional one – off funding to manage additional demand in Children, Education and Families was agreed by Council in November 2014 and released from corporate contingency. This funding is included in the latest budget and reflected in the outturn variation. Other corporate management actions taken to achieve the position at year end included a freeze on recruitment and non – urgent expenditure.

The underspend of £2.803m shown in the previous table compares to a deficit on the provision of services of £92.216m. The significant difference between the provisional

## FOREWORD BY THE CHIEF FINANCE OFFICER

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. As in 2013/14, the largest element of the deficit is from a loss on the disposal of assets of £110.790m, the majority of which relates to the transfer of school land and buildings to academy trusts for nil consideration. A reconciliation between the directorates' provisional outturn position and the Surplus or Deficit on the Provision of Services is provided in Note 5 (page 42).

### Balances and reserves

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

	<b>Budget £'000</b>	<b>Actual £'000</b>
County Fund balance 1 April 2014	<b>17,409</b>	<b>21,494</b>
Additions to / calls on (-) balances	1,000	2,803
<b>County Fund balance 31 March 2015</b>	<b>18,409</b>	<b>24,297</b>

County Council balances were £5.888m higher than forecast in the 2014/15 to 2017/18 Medium Term Financial Plan as at 31 March 2015. This was after taking account of £2.050m Severe Weather Recovery Grant that will be spent in 2015/16. Excluding this, general balances were £22.247m, or £3.838m higher than forecast. The budget provided for £2.000m calls on balances and £0.545m was drawn down during the year. An underspend of £1.337m in Strategic Measures has been added to balances and includes £0.300m additional interest due to larger than forecast cash balances held by the council during the year. There was also an underspend on capital financing costs (£0.882m) and additional un – ringfenced government grants (£0.116m). £0.059m unused contingency was also added to balances at year end. The additional balances will be used to support the council's Medium Term Financial Plan.

Earmarked reserves totalled £111.666m at the end of the year and comprise school reserves (£21.919m), directorate reserves (£39.707m), corporate reserves (£1.944m) and other reserves (£48.096m). Other reserves include insurance, capital and cash flow reserves. A budget reserve to manage the cash flow implications of the Medium Term Financial Plan for 2013/14 to 2016/17 was created in 2013/14. The balance on the reserve at the end of the year was £8.806m. This will be used in line with the Medium Term Financial Plan agreed by Council in February 2015. Capital reserves total £34.774m and will be used to finance the Capital Programme agreed by Council.

### Capital

Capital spend in 2014/15 was £95.409m including £4.269m of capitalised repair and maintenance, vehicles and equipment. Of the total capital spend including capitalised items £37.363m was spent on schools and other educational facilities, £45.563m on highways and transport schemes and the balance, £12.483m, on a range of other projects. Details of capital spending are provided in Note 32 (page 89). The capital spend was funded mainly from grants and contributions (£88.428m), with the remainder being from revenue (£6.607m) and prudential borrowing (£0.373m) (Note 33, page 92).

Overall the balance for Property Plant and Equipment assets has reduced by £31.294m, 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 £822.003m, which reduces the County Council's net worth by 90%. The pensions liability has increased by £155.191m compared to last year, as a result of changes to financial assumptions. Note 20 on retirement benefits (page 64) gives a fuller 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 £26.493m, comprising £26.442m for property built by Oxfordshire Care Partnership under a service concession arrangement and £0.051m for assets acquired by way of finance leases.

The County Council is the accountable body for the Growing Places Fund on behalf of the Oxfordshire Local Enterprise Partnership. The remaining £8.223m of the capital element of the grant that was received in 2013/14 is held within Capital Grants Receipts in Advance pending allocation to projects in 2015/16 and future years.

### **Performance over the last financial year**

Further information is available in the council's 'Corporate Plan' for 2015/16 but over the last year the County Council has successfully:

- Continued to work alongside the Oxfordshire Local Enterprise Partnership and other partners to implement the City Deal agreement agreed in January 2014. This will boost innovation and business growth, create jobs and help secure Oxfordshire's place as a world leader in technology, knowledge and expertise.
- Worked closely with the NHS to agree a significant expansion to the pooled budget covering care for older people, and others to improve care and outcomes in physical disability, learning disability and mental health and wellbeing. We are developing integrated locality teams, and working towards a single point of access for health and social care. To facilitate closer working, the Director of Adult Social Services at the county council also holds the post of Director of Strategy & Transformation at the Oxfordshire Clinical Commissioning Group.
- Continued to make improvements to ensure that everything possible is done to make children safer in Oxfordshire and to support the Kingfisher Team, a joint social work, police and health unit focused on preventing, protecting and prosecuting cases of child sexual exploitation in Oxfordshire.
- Worked with the district councils and the Local Enterprise Partnership to secure a further £5.1 million of funding to achieve a minimum of 95 per cent broadband coverage by 2017 in South Oxfordshire, Vale of the White Horse and Cherwell.
- Achieved agreement amongst national and local partners to develop a new train route providing direct connection to London, Milton Keynes, Heathrow via Reading and all points east and west. In 2014 work began on the new 'Oxford Parkway' station at Water Eaton. The economic impact of the project is estimated to be £15 million per year and is estimated to create up to 12,000 new private sector jobs.

- Partnered with Age UK to create networks of local advisers across the county to improve the dissemination of information and advice about the range of social care and the support services available and to help people to access them. The networks rolled out across the county in 2014 with clear locality plans supporting the development of local strategies.
- Continued to support troubled families – those with the most problems and who cause problems to the community around them – to make lifestyle changes and become thriving families. By January 2014 Oxfordshire had turned around 778 troubled families, the tenth highest out of 152 authorities, and the council is now an Early Starter for Phase 2 of the expanded programme, which runs through to 2020.

### **Plans for future service delivery**

2015/16 is the second year of the four-year directorate business strategies agreed by Council in February 2014. These build on the previous strategies agreed in 2011, and were not extended beyond 2017/18 due to uncertainty over future levels of government funding.

Sustained reductions in Government funding combined with pressure to restrict Council Tax increases have resulted in a significant squeeze on Council resources over recent years, at a time when demand for services has been increasing. The Corporate Plan for 2014/15 set out that over the period 2010/11 to 2017/18 the Council planned to save £265m to offset funding reductions and to meet additional expenditure pressures.

On-going expenditure pressures that were not anticipated when those savings were agreed were highlighted in the Financial Monitoring and Business Strategy Delivery reports to Cabinet throughout 2014/15. Additional savings of £27m over that period are now required to manage these pressures, bringing the total savings over the period 2010/11 to 2017/18 to £292m.

The Cabinet published its budget proposals and its recommended Budget, Medium Term Financial Plan and Capital Programme on 27 January 2015. The budget proposals were built on the premise of fairness and protecting the most vulnerable from the impact of any cuts, as well as raising income, where possible, so that reductions in service budgets are less challenging. Some of the savings have been used to re-invest in priority areas.

In setting its budget the Council must set a Council Tax Requirement, which is the amount of funding required to be raised from Council Tax to meet the expenditure plans of the authority after taking into account all other funding. Council approved the Cabinet's recommended Council Tax Requirement for 2015/16 of £288.2m on 17 February 2015. This was based on a Band D Council Tax of £1,232.46, an increase of 1.99% from the previous year.

The Capital Programme, also approved on 17 February 2015 includes planned expenditure of £127.4m for 2015/16. £96.6m of the total expenditure will be funded by grants and contributions, £15.1m through prudential borrowing and £15.7m through use of capital receipts.

As at 31 March 2015 the County Council was contractually committed to £42.451m 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 external debt (an upper limit) of £490m for 2015/16, and an operational limit (the target limit for day to day activity) of £480m. 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 £403.7m although it will be noted from the balance sheet that this is part-funding assets valued in excess of £1.1bn.

### **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**

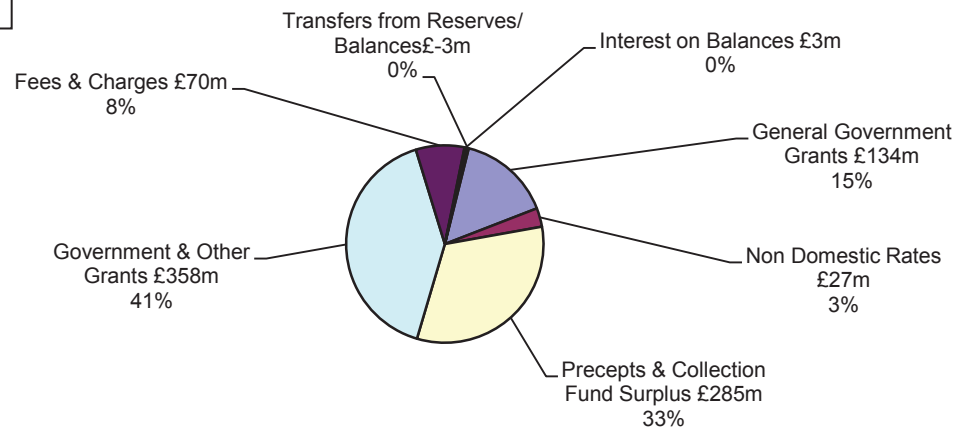
The County Council remains in a robust financial position as at 31 March 2015 despite the falling levels of government funding and increases in demand leading to pressures on Adult and Children's Social Care. While this is becoming increasingly challenging, directorates are broadly on track to deliver the required savings over the medium term. Additional balances available at the end of 2014/15 will be used to support the Medium Term Financial Plan on a one – off basis.



## FOREWORD BY THE CHIEF FINANCE OFFICER

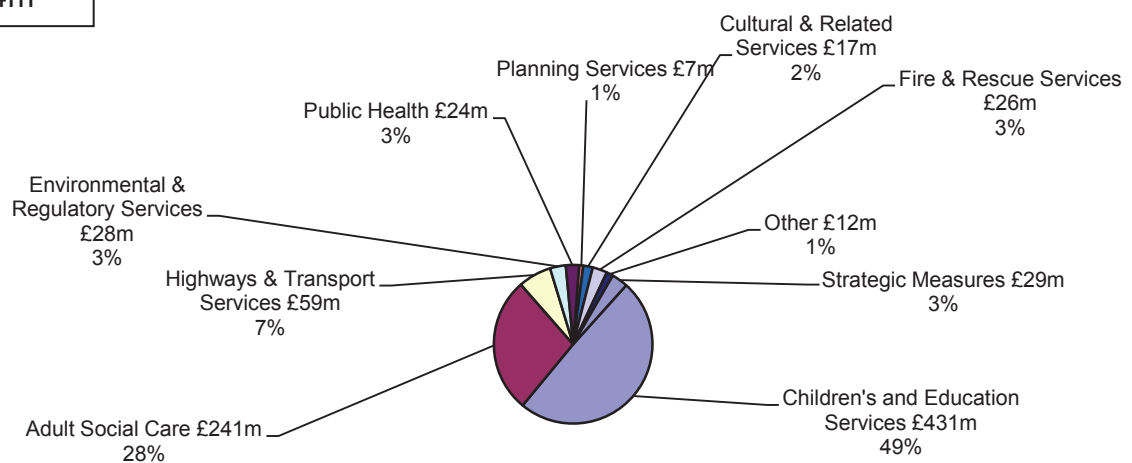
Total  
£874m

### Where the money came from



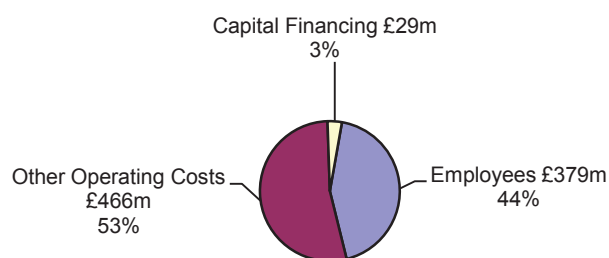
Total  
£874m

### What services have been provided with the money



Total  
£874m

### What the money was spent on



## 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 Chief Finance Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets

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

Signed: .....

Date .....

Chairman of the Audit & Governance Committee

### The Responsibilities of the Chief Finance Officer

The 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 2014/15 ('the Code of Practice').

In preparing this Statement of Accounts, the 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 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 2015.

Signed: .....

Date .....

LORNA BAXTER  
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
<b>Balance at 31 March 2013</b>		<b>18,733</b>	<b>135,667</b>	<b>10,617</b>	<b>54,130</b>	<b>219,147</b>	<b>141,286</b>	<b>360,433</b>
<b>Movement in reserves during 2013/14</b>								
Surplus (+) or deficit (-) on Provision of Services		-54,634				-54,634	0	-54,634
Other Comprehensive Expenditure and Income			-1,304			-1,304	-26,688	-27,992
<b>Total Comprehensive Income and Expenditure</b>		<b>-54,634</b>	<b>-1,304</b>	<b>0</b>	<b>0</b>	<b>-55,938</b>	<b>-26,688</b>	<b>-82,626</b>
Adjustments between accounting basis & funding basis under regulations	4	53,225		3,531	410	57,166	-57,166	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>-1,409</b>	<b>-1,304</b>	<b>3,531</b>	<b>410</b>	<b>1,228</b>	<b>-83,854</b>	<b>-82,626</b>
Transfers to/from Earmarked Reserves	48	4,170	-4,170			0	0	0
<b>Increase (+)/Decrease (-) in Year</b>		<b>2,761</b>	<b>-5,474</b>	<b>3,531</b>	<b>410</b>	<b>1,228</b>	<b>-83,854</b>	<b>-82,626</b>
<b>Balance at 31 March 2014</b>		<b>21,494</b>	<b>130,193</b>	<b>14,148</b>	<b>54,540</b>	<b>220,375</b>	<b>57,432</b>	<b>277,807</b>
<b>Movement in reserves during 2014/15</b>								
Surplus (+) or deficit (-) on Provision of Services		-92,216				-92,216	0	-92,216
Other Comprehensive Expenditure and Income			544			544	-95,928	-95,384
<b>Total Comprehensive Income and Expenditure</b>		<b>-92,216</b>	<b>544</b>	<b>0</b>	<b>0</b>	<b>-91,672</b>	<b>-95,928</b>	<b>-187,600</b>
Adjustments between accounting basis & funding basis under regulations	4	75,948		1,930	-4,920	72,958	-72,958	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>-16,268</b>	<b>544</b>	<b>1,930</b>	<b>-4,920</b>	<b>-18,714</b>	<b>-168,886</b>	<b>-187,600</b>
Transfers to/from Earmarked Reserves	48	19,071	-19,071			0	0	0
<b>Increase (+)/Decrease (-) in Year</b>		<b>2,803</b>	<b>-18,527</b>	<b>1,930</b>	<b>-4,920</b>	<b>-18,714</b>	<b>-168,886</b>	<b>-187,600</b>
<b>Balance at 31 March 2015</b>		<b>24,297</b>	<b>111,666</b>	<b>16,078</b>	<b>49,620</b>	<b>201,661</b>	<b>-111,453</b>	<b>90,208</b>

Schools' balances are held within Earmarked Reserves (see Note 48).

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2013/14			Notes	2014/15		
	Gross Expenditure £'000	Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
466,369	-341,827	124,542	Children's and Education Services	7,8	458,213	-319,012	139,201
241,185	-52,406	188,779	Adult Social Care	9	245,441	-55,362	190,079
73,289	-9,633	63,656	Highways and Transport Services		74,189	-11,251	62,938
28,487	-607	27,880	Fire and Rescue Services		30,057	-755	29,302
28,783	-1,928	26,855	Environmental and Regulatory Services		28,087	-2,116	25,971
21,358	-25,608	-4,250	Public Health		24,271	-26,216	-1,945
18,533	-1,871	16,662	Cultural and Related Services		19,532	-1,928	17,604
5,870	-1,290	4,580	Planning Services		7,355	-3,416	3,939
6,291	-1,908	4,383	Central Services to the Public		4,408	-1,839	2,569
1,696	-433	1,263	Other Corporate Services	11,12	-186	-474	-660
<b>891,861</b>	<b>-437,511</b>	<b>454,350</b>	<b>Cost of Services</b>	5,6	<b>891,367</b>	<b>-422,369</b>	<b>468,998</b>
74,953	-3,014	71,939	Other Operating Expenditure	16	110,814	-1,865	108,949
51,615	-12,049	39,566	Financing and Investment Income and Expenditure	17,18,19	54,445	-11,063	43,382
0	-511,221	-511,221	Taxation and Non-Specific Grant Income	21,22	0	-529,113	-529,113
<b>1,018,429</b>	<b>-963,795</b>	<b>54,634</b>	<b>Surplus(-) or Deficit(+) on Provision of Services</b>	5	<b>1,056,626</b>	<b>-964,410</b>	<b>92,216</b>
			<b>Items that will not be reclassified to the Surplus(-) or Deficit(+) on Provision of Services:</b>				
		-18,864	Surplus or deficit on revaluation of non-current assets	52			-39,241
		2,981	Impairment losses on non-current assets charged to the revaluation reserve	52			2,981
		42,620	Remeasurements of the net defined benefit liability (asset)	20			133,417
		26,737					97,157
			<b>Items that may be reclassified to the Surplus(-) or Deficit(+) on Provision of Services:</b>				
		-49	Surplus or deficit on revaluation of available for sale financial assets				-1,229
		1,304	Other gains or losses				-545
		1,255					-1,774
		<b>27,992</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>95,383</b>
		<b>82,626</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>187,599</b>

# BALANCE SHEET

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

As at 31 March 2014		Notes	As at 31 March 2015	
£'000			£'000	£'000
	<b>Long Term Assets</b>			
1,133,047	Property, Plant and Equipment	24	1,101,753	
7,190	Investment Property	25	7,569	
712	Intangible Assets	27	418	
86,000	Long Term Investments	36,41	47,000	
5,569	Long Term Debtors	38	5,368	
<b>1,232,518</b>	<b>Total Long Term Assets</b>			<b>1,162,108</b>
	<b>Current Assets</b>			
0	Investment Property	25	0	
76	Assets Held for Sale	26	79	
187	Inventories		55	
47,809	Debtors	39	57,168	
231,372	Short Term Investments	36,41	289,608	
16,348	Cash and Cash Equivalents	40	22,318	
<b>295,792</b>	<b>Total Current Assets</b>			<b>369,228</b>
	<b>Current Liabilities</b>			
-21,411	Short Term Borrowing	36,41	-35,403	
-85,440	Short Term Creditors and Revenue Receipts in Advance	42	-98,262	
-4,237	Provisions due within 1 year	43,44	-4,656	
-828	Short Term Finance liability	30,31	-815	
-16,653	Short Term Capital Grants Receipts in Advance	46	-31,760	
<b>-128,569</b>	<b>Total Current Liabilities</b>			<b>-170,896</b>
	<b>Long Term Liabilities</b>			
-2,606	Long Term Creditors and Revenue Receipts in Advance	42	-3,273	
-6,879	Provisions due over 1 year	43,44	-7,470	
-384,383	Long Term Borrowing	36,41	-368,383	
-666,812	Pension Liability	20	-822,003	
-26,500	Long Term Finance Liability	30,31, 36,41	-25,678	
-4,130	Deferred Income	45	-3,796	
-30,624	Long Term Capital Grants Receipts in Advance	46	-39,629	
<b>-1,121,934</b>	<b>Total Long Term Liabilities</b>			<b>-1,270,232</b>
<b>277,807</b>	<b>Net Assets</b>			<b>90,208</b>
	<b>Financed from:</b>			
<b>220,375</b>	<b>Usable Reserves</b>	47-50		<b>201,661</b>
<b>57,432</b>	<b>Unusable Reserves</b>	51-56		<b>-111,453</b>
<b>277,807</b>	<b>Total Reserves</b>			<b>90,208</b>

## CASH FLOW STATEMENT

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

2013/14 £'000		Notes	2014/15 £'000
54,634	Net (surplus) or deficit on the provision of services		92,216
-109,315	Adjust net surplus or deficit on the provision of services for non-cash movements	57	-154,787
57,838	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		68,610
3,157	Net cash flows from Operating Activities	58	6,039
-18,305	Investing Activities	59	-14,836
11,821	Financing Activities	60	2,827
<b>-3,327</b>	<b>Net increase (-) or decrease (+) in cash and cash equivalents</b>		<b>-5,970</b>
13,021	Cash and cash equivalents at the beginning of the reporting period		16,348
<b>16,348</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>22,318</b>

## **1. Summary of Significant Accounting Policies**

### **General**

The Statement of Accounts summarises the County Council's transactions for the 2014/15 financial year and its position at the year-end 31 March 2015. It has been compiled in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code)*, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and with the Service Reporting Code of Practice 2014/15 (SeRCOP) also issued by CIPFA.

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 and financial instruments. The accounts have been prepared on a going concern basis, that is, the accounts have been prepared on the assumption that the functions of the County Council will continue in operational existence for the foreseeable future.

### **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

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.

### 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.

### 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 2015) 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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 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 the Thames Valley Police & Crime Commissioner). 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### **Business Rates income**

The Business Rates 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 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 central government and the County Council in collecting Business Rates. The cash collected from Business Ratepayers belongs proportionately to the district councils, central government and the County Council. 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 is not the same as its share of cash collected from Business Ratepayers. The County Council recognises its share of Business Rates debtor and creditor balances, impairment allowances for doubtful debts and provisions for losses on appeal in its Balance Sheet. The Cash Flow Statement of the County Council includes the net Business Rates cash received from the Collection Fund in the year.

### **Employee Benefits**

Accounting policies for employee benefits are consistent with International Accounting Standard 19. This sets out recognition criteria for termination benefits, new definitions for retirement benefit service costs and classes of components of defined benefit cost to be recognised in the financial statements.

#### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as 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 in exchange for those benefits and are charged on an accrual basis to the relevant service line in the Cost of Services at the earlier of when the County Council can no longer withdraw the offer of those benefits or when the County Council recognises costs for a restructuring.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 four pension schemes: the Local Government Pension Scheme, the Fire-fighters' Pension Scheme (1992 and 2006 schemes and injury compensation scheme), the Teachers' Pension Scheme and the NHS Pension Scheme.

These schemes provide defined benefits to members. However, the arrangements for the teachers' pension scheme and the NHS pension scheme mean that liabilities for these benefits cannot be identified to the County Council. These schemes are therefore accounted for as if they are defined contributions schemes – no liability for future payment of benefits is recognised in the Balance Sheet and the relevant service lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable 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:

- Current service cost – the increase in the present value of a scheme's liabilities resulting from employee service in the current period. This is included in the relevant service line within the Cost of Services.
- Past service cost – the increase in the present value of the scheme liabilities for employee service in prior periods, resulting from a scheme amendment or curtailment. This is included in Non Distributed Costs within the Cost of Services.
- Gain/loss on settlement – changes in liabilities relating to actions that relieve the County Council of primary responsibility for a pension obligation. This is included in Non Distributed Costs within the Cost of Services.

The net interest on the defined benefit liability (asset) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time - is included in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. Remeasurements comprising actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary has updated their assumptions – and the return on scheme assets, excluding amounts included in net interest on the net defined liability (asset), 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 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### **Private Finance Initiative (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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### Carbon Reduction Commitment Scheme

The County Council was required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The scheme's introductory phase ended on 31 March



2014. The County Council was required to purchase and surrender allowances on the basis of emissions i.e. carbon dioxide produced as energy was used. As energy was used a liability and an expense were recognised. The liability was subsequently discharged by surrendering allowances. The cost to the County Council was recognised and reported in the Cost of Services for 2013/14 and was apportioned to services on the basis of energy consumption. Since the scheme finished on 31 March 2014 and the council is not participating in the on-going scheme there is no further liability or effect on the Cost of Services for 2014/15.

### **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. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either 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 collaborates with other organisations through jointly controlled entities, operations or assets or through joint ventures. It may also exercise significant influence as an associate in entity created as a collaborative arrangement. For 2014/15 the County Council did not have any such interests and therefore prepared these accounts only as a single entity rather than as group accounts. For 2015/16 onwards group accounts will be required to show expenditure and income relating to the Local Enterprise Partnership which was incorporated as a company limited by guarantee on 1 April 2015, but for which the County Council remains the accountable body.

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, teachers and public health (former NHS staff), 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015
- 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 £17.352m as at 31 March 2015) 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.
- The Code requires heritage assets to be recognised 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 is acting as the Accountable Body for the Oxfordshire Local Enterprise Partnership (LEP). The LEP is made up of representatives from business, academia and the wider public sector, including the County Council. The Partnership's overarching aim is to be the catalyst for realising Oxfordshire's economic and commercial potential. The LEP received £8.370m of the Growing Places Fund in 2011/12 to spend on capital projects to address infrastructure needs. The remaining £8.223m has been recognised as a capital grant receipt in advance as at 31 March 2015 as there is an obligation to return the funds if it is not spent on capital projects in due course.



### **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 2015 for which there is significant risk of material adjustment in the forthcoming year are as follows:

#### Property, Plant and Equipment

As at 31 March 2015 the County Council had £653m 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 £0.367m for every year that useful lives had to be reduced.

#### Debtors

As at 31 March 2015 the County Council had a balance for current debtors of £65.908m and had estimated an impairment allowance for doubtful debts of £8.740m. The impairment allowance comprises £1.503m for the County Council's own debts based on the age and type of each debt and £7.237m for the County Council's share of Council Tax and Business Rates 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 £0.150m to be set aside as an allowance by the County Council and £0.724m from the Collection Funds.

#### Provisions

As at 31 March 2015 the County Council made a provision of £8.117m 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 £0.812m effect on the provision required.

#### Pensions Liability

Estimation of the net liability to pay pensions (£822.003m as at 31 March 2015) depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase and mortality rates. 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 2014/15 the County Council's actuaries advised that the net pensions liability had decreased by £2.213m as a result of estimates being corrected as a result of experience, and increased by £195.932m attributable to updating of the financial assumptions relating to pensions liabilities.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contribns Unapplied £'000	Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u>					
Charges for depreciation and amortisation	28,519				-28,519
Impairment losses	3,370				-3,370
Revaluation losses	-1,156				1,156
Movement in the market value of investment property	-508				508
Capital grants and contributions applied net of capital financing reversed	-60,297			-28,132	88,429
Revenue expenditure funded from capital under statute	22,618				-22,618
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	110,790				-110,790
<u>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>					
Statutory provision for the repayment of debt	-17,693				17,693
Capital expenditure charged to the County Fund Balance net of capital financing reversed	-6,607				6,607
Repayment of loans			131		-131
<b>Adjustments primarily involving the Capital Grants and Contributions Unapplied Account</b>					
Capital grants and contributions unapplied credited to the CIES	-23,212			23,212	
<b>Adjustments primarily involving the Capital Receipts Unapplied</b>					
Transfer of net sale proceeds credited as part of the gain/loss on disposals	-1,799		1,799		

# NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 continued	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbns Unapplied £'000	Unusable Reserves £'000
<b>Adjustments primarily involving the Pensions Reserve</b> Net charge made for retirement benefits debited or credited to the CIES	21,774				-21,774
<b>Adjustments primarily involving the Financial Instrument Adjustment Account</b> Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	-55				55
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b> 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	-151				151
Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business Rates income calculated for the year in accordance with statutory requirements	1,786				-1,786
<b>Adjustments primarily involving the Accumulated Absences Account</b> 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	-1,431				1,431
<b>Total</b>	<b>75,948</b>	<b>0</b>	<b>1,930</b>	<b>-4,920</b>	<b>-72,958</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contribns Unapplied £'000	Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u>					
Charges for depreciation and amortisation	30,751				-30,751
Impairment losses	5,942				-5,942
Revaluation losses	-6,267				6,267
Movement in the market value of investment property	-1,078				1,078
Capital grants and contributions applied net of capital financing reversed	-51,074			-7,697	58,771
Revenue expenditure funded from capital under statute	15,516				-15,516
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	74,848				-74,848
<u>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>					
Statutory provision for the repayment of debt	-18,046				18,046
Capital expenditure charged to the County Fund Balance net of capital financing reversed	-7,209				7,209
Repayment of loans			570		-570
<b>Adjustments primarily involving the Capital Grants and Contributions Unapplied Account</b>					
Capital grants and contributions unapplied credited to the CIES	-8,107			8,107	
<b>Adjustments primarily involving the Capital Receipts Unapplied</b>					
Transfer of net sale proceeds credited as part of the gain/loss on disposals	-2,961		2,961		

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14 continued	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbns Unapplied £'000	Unusable Reserves £'000
<b>Adjustments primarily involving the Pensions Reserve</b> Net charge made for retirement benefits debited or credited to the CIES	23,209				-23,209
<b>Adjustments primarily involving the Financial Instrument Adjustment Account</b> Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	-72				72
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b> 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	-2,171				2,171
Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business Rates income calculated for the year in accordance with statutory requirements	1,030				-1,030
<b>Adjustments primarily involving the Accumulated Absences Account</b> 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	-1,086				1,086
<b>Total</b>	<b>53,225</b>	<b>0</b>	<b>3,531</b>	<b>410</b>	<b>-57,166</b>

**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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

<b>2014/15</b>	<b>Children, Education &amp; Families</b>	<b>Social &amp; Community Services</b>	<b>Environment &amp; Economy</b>	<b>Chief Executive's Office</b>	<b>Public Health</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges & other service income	-29,463	-146,585	-95,971	-17,296	-241	<b>-289,556</b>
Government grants and contributions	-312,043	-19,255	-13,718	-2,495	-26,248	<b>-373,759</b>
<b>Total Income</b>	<b>-341,506</b>	<b>-165,840</b>	<b>-109,689</b>	<b>-19,791</b>	<b>-26,489</b>	<b>-663,315</b>
Employee expenses	252,202	56,521	48,666	22,807	1,584	<b>381,780</b>
Other operating expenses	181,800	207,362	131,188	10,285	24,262	<b>554,897</b>
Support service recharges	14,806	116,296	11,644	7,238	643	<b>150,627</b>
<b>Total operating expenses</b>	<b>448,808</b>	<b>380,179</b>	<b>191,498</b>	<b>40,330</b>	<b>26,489</b>	<b>1,087,304</b>
<b>Directorate Provisional Outturn</b>	<b>107,302</b>	<b>214,339</b>	<b>81,809</b>	<b>20,539</b>	<b>0</b>	<b>423,989</b>

### 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.

<b>2014/15</b>	<b>£'000</b>
<b>Directorate Provisional Outturn</b>	<b>423,989</b>
Add services not included in main analysis	945
Add amounts not reported in provisional outturn	85,983
Remove amounts reported in the provisional outturn not included in the Comprehensive Income and Expenditure Statement	-41,919
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>468,998</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

2014/15	Directorate Analysis	Services not in analysis	Not reported in provisional outturn	Not included in Cost of Services	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-289,556	-35	-825	4,152	220,124	-66,140	-3,898	-70,038
Proceeds from the disposal of non-current assets	0	0	0	0	0	0	-1,865	-1,865
Interest and investment income	0	0	0	0	0	0	-2,730	-2,730
Income from council tax	0	0	0	0	0	0	-284,813	-284,813
Government grants and contributions	-373,759	0	-309	2,999	14,840	-356,229	-248,735	-604,964
<b>Total Income</b>	<b>-663,315</b>	<b>-35</b>	<b>-1,134</b>	<b>7,151</b>	<b>234,964</b>	<b>-422,369</b>	<b>-542,041</b>	<b>-964,410</b>
Employee expenses	381,780	829	32,930	-41,132	-1,249	373,158	3,304	376,462
Other service expenses	554,897	151	22,618	-7,938	-82,264	487,464	3,039	490,503
Support Service recharges	150,627	0	824	0	-151,451	0	0	0
Depreciation, amortisation, impairments and revaluations	0	0	30,744	0	0	30,744	-508	30,236
Net interest expense on the pension defined liability	0	0	0	0	0	0	27,810	27,810
Interest payable and similar charges	0	0	0	0	0	0	20,801	20,801
Costs from the disposal of non-current assets	0	0	0	0	0	0	110,814	110,814
<b>Total operating expenses</b>	<b>1,087,304</b>	<b>980</b>	<b>87,116</b>	<b>-49,070</b>	<b>-234,964</b>	<b>891,366</b>	<b>165,260</b>	<b>1,056,626</b>
<b>Surplus or deficit on the provision of services</b>	<b>423,989</b>	<b>945</b>	<b>85,982</b>	<b>-41,919</b>	<b>0</b>	<b>468,997</b>	<b>-376,781</b>	<b>92,216</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative figures for 2013/14 for the directorate analysis and reconciliations are set out below.

2013/14	Children, Education & Families	Social & Community Services	Environment & Economy	Chief Executive's Office	Public Health	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-35,153	-129,636	-98,100	-14,881	-76	-277,846
Government grants and contributions	-333,688	-18,454	-11,392	-2,084	-25,608	-391,226
<b>Total Income</b>	<b>-368,841</b>	<b>-148,090</b>	<b>-109,492</b>	<b>-16,965</b>	<b>-25,684</b>	<b>-669,072</b>
Employee expenses	278,705	51,267	48,499	18,804	1,322	398,597
Other operating expenses	180,721	203,043	129,415	10,456	23,798	547,433
Support service recharges	16,009	104,031	10,677	7,602	564	138,883
<b>Total operating expenses</b>	<b>475,435</b>	<b>358,341</b>	<b>188,591</b>	<b>36,862</b>	<b>25,684</b>	<b>1,084,913</b>
<b>Directorate Provisional Outturn</b>	<b>106,594</b>	<b>210,251</b>	<b>79,099</b>	<b>19,897</b>	<b>0</b>	<b>415,841</b>

### Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement

2013/14	£'000
<b>Directorate Provisional Outturn</b>	<b>415,841</b>
Add services not included in main analysis	1,700
Add amounts not reported in provisional outturn	83,248
Remove amounts reported in the provisional outturn not included in the Comprehensive Income and Expenditure Statement	-46,439
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>454,350</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Reconciliation to Subjective Analysis

2013/14	Directorate Analysis	Services not in analysis	Not reported in provisional outturn	Not included in Cost of Services	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-277,846	-6	-683	4,410	209,147	-64,978	-4,089	-69,067
Proceeds from the disposal of non-current assets						0	-3,014	-3,014
Interest and investment income						0	-3,312	-3,312
Income from council tax						0	-275,384	-275,384
Government grants and contributions	-391,226		-186	3,508	15,371	-372,533	-240,485	-613,018
<b>Total Income</b>	<b>-669,072</b>	<b>-6</b>	<b>-869</b>	<b>7,918</b>	<b>224,518</b>	<b>-437,511</b>	<b>-526,284</b>	<b>-963,795</b>
Employee expenses	398,597	1,499	37,528	-41,388	-8,981	387,255	3,530	390,785
Other service expenses	547,433	207	15,584	-12,969	-76,075	474,180	3,494	477,674
Support Service recharges	138,883		579		-139,462	0		0
Depreciation, amortisation, impairments and revaluations			30,426			30,426	-1,078	29,348
Pension interest costs and expected return on assets						0	24,811	24,811
Interest payable and similar charges						0	20,858	20,858
Costs from the disposal of non-current assets						0	74,953	74,953
<b>Total operating expenses</b>	<b>1,084,913</b>	<b>1,706</b>	<b>84,117</b>	<b>-54,357</b>	<b>-224,518</b>	<b>891,861</b>	<b>126,568</b>	<b>1,018,429</b>
<b>Surplus or deficit on the provision of services</b>	<b>415,841</b>	<b>1,700</b>	<b>83,248</b>	<b>-46,439</b>	<b>0</b>	<b>454,350</b>	<b>-399,716</b>	<b>54,634</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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). Set out below is a breakdown by division of service, including the new divisions for Adult Social Care and Children's and Education Services. Figures for 2013/14 have been allocated to the 2014/14 SeRCOP mandatory categories for comparative purposes.

Service	Division of Service	2013/14 £'000	2014/15 £'001
Children's and Education Services	Early Years	9,306	1,612
	Primary schools	16,003	12,214
	Secondary schools	11,295	21,715
	Special schools	-604	1,449
	Services to Young People & Other Community Learners	997	0
	Post-16 provision	33	143
	Other Education And Community Budget	31,899	34,712
	Sure Start Children'S Centres/Flying Start And Early Years	12,454	8,727
	Safeguarding Children and Young People's Services	1,069	2,984
	Services For Young People	12,494	8,286
	Children Looked After	14,814	30,128
	Family Support Services	10,986	13,548
	Youth Justice	813	470
	Asylum Seekers	1,157	1,242
	Other Children's & Family Services	0	63
	Supporting People Services	1826	1,908
	<u>Total Children's and Education Services</u>	<u>124,542</u>	<u>139,201</u>
Adult Social Care	Physical Support Adults (18 - 64)	16,270	15,989
	Physical Support Older People (65+)	39,452	41,013
	Sensory Support Adults (16 - 64)	235	141
	Sensory Support Older People (65+)	977	636
	Support With Memory And Cognition Adults (16 - 64)	848	213
	Support With Memory And Cognition Older People (65+)	1,852	1,876
	Learning Disabilities Support Adults (16 - 64)	56,675	57,994
	Learning Disabilities Support Older People (65+)	6,557	6,774
	Mental Health Support Adults (16 - 64)	5,828	5,902
	Mental Health Support Older People (65+)	2,174	2,161
	Short-Term Support: Learning Disability Support - Adults (16 - 64)	285	189
	Short-Term Support: Physical Support - Older People (65+)	970	1,044
	Short-Term Support: Support With Memory Cognition - Older People (65+)	248	260
	Short-Term Support: Learning Disability Support - Older People (65+)	34	22
	Social Support: Substance Misuse Support	407	273
	Social Support: Asylum Seeker Support	46	28
	Social Support: Support To Carers	1,832	1,863
	Social Support: Social Isolation	2,603	2,567
	Assistive Equipment And Technology	5,699	5,169
	Social Care Activities	16,951	16,911
	Information And Early Intervention	2,758	2,581
	Commissioning And Service Delivery	20,233	20,654
	Supporting People	5,845	5,819
	<u>Total Adult Social Care</u>	<u>188,779</u>	<u>190,079</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

Service	Division of Service	2013/14 £'000	2014/15 £'001
Highways & Transport Services	Transport Planning, Policy and Strategy	7,050	8,453
	Structural Maintenance	18,248	17,053
	Environment, Safety and Routine Maintenance	17,558	18,235
	Street Lighting (including energy costs)	4,432	4,593
	Winter Service	1,578	1,888
	Traffic management and Road safety	2,291	2,427
	On Street Parking Service	-2,009	-1,887
	Off Street Parking Service	1,263	-116
	Public Transport	13,245	12,292
	<u>Total Highways &amp; Transport Services</u>	63,656	62,938
Environmental & Regulatory Services	Regulatory Services	2,085	2,138
	Flood Defence and Land Drainage	531	528
	Waste Disposal	18,841	17,780
	Trade Waste	-25	-18
	Recycling	5,148	5,407
	Waste Minimisation	275	136
	<u>Total Environmental &amp; Regulatory Services</u>	26,855	25,971
Fire and Rescue Services	Fire-fighting and Rescue Operations	27,418	29,113
	Safer Communities	462	189
	<u>Total Fire and Rescue Services</u>	27,880	29,302
Cultural & Related Services	Culture & Heritage	2,980	2,971
	Open Spaces	2,217	2,081
	Recreation & Sport	101	110
	Library Service	11,364	12,442
	<u>Total Cultural &amp; Related Services</u>	16,662	17,604
Planning Services	Planning Policy	819	768
	Development Control	1,540	1,413
	Economic Development	806	858
	Economic Research	162	67
	Business Support	761	536
	Environmental Initiatives	492	297
	Community Development	0	0
	<u>Total Planning Services</u>	4,580	3,939
Public Health	Sexual Health	-1,195	-403
	NHS Health Check Programme	-58	-55
	Health Protection	-66	-19
	National Child Measurement Programme	-63	1
	Public Health Advice	-70	-72
	Obesity	-151	-96
	Physical Activity	-19	-27
	Substance Misuse	-1,621	-593
	Smoking and Tobacco	-182	-25
	Children 15-19 Public Health Programmes	-109	-261
	Miscellaneous Public Health Services	-716	-395
	<u>Total Public Health</u>	-4,250	-1,945

# NOTES TO THE CORE FINANCIAL STATEMENTS

Service	Division of Service	2013/14 £'000	2014/15 £'001
Central Services to the Public	Registration Services	559	652
	Emergency Planning	413	427
	Coroners Court Services	868	926
	Local Welfare Assistance Schemes	599	21
	* Elections		7
	* General Grants	1,944	536
	<u>Total Central Services to the Public</u>	4,383	2,569
Other Corporate Services (Incl Strategic Measures)			
	Democratic Representation & Management	2,705	3,421
	Corporate Management	2,061	2,088
	Non Distributed Costs	-3,503	-6,169
	<u>Total Other Corporate Services</u>	1,263	-660
	<b>Total Net Cost of Services</b>	<b>454,350</b>	<b>468,998</b>

## 7. Dedicated Schools Grant (DSG)

The County Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the County Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2013. The School Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2014/15 (with comparative figures for 2013/14) are as follows:

2013/14				2014/15		
Central Expenditure	ISB	Total		Central Expenditure	ISB	Total
£'000	£'000	£'000		£'000	£'000	£'000
		412,849	Final DSG before academy recoupment			416,212
		-121,646	Less academy figure recouped for the year			-149,458
		291,203	Total DSG after academy recoupment			266,754
		8,898	Brought forward from previous year			11,895
		-2,494	Less carry forward to next year agreed in advance			-5,089
81,642	215,985	297,627	Agreed initial budgeted distribution	87,467	186,093	273,560
		0	In year adjustments			0
81,642	215,985	297,627	Final budget distribution	87,467	186,093	273,560
-72,241		-72,241	Less actual central expenditure	-81,421		-81,421
	-215,985	-215,985	Less actual ISB deployed to schools		-186,093	-186,093
		0	County Council contribution			0
<b>9,401</b>	<b>0</b>	<b>11,895</b>	<b>Carry forward to next year</b>	<b>6,046</b>	<b>0</b>	<b>11,135</b>

## **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 & Crime Commissioner, National Probation Service, the Oxfordshire Clinical Commissioning Group, Huntercombe Young Offenders Institute and the Youth Justice Board. The service operates a pooled budget and in 2014/15 the gross income and expenditure were £1.589m and £1.390m respectively (2013/14 £1.611m and £1.554m). The County Council's contribution to the pooled budget was £0.490m (£0.511m in 2013/14).

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

The County Council and the Oxfordshire Clinical Commissioning Group have a joint commissioning and pooled budget arrangement for Older People, Equipment and Physical Disabilities. 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. The pooled budget arrangement has operated since April 2002 (formerly with the Oxfordshire Primary Care Trust) and was expanded in 2013 to include additional services. A further expansion was agreed in 2014.

For 2014/15, the County Council contributed £104.421m to the pooled budget (2013/14 £103.22m). A summary of the pooled budget memorandum account shows:

<b>2013/14</b>		<b>2014/15</b>		
		<b>Older People &amp; Equipment</b>	<b>Physical Disability</b>	<b>Total</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
199,596	Gross income	182,095	19,373	201,468
199,596	Gross expenditure	182,095	19,373	201,468
103,022	Authority's contribution	92,449	11,972	104,421

A number of other partnership arrangements for adult social care and health services are in place:

- The County Council and the Oxfordshire Clinical Commissioning Group 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 2014/15 the gross income and expenditure were £85.253m and £85.253m respectively (2013/14 £82.411m and £82.411m). The County Council contributed £72.347m to the pooled budget (2013/14 £69.908m)
- The County Council has a pooled budget arrangement with the Oxford Health Trust for the provision of mental health services. The NHS Trust is the lead in this arrangement. In 2014/15 the gross income and expenditure were £10.737m and £10.737m respectively (2013/14 £10.737m and £10.737m). The County Council contributed £2.390m to the pooled budget (£1.802m of which via the mental health commissioning



pooled budget) (2013/14 contribution of £2.387m, £1.847m of which was via the mental health commissioning pooled budget).

- The County Council and the Oxfordshire Clinical Commissioning Group have a joint commissioning and pooled budget arrangement to streamline mental health commissioning. The Oxfordshire Clinical Commissioning Group is the lead in this arrangement. In 2014/15 the gross income and expenditure were £49.016m and £49.162m respectively (2013/14 £49.978m and £50.033m). The County Council contributed £9.436m to this pool, of which £1.802m was paid to the mental health provision pooled budget. (The County Councils' contribution in 2013/14 was £9.224m, which included £1.847m 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.<br>Charged to the Surplus or Deficit on the Provision of Services: £237,386<br>(£291,854 in 2013/14)   |
| (ii) | Oxford City Council only  | Highways Act 1980 Section 42.<br>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: £852,547 (£699,496 in 2013/14)<br>Charged to capital : £835,445 (£641,439 in 2013/14) |

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

In 2014/15 the County Council operated ICT services on an agency basis on behalf of Oxford City Council. There were two parts to the agency agreement with Oxford City Council - provision of services and replacement of equipment and ICT infrastructure. The revenue expenditure for 2014/15 was £1,128,357 (£1,204,707 for 2013/14). This was matched by income for 2014/15 of £1,128,357 (£1,204,707 for 2013/14). As in 2013/14, there was no capital expenditure under the agreement. The cost of the capital expenditure has been fully repaid by the City Council, with a final payment of £343,663 in 2013/14.

## 11. Members' Allowances

<b>Allowances &amp; expenses</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Allowances	755	726
Travel & Subsistence	37	40
<b>Total</b>	<b>792</b>	<b>766</b>

The number of councillors was unchanged at 63 in 2014/15. The basic allowance remained unchanged in 2014/15 but Special Responsibility Allowances were amended to better reflect the responsibilities of the relevant roles.

## 12. Audit and Inspection Fee

The County Council's external auditors are Ernst & Young. The following fees were incurred relating to external audit and grant certification work. Other costs include the Oxfordshire Strategic Financial Case for a Unitary Council (published January 2015).

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Code of Practice Work	146	146
Code of Practice Work - prior year rebates	-20	-15
Statutory Inspection	0	0
Certification of Grant Claims and Returns	1	7
Other Related Costs	1	40
<b>Total</b>	<b>128</b>	<b>178</b>

There was no statutory inspection work in 2013/14 or 2014/15.

## 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. 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 is set out in the following table. In accordance with the 2011 regulations, the figures exclude senior employees whose remuneration is disclosed separately.

# NOTES TO THE CORE FINANCIAL STATEMENTS

Band (£)	Number of Employees					
	School	Non-School	Total	School	Non-School	Total
	2013/14	2013/14	2013/14	2014/15	2014/15	2014/15
50,000-54,999	77	77	154	75	76	151
55,000-59,999	64	62	126	54	49	103
60,000-64,999	33	23	56	34	32	66
65,000-69,999	16	17	33	14	14	28
70,000-74,999	9	8	17	11	17	28
75,000-79,999	8	16	24	1	14	15
80,000-84,999	6	4	10	5	4	9
85,000-89,999	2	3	5	4	2	6
90,000-94,999	2	2	4	1	1	2
95,000-99,999	1	2	3	0	3	3
100,000-104,999	1	0	1	1	2	3
105,000-109,999	0	0	0	0	0	0
110,000-114,999	0	0	0	0	0	0
115,000-119,999	0	0	0	0	0	0
120,000-124,999	1	0	1	0	0	0
125,000-129,999	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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 Post Holder Information	Salary (Including Fees & Allowances)	Expense Allowances	Compensation for Loss of Employment	Other Emoluments	Total Remuneration Excluding Pension Contributions 2014/15	Employers Pension Contribution	Total Remuneration Including Pension Contributions 2014/15
	£	£	£	£	£	£	£
Chief Executive - Joanna Simons	192,145			0	192,145	38,237	230,382
Chief Finance Officer	110,000			0	110,000	21,890	131,890
Monitoring Officer and Head of Law & Governance	115,046			0	115,046	22,894	137,940
Head of Human Resources	115,000			0	115,000	22,885	137,885
Head of Policy	70,110			0	70,110	13,952	84,062
Director for Children, Education & Families	144,821			0	144,821	28,819	173,640
Deputy Director Education & Early Intervention to September 2014	45,987			0	45,987	9,151	55,138
Deputy Director Children's Social Care	99,133			0	99,133	19,727	118,860
Director for Environment & Economy	130,770			0	130,770	26,023	156,793
Director for Environment & Economy to April 2014	6,469			0	6,469	289	6,758
Deputy Director for Commercial & Delivery	99,133			0	99,133	19,727	118,860
Deputy Director for Strategy & Infrastructure Planning from July 2014	72,017			0	72,017	14,331	86,348
Deputy Director - Oxfordshire Customer Services	99,133			0	99,133	19,727	118,860
Director for Social & Community Services (*)	134,984			0	134,984	26,862	161,846
Deputy Director Joint Commissioning from September 2014	52,387			0	52,387	10,425	62,812
Deputy Director Joint Commissioning to May 2014	15,723			0	15,723	3,129	18,852
Deputy Director for Adult Social Care from May 2014	83,375			0	83,375	16,592	99,967
Chief Fire Officer	131,020			633	131,653	27,907	159,560
Director of Public Health - Jonathan McWilliam	180,987			0	180,987	21,362	202,349
Deputy Director of Public Health	104,361			0	104,361	14,473	118,834
<b>Total</b>	<b>2,002,601</b>	<b>0</b>	<b>0</b>	<b>633</b>	<b>2,003,234</b>	<b>378,402</b>	<b>2,381,636</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14 Post Holder Information	Salary (Including Fees & Allowances)	Expense Allowances	Compensation for Loss of Employment	Other Emoluments	Total Remuneration Excluding Pension Contributions 2013/14	Employers Pension Contribution	Total Remuneration Including Pension Contributions 2013/14
	£	£	£	£	£	£	£
Chief Executive - Joanna Simons	184,255				184,255	35,561	219,816
Assistant Chief Executive and Chief Finance Officer to September 2013	53,673				53,673	10,359	64,032
Chief Finance Officer - from October 2013	47,536				47,536	9,174	56,710
Monitoring Officer and Head of Law & Governance	98,152			2,532	100,684	19,432	120,116
Head of Human Resources	98,152				98,152	18,943	117,095
Deputy Chief Finance Officer to September 2013	43,304				43,304	8,358	51,662
Head of Policy	53,304				53,304	10,288	63,592
Director for Children, Education & Families	138,875				138,875	26,803	165,678
Deputy Director Education & Early Intervention	98,152				98,152	18,943	117,095
Deputy Director Children's Social Care from October 2013	53,298				53,298	10,286	63,584
Director for Environment & Economy	129,476				129,476	24,989	154,465
Director for Environment & Economy (designate) from October 2013	71,066				71,066	13,716	84,782
Deputy Director for Commercial & Delivery	98,152				98,152	18,943	117,095
Deputy Director for Strategy & Infrastructure Planning to February 2014	90,500				90,500	17,467	107,967
Deputy Director - Oxfordshire Customer Services	95,072				95,072	18,349	113,421
Director for Social & Community Services	129,476				129,476	24,989	154,465
Deputy Director Joint Commissioning	98,152				98,152	18,943	117,095
Deputy Director for Adult Social Care to October 2013	44,854				44,854	8,657	53,511
Chief Fire Officer	120,645			531	121,176	25,697	146,873
Director of Public Health - Jonathan McWilliam	179,972				179,972	21,362	201,334
Deputy Director of Public Health	103,376				103,376	14,473	117,849
<b>Total</b>	<b>2,029,442</b>	<b>0</b>	<b>0</b>	<b>3,063</b>	<b>2,032,505</b>	<b>375,732</b>	<b>2,408,237</b>

#### **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 are based on HR records for leavers in the year adjusted for accruals. Where there is a difference between the accrued amount and the actual payment in the following year this is shown as a reconciling adjustment at the foot of the table – in some instances the actual payment was higher than the accrued amount and in other instances the actual payment was lower. 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.

	<b>Exit packages 2014/15</b>					
<b>Band (£)</b>	<b>Compulsory</b>		<b>Other</b>		<b>Total</b>	
	<b>No.</b>	<b>£'000</b>	<b>No.</b>	<b>£'000</b>	<b>No.</b>	<b>£'000</b>
0 - 19,999	73	572	59	477	132	1,049
20,000 - 39,999	28	832	8	226	36	1,058
40,000 - 59,999	13	592	3	135	16	727
60,000 - 79,999	5	320	0	0	5	320
80,000 - 99,999	1	96	1	85	2	181
100,000 - 149,999	2	262	0	0	2	262
150,000 - 199,999	0	0	0	0	0	0
<b>Total</b>	<b>122</b>	<b>2,674</b>	<b>71</b>	<b>923</b>	<b>193</b>	<b>3,597</b>
Add new provisions created						82
Less amounts provided for in previous year						0
Add unused amount of previous year's provision						0
Adjust for differences between payments and accruals						-155
<b>Total cost of exit packages in the Comprehensive Income and Expenditure Statement</b>						<b>3,524</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Band (£)	Exit packages 2013/14					
	Compulsory		Other		Total	
	No.	£'000	No.	£'000	No.	£'000
0 - 19,999	28	169	48	328	76	497
20,000 - 39,999	5	141	9	241	14	382
40,000 - 59,999	1	44	6	275	7	319
60,000 - 79,999	0	0	0	0	0	0
80,000 - 99,999	1	87	2	184	3	271
100,000 - 149,999	0	0	0	0	0	0
150,000 - 199,999	0	0	0	0	0	0
<b>Total</b>	<b>35</b>	<b>441</b>	<b>65</b>	<b>1,028</b>	<b>100</b>	<b>1,469</b>
Add new provisions created						0
Less amounts provided for in previous year						-292
Add unused amount of previous year's provision						0
Adjust for differences between payments and accruals						-526
<b>Total cost of exit packages in the Comprehensive Income and Expenditure Statement</b>						<b>651</b>

### 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 2013/14.

	2013/14		2014/15	
	Plant, vehicles & equipment	Land and buildings	Plant, vehicles & equipment	Land and buildings
	£'000	£'000	£'000	£'000
Minimum lease payments charged in year	1,267	3,278	967	2,162
Contingent rents charged in year	388	125	458	111
Sublease payments received in year	0	-61	0	-57
Future minimum lease payments:				
Within 1 year	907	2,406	828	1,823
Within 2nd - 5th years	1,715	5,590	1,407	4,367
6th year and beyond	106	5,925	20	1,907
Total commitments	2,728	13,921	2,255	8,097
Total future sublease payments receivable	0	-143	0	-137

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 2013/14. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14		2014/15	
	Plant, vehicles & equipment £'000	Land and buildings £'000	Plant, vehicles & equipment £'000	Land and buildings £'000
Minimum lease payments receivable in year	0	1,302	0	1,229
Contingent rents receivable in year	0	879	0	671
Future minimum lease payments receivable:				
Within 1 year	0	935	0	911
Within 2nd - 5th years	0	2,380	0	2,268
6th year and beyond	0	19,465	0	18,924
Total receivable	0	22,780	0	22,103

Contingent rents for 2013/14 and 2014/15 included backdated rent increases.

### 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.

	2013/14 £'000	2014/15 £'000
Capital receipts	-3,056	-1,852
Disposal costs charged against capital receipts	95	52
Net capital receipts	-2,961	-1,800
Other receipts	-53	-65
	-3,014	-1,865
Carrying value of non-current assets derecognised	74,848	110,788
Disposal costs charged to the County Fund	105	26
	74,953	110,814
<b>Gain(-) or loss (+) on derecognition</b>	<b>71,939</b>	<b>108,949</b>
Adjustments between accounting basis and funding basis	-71,887	-108,991
<b>Net charge to County Fund</b>	<b>52</b>	<b>-42</b>



## 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:

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Surplus/deficit on trading operations	655	612
Interest payable and similar charges	20,858	20,801
Interest receivable and similar income	-3,312	-2,730
Income and expenditure in relation to investment properties and changes in their fair value	-1,133	-547
Net pensions interest expense	24,811	27,810
Net fire-fighters Pension Fund Top-Up Grant	-2,313	-2,564
<b>Total Financing and Investment Income &amp; Expenditure</b>	<b>39,566</b>	<b>43,382</b>

## 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 2014/15 are as follows:

<b>2013/14</b>		<b>2014/15</b>		
<b>Surplus (-) / Deficit  £'000</b>	<b>Trading Unit</b>	<b>Turnover  £'000</b>	<b>Expenditure  £'000</b>	<b>Surplus (-) / Deficit (+) £'000</b>
-88	<b>Central Support Services</b> Provision of financial, legal, personnel, IT, printing and other support to services within the authority	52,539	52,539	0
243	<b>Property &amp; Facilities</b> Corporate landlord, property support services and facilities management for Council establishments	25,029	25,029	0
500	<b>Integrated Transport Unit</b> Provision of transport for adult social care clients and home to school transport	23,393	24,005	612
<b>655</b>	<b>Total</b>	<b>100,961</b>	<b>101,573</b>	<b>612</b>

**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:

**NOTES TO THE CORE FINANCIAL STATEMENTS**

	2014/15				
	Financial Liabilities	Financial Assets			Total
	Liabilities at amortised cost	Loans and receivables	Available-for-sale assets	Assets at fair value through profit & loss	
	£'000	£'000	£'000	£'000	£'000
Interest expense	20,253				20,253
Impairment losses		548			548
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>20,253</b>	<b>548</b>	<b>0</b>	<b>0</b>	<b>20,801</b>
Interest income		-2,729			-2,729
Interest income accrued on impaired financial assets					0
Increases in fair value					0
Gains on derecognition			-1		-1
Fee income					0
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>-2,729</b>	<b>-1</b>	<b>0</b>	<b>-2,730</b>
Gains/losses on revaluation			-1,229		-1,229
Amounts recycled to the Surplus or Deficit on the Provision of Services			0		0
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>			<b>-1,229</b>		<b>-1,229</b>
<b>Net gain(-)/loss for the year</b>	<b>20,253</b>	<b>-2,181</b>	<b>-1,230</b>	<b>0</b>	<b>16,842</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative figures for 2013/14 are as follows:

	2013/14				
	Financial Liabilities	Financial Assets			Total
	Liabilities at amortised cost	Loans and receivables	Available-for-sale assets	Assets at fair value through profit & loss	
	£'000	£'000	£'000	£'000	£'000
Interest expense	20,538				20,538
Reductions in fair value		1			1
Impairment losses		319			319
Fee expense		11	25		36
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>20,538</b>	<b>331</b>	<b>25</b>	<b>0</b>	<b>20,894</b>
Interest income		-3,011			-3,011
Gains on derecognition		-35	-266		-301
Fee income					0
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>-3,046</b>	<b>-266</b>	<b>0</b>	<b>-3,312</b>
Gains/losses on revaluation			-315		-315
Amounts recycled to the Surplus or Deficit on the Provision of Services			266		266
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>			<b>-49</b>		<b>-49</b>
<b>Net gain(-)/loss for the year</b>	<b>20,538</b>	<b>-2,715</b>	<b>-290</b>	<b>0</b>	<b>17,533</b>

## **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 need to be disclosed at the time that employees earn their future entitlement.

The County Council participates in four pension schemes:

### **The Local Government Pension Scheme (LGPS)**

This is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2007/08, is contracted out of the State Second Pension and currently provides benefits based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

The County Council is the Administering Authority for the Fund. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by teams within the County Council. Where appropriate some functions are delegated to the Fund's professional advisers. The accounts of the Oxfordshire Local Government Pension Fund are set out on pages 134 onwards.

As Administering Authority to the Fund, the County Council, after consultation with the Fund Actuary (Barnet Waddingham Public Sector Consulting) and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These are amended when appropriate based on the Fund's performance and funding.

The LGPS 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 County Council may also grant additional benefits to LGPS members on retirement under the Discretionary Payment Regulations which are not paid from the Fund – these are referred to as LGPS unfunded benefits below.

Employer contributions are set every 3 years as a result of the actuarial valuation of the Fund required by regulations. The latest actuarial valuation was at 31 March 2013 and set the contribution rates for the period 1 April 2014 to 31 March 2017. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. The total contributions expected to be made by the County Council to the Local Government Pension Scheme (LGPS) in 2015/16 are £29.681m for funded benefits (£28.932m in 2014/15). £1.451m of LGPS unfunded benefits are expected to be paid to beneficiaries in 2015/16 (£1.418m in 2014/15). For 2014/15 the estimated duration of the County Council's liabilities is 18 years for funded benefits and 10 years for unfunded benefits (18 years and 9 years respectively for 2013/14).

The County Council currently participates in the Oxfordshire County Council pool with 29 other employers, including academy schools and other councils, in order to share experience of risks they are exposed to in the Fund. At the 2013 valuation, the deficit on the whole pool was calculated and allocated to each employer in proportion to their liabilities. The next re-

allocation will be carried out at the 2016 valuation, should the employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool.

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

Curtailment costs arise as a result of the payment of unreduced pensions on early retirement. The capitalised cost of the additional benefits relative to those reserved for under IAS19 is £0.411m for 2014/15 (£0.547m for 2013/14). As a result of some members of the Oxfordshire Pension Fund transferring to/from another employer over the year, liabilities have been settled at a cost different to the amount reserved for under IAS19. The capitalised gain of this settlement is £7.441m.

### **The fire-fighters Pension Schemes**

There are three separate schemes relating to fire-fighters pensions – the 1992 scheme, the 2006 scheme and the fire-fighters compensation scheme for injury benefits and ill health retirements. Each of these are defined benefit statutory schemes administered in accordance with the Fire Pension Orders 1992 and 2006, are contracted out of the State Second Pension and currently provide benefits based on final salary and length of service on retirement. The Firefighter's Pension Scheme 2015 came into affect from 1 April 2015 and any benefits accrued from this date will be based on career average revalued salaries. Exceptions will be for those members that have transitional protection in their existing scheme until retirement or until their transitional protection ends, whichever is earlier.

The County Council is the Administering Authority for each of the schemes. The day to day administration is undertaken by teams within the County Council. Where appropriate some functions are delegated to the schemes' professional advisers.

The 1992 and 2006 schemes are unfunded schemes, 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 account 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. The Fire-fighters Pension Fund Accounts are set out at on pages 130 to 136. Employer contributions are set every four years as a result of the combined actuarial valuation of the fire-fighters' pension schemes required by the Department for Communities and Local Government on behalf of the Secretary of State. The last completed actuarial valuation was at 31 March 2012 and set contributions for the period from 1 April 2015 to 31 March 2019. The next actuarial valuation will be carried out as at 31 March 2016.

The fire-fighters' compensation scheme injury benefits and ill health retirements are paid on a pay as you go basis. There are no assets held to back the liabilities of the scheme.

Most of the fire-fighters defined benefit liabilities relate to the 1992 scheme. For ease of presentation the figures for all three schemes have been combined within the tables in this note.

The total contributions (including government top-up grant) expected to be made by the

County Council to the fire-fighters 1992 and 2006 schemes in 2015/16 are £4.180m (£3.823m in 2014/15). £0.353m of injury/ill health retirement benefits are expected to be paid to beneficiaries in 2015/16 (£0.336m in 2014/15). The estimated duration of the County Council's combined liabilities for the fire-fighters' scheme for 2014/15 is 22 years (22 years for 2013/14).

There are no curtailments or settlements to report relating to the fire-fighters pension schemes.

### **The Teachers' Pension Scheme**

This is a defined benefit scheme administered in accordance with the Teachers' Pensions Regulations 2010, contracted out of the State Second Pension and currently provides benefits based on final salary and length of service. Changes to the scheme came into effect from 1 April 2015. Any benefits accrued from this date are based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

The Scheme is administered by Capita on behalf of the Department for Education.

The Scheme is an unfunded pension scheme, in which payments from the Scheme are funded by contributions from current employees and employers with the difference between these contributions and Scheme expenditure financed by the Exchequer.

The County Council contributes towards the costs of the scheme by making contributions based on a percentage of members' pensionable salaries as set by the Secretary of State for Education, taking advice from the Scheme's actuary. In 2014/15 the County Council paid £14.373m in employer contributions to the Teachers' Pension Scheme (2013/14 £16.454m) – the amount has reduced because of schools converting to academy trusts. This represents about 0.4% of the total contributions to the Teachers' Pension Scheme by all participating employers. The employer contribution rate for 2014/15 was 14.1% (14.1% in 2013/14). As at 31 March 2015 there was £1.931m owed to the Teachers' Pension Scheme in respect of accrued pensions contributions (£2.102m in 2013/14). The total contributions expected to be made by the County Council to the Teachers' Pension Scheme in 2015/16 are £14.470m (£14.574m in 2014/15). The employers' contribution rate is set to rise to 16.48% from September 2015.

The Teachers' Pension Scheme is a defined benefit 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 under the Discretionary Payment Regulations. As the County Council is responsible for funding these added years payments on a pay as you go basis they are treated as a defined benefit scheme.

Expected payments to beneficiaries for teachers added years are £3.791m in 2015/16 (£3.785m in 2014/15). The estimated duration of the County Council's liabilities for teachers added years benefits for 2014/15 is 9 years (11 years for 2013/14).

There are no curtailments or settlements to report relating to teachers added years.



**The NHS Pension Scheme**

This is a contracted out, unfunded occupational scheme backed by the Exchequer, which is open to all NHS employees and employees of other approved organisations and administered by the NHS Business Services Authority on behalf of the Department of Health. Public Health staff that transferred to the County Council in April 2013 are members of this scheme. The Scheme provides pensions, based on final salary, for employees of participating employers, and a career average arrangement for GPs and General Dental Practitioners. Changes to the scheme are due to come into effect from 1 April 2015.

The Scheme receives contributions from employees and employers to defray the costs of pensions and other benefits. Any surplus of income from contributions over payments made is returned to HM Treasury. Any excess of payments over receipts is met from the Exchequer.

Contribution rates are set by the Secretary of State for Health, taking advice from the Scheme's actuary. In 2014/15 the County Council paid £0.108m to the NHS Pension Scheme. This represents about 0.002% of the total contributions to the NHS Pension Scheme by all participating employers. The employer contribution rate for 2014/15 was 14.0%. As at 31 March 2015 there was £0.019m owed to the NHS Pension Scheme in respect of accrued pensions contributions. The total contributions expected to be made by the County Council to the NHS Pension Scheme in 2015/16 are £0.181m.

The NHS Pension Scheme is a defined benefit 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.

The County Council is exposed to a number of risks from participating in the pension schemes accounted for as defined benefit schemes outlined above. Risks common to all of the schemes are:

- Interest rate risk – the liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. Given the volatile nature of market yields the yield on high quality corporate bonds could fall leading to an increase in the liabilities.
- Inflation risk – the benefits are linked to inflation and so increased costs may emerge if inflation is higher than expected.
- Longevity risk – in the event that the members live longer than assumed more benefits will be paid out than expected. There are also other demographic risks.

As a funded scheme, the LGPS gives exposure to other additional risks:

- Investment risk – The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk – The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of assets and liabilities may not move in the same way.
- Inflation risk – deficits may emerge to the extent that the assets are not linked to inflation.



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

All of the risks above may also benefit the County Council, for example higher than expected investment returns or employers leaving the funds with excess assets which would eventually get inherited by the remaining employers, market yields may rise or inflation be less than expected reducing the value of the liabilities and ongoing cost of benefit accrual.

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 table sets out the transactions that have been made in the accounts

# NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme		Fire Fighters' Pension Schemes		Teacher's Added Years		Total	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>								
<u>Cost of Services</u>								
Current service cost	39,280	35,768	4,150	4,822	0	0	43,430	40,590
Past service costs	547	370	0	0	0	0	547	370
(Gain)/loss from settlements	-5,821	-7,441	0	0	0	0	-5,821	-7,441
Administration Expenses	413	836	0	0	0	0	413	836
	34,419	29,533	4,150	4,822	0	0	38,569	34,355
<u>Financing and Investment Income &amp; Expenditure</u>								
Net Interest expense	16,994	18,355	6,705	7,440	1,112	2,015	24,811	27,810
Government Top-Up Grant/Surplus payable to Government	0	0	-2,313	-2,564	0	0	-2,313	-2,564
	51,413	47,888	8,542	9,698	1,112	2,015	61,067	59,601
<u>Surplus/Deficit on the Provision of Services</u>								
<u>Other Comprehensive Income and Expenditure</u>								
Return on plan assets	-4,027	-60,302	0	0	0	0	-4,027	-60,302
Actuarial gains (-) and losses (+) from demographic assumptions	42,860	0	0	0	5,433	0	48,293	0
Actuarial gains (-) and losses (+) from financial assumptions	64,574	163,808	10,207	28,314	-7,262	3,810	67,519	195,932
Experience gains (-) and losses (+)	-52,716	3,196	0	0	9,811	-5,409	-42,905	-2,213
Other actuarial gains (-) and losses (+)	-26,260	0	0	0	0	0	-26,260	0
<b>Total retirement benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>75,844</b>	<b>154,590</b>	<b>18,749</b>	<b>38,012</b>	<b>9,094</b>	<b>416</b>	<b>103,687</b>	<b>193,018</b>
<b>Movement in Reserves Statement</b>								
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits in accordance with the Code	-19,399	-15,840	-6,207	-7,443	2,397	1,510	-23,209	-21,773
<b>Actual amount charged against the County Fund Balance for pensions in the year:</b>								
Employer's contributions payable to the scheme	32,014	32,048	2,002	1,910	0	0	34,016	33,958
Retirement benefits payable to pensioners	0	0	333	345	3,509	3,525	3,842	3,870

## NOTES TO THE CORE FINANCIAL STATEMENTS

The net liabilities set out in the following table show the underlying long-term commitments that the County Council has to pay retirement benefits.

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
<b>Present value liabilities:</b>		
Local Government Pension Scheme (funded benefits)	1,240,802	1,452,291
Local Government Pension Scheme (unfunded benefits)	17,587	21,095
Fire-fighters' 1992 Pension Scheme	151,443	180,344
Fire-fighters' 2006 Pension Scheme	9,930	15,572
Fire-fighters' Injury Pensions	6,142	7,355
Teachers' Added Years	55,608	52,500
<b>Total present value liabilities</b>	<b>1,481,512</b>	<b>1,729,157</b>
<b>Fair value of assets in the Local Government Pension Scheme</b>	<b>814,700</b>	<b>907,154</b>
<b>Net liabilities in the scheme:</b>		
Local Government Pension Scheme (funded)	426,102	545,137
Local Government Pension Scheme (unfunded)	17,587	21,095
Fire-fighters' 1992 Pension Scheme	151,443	180,344
Fire-fighters' 2006 Pension Scheme	9,930	15,572
Fire-fighters' Injury Pensions	6,142	7,355
Teachers' Added Years	55,608	52,500
<b>Total Net Liabilities</b>	<b>666,812</b>	<b>822,003</b>

The total net liability of £822,003m (2013/14 £666,812m) 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 90% (2013/14 71%). 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

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

Liabilities	Local Government Pension Scheme (funded)		Local Government Pension Scheme (unfunded)		Fire-fighters' Pension Schemes		Teachers Added Years		Total	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	1,130,076	1,240,802	20,843	17,587	151,101	167,515	50,023	55,608	1,352,043	1,481,512
Current service cost	39,280	35,768	0	0	4,150	4,822	0	0	43,430	40,590
Interest expense	51,043	53,499	483	608	6,705	7,440	1,112	2,015	59,343	63,562
Contributions by scheme participants	9,562	9,868	0	0	1,320	1,393	0	0	10,882	11,261
Actuarial gains and losses - demographic assumptions	41,126	0	1,734	0	0	0	5,433	0	48,293	0
Actuarial gains and losses - financial assumptions	66,218	162,670	-1,644	1,138	10,207	28,314	-7,262	3,810	67,519	195,932
Experience gains and losses	-50,305	0	-2,411	3,196	0	0	9,811	-5,409	-42,905	-2,213
Other actuarial gains and losses	0	0	0	0	0	0	0	0	0	0
Benefits paid	-35,961	-38,245	-1,418	-1,434	-3,655	-3,649	-3,509	-3,524	-44,543	-46,852
Past service costs	547	370	0	0	0	0	0	0	547	370
(Gain)/loss from settlements	-10,784	-12,441	0	0	0	0	0	0	-10,784	-12,441
Fire-fighters pension scheme top-up grant	0	0	0	0	-2,313	-2,564	0	0	-2,313	-2,564
<b>Closing balance at 31 March</b>	<b>1,240,802</b>	<b>1,452,291</b>	<b>17,587</b>	<b>21,095</b>	<b>167,515</b>	<b>203,271</b>	<b>55,608</b>	<b>52,500</b>	<b>1,481,512</b>	<b>1,729,157</b>

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 2013.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Fire-fighters' Pension Scheme and Teachers Added Years have no assets to cover 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 is as follows:

<b>Assets</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Opening balance at 1 April	751,060	814,700
Interest income	34,532	35,752
Return on plan assets	4,027	60,302
Other actuarial gains and losses	26,260	0
Administration expenses	-413	-836
Employer contributions	30,596	30,613
Contributions by scheme participants	9,562	9,868
Benefits paid	-35,961	-38,245
Settlements received/(paid)	-4,963	-5,000
<b>Closing balance at 31 March</b>	<b>814,700</b>	<b>907,154</b>

The assets in the Local Government Pension Scheme consist of the following categories:

<b>Assets</b>	<b>At 31 March 2014</b>			<b>At 31 March 2015</b>		
	<b>£'000</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Equities*						
UK investments	249,644		31%	300,446		33%
Overseas investments	255,191		31%	312,709		34%
Private equities of unspecified origin	49,929		6%	0		0%
		554,764			613,155	
Gilts						
UK fixed interest government securities	38,181		5%	88,682		10%
Overseas fixed interest government securities	16,643		2%	19,467		2%
UK index-linked government securities	43,075		5%	0		0%
		97,899			108,149	
Other bonds						
UK corporate bonds	26,106		3%	27,001		3%
Overseas corporate bonds	6,527		1%	6,333		1%
		32,633			33,334	
Property		40,791	5%		56,058	6%
Cash		40,791	5%		24,733	3%
Limited Liability Partnerships		32,633	4%		30,652	3%
Hedge Funds		16,317	2%		258	0%
Diversified Growth Fund		0	0%		42,093	5%
<b>Total</b>		<b>815,828</b>	<b>100%</b>		<b>908,432</b>	<b>100%</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Local Government Pension Scheme (funded)		Local Government Pension Scheme (unfunded)		Fire-fighters' Pension Schemes		Teachers Added Years	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Longevity assumptions:								
Base Table*	S1PA with a 95% multiplier	S1PA with a 95% multiplier	S1PA with a 95% multiplier	S1PA with a 95% multiplier	S1PA Heavy with allowance for medium cohort projection	S1PA Heavy with allowance for medium cohort projection	S1PA with a 95% multiplier	S1PA with a 95% multiplier
Men:								
Rate of improvement	1.50%	1.50%	1.50%	1.50%	1.00%	1.00%	1.50%	1.50%
Longevity from 65 (currently aged 65) (yrs)	23.2	23.3	23.2	23.3	19.3	19.4	23.2	23.3
Longevity from 65 (currently aged 45) (yrs)	25.4	25.5	25.4	25.5	21.2	21.3	25.4	25.5
Women:								
Rate of improvement	1.50%	1.50%	1.50%	1.50%	1.00%	1.00%	1.50%	1.50%
Longevity from 65 (currently aged 65) (yrs)	25.5	25.7	25.5	25.7	23.3	23.4	25.5	25.7
Longevity from 65 (currently aged 45) (yrs)	27.9	28.0	27.9	28.0	25.2	25.2	27.9	28.0
Financial Assumptions:								
Retail Price Index (RPI) increases	3.6%	3.2%	3.2%	2.7%	3.7%	3.3%	3.3%	2.7%
Consumer Price Index (CPI) increases	2.8%	2.4%	2.4%	1.9%	2.9%	2.5%	2.5%	1.9%
Rate of increase in salaries	4.6%	4.2%	4.2%	n/a	5.1%	4.7%	4.7%	n/a
Rate of increase in pensions and deferred pensions	2.8%	2.4%	2.4%	1.9%	2.9%	2.5%	2.5%	1.9%
Rate for discounting scheme liabilities	4.4%	3.3%	3.6%	2.5%	4.5%	3.4%	3.9%	2.4%

\*Explanations of abbreviations are given in the glossary

## NOTES TO THE CORE FINANCIAL STATEMENTS

In addition the following assumptions have been made for the Local Government Pension Scheme:

- Members will exchange half of their commutable pension for cash at retirement.
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

For the Fire-fighters Scheme:

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

The effect of an increase or decrease in the assumptions used to calculate the pension liability is set out below.

Sensitivity Analysis	Local Government Pension Scheme (funded)		Local Government Pension Scheme (unfunded)		Fire-fighters' Pension Schemes		Teachers Added Years	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
0.1% adjustment to discount rate:								
Change in Present Value of Scheme Liabilities	-24,602	25,050	-196	199	-4,285	4,381	-444	448
Change in Projected Service Cost	-925	947	-	-	-	-	-	-
0.1% adjustment to pension increase:								
Change in Present Value of Scheme Liabilities	22,877	-22,479	200	-198	2,412	-2,367	450	-447
Change in Projected Service Cost	933	-914	-	-	-	-	-	-
0.1% adjustment to long term salary increase:								
Change in Present Value of Scheme Liabilities	2,370	-2,361	0	0	2,003	-1,959	0	0
Change in Projected Service Cost	21	-21	-	-	-	-	-	-
1 year adjustment to mortality age rating assumption:								
Change in Present Value of Scheme Liabilities	-50,011	50,447	-753	760	-7,788	7,890	-1,790	1,806
Change in Projected Service Cost	-1,441	1,454	-	-	-	-	-	-

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

	2013/14 £'000	2014/15 £'000
Balance as at 1 April	-600,983	-666,812
Net charge made for retirement benefits in accordance with IAS19	-23,209	-21,774
Remeasurements of the net defined liability	-42,620	-133,417
<b>Balance as at 31 March</b>	<b>-666,812</b>	<b>-822,003</b>

## 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:

	2013/14 £'000	2014/15 £'000
Council Tax income	275,384	284,813
Non-domestic rates	26,227	26,802
Non-ringfenced government grants	150,076	133,818
Capital grants and contributions	59,534	83,680
<b>Total Taxation and Non-Specific Grant Income</b>	<b>511,221</b>	<b>529,113</b>

The Business Rates Retention Scheme was introduced in April 2013. The County Council now receives a 10% share of the business rates collected by the Oxfordshire district councils, rather than a share of the nationally pooled non-domestic rates. Locally determined council tax support schemes were also introduced in 2013/14, whereby support is provided by way of a council tax discount rather than council tax benefit. This reduced the income from council tax and is broadly compensated by general government grant.

## 22. Grant Income

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Credited to Taxation and Non Specific Grant Income:

	2013/14 £'000	2014/15 £'000
Revenue Support Grant	94,561	80,623
Business Rates Top-Up Grant	35,694	36,390
Education Services Grant	8,045	7,028
Severe Weather Recovery Grant	3,027	0
New Homes Bonus	1,662	2,387
Adoption Reform Grant	1,612	597
Troubled Families Grant	1,224	1,126
Other revenue grants	4,251	5,667
Capital grants	53,305	74,023
Developer contributions	6,018	9,360
Other capital contributions	211	297
Donated assets	0	0
<b>Total</b>	<b>209,610</b>	<b>217,498</b>

### **Credited to Services:**

Severe Weather Recovery Grant was a one – off grant received in March 2014 to help repair damage to highways arising from the severe weather and flooding in Oxfordshire in late 2013 and early 2014.

### Credited to Services:

	2013/14 £'000	2014/15 £'000
Dedicated Schools Grant	291,223	266,754
Public Health Grant	25,264	26,086
Pupil Premium Grant	9,382	11,350
Sixth Form Funding	7,241	5,124
Adult Learning	4,091	3,165
Local Sustainable Transport Fund Resource Grant	1,145	784
PE & Sports Grant	1,169	1,721
Asylum Seekers	797	1,053
Section 31 Grant - Business Rates and Other Reliefs		1,551
Regional Growth Fund (Local Enterprise Partnership)		1,553
Universal Infant Free School Meals		4,052
Other grants (Asylum Seekers disclosed separately above)	4,016	9,148
<b>Total</b>	<b>344,328</b>	<b>332,341</b>

### 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 and specific grants. Note 58 on Cash Flow Statement – Operating Activities summarises the main transactions with central government and details of revenue government grant receipts are provided in Note 61.

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 other second tier officers may have some influence on the direction of these policies. Wherever applicable, transactions have been made following proper consideration of declarations of interest. One councillor has links with Donnington Doorstep and Rose Hill & Donnington Advice Centre, which received payments of £0.99m and £0.015m respectively in 2014/15. The councillor took no part in any decisions to award funding or make payments to these bodies. There are no other related party transactions to disclose between the County Council and members, directors, deputy directors or other second tier officers.

The County Council administers the Oxfordshire Pension Fund and this is a related party. During the year ended 31 March 2015, the County Council made employer contributions totalling £30.816m to the Fund (£30.690m in 2013/14). The County Council charged the Fund £1.042m (£0.960m in 2013/14) for expenses incurred in administering the Fund. As at 31 March 2015 £3.282m was due to the Pension Fund and £0.066m by the Pension Fund (£2.378m and £0.058m respectively as at 31 March 2014).

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 2014/15 are as follows (this includes members who retired or who were not re-elected at the May 2014 District Council elections):

<u>Oxford City</u>	<u>South Oxfordshire</u>	<u>West Oxfordshire</u>
Jean Fooks	Mark Gray	Louise Chapman
Mark Lygo	Steve Harrod	Pete Handley
Susanna Pressel	Neville Harris	Hilary Hibbert-Biles
Gill Sanders	Anne Purse	Simon Hoare
Val Smith (deceased)		Richard Langridge
John Tanner		Neil Owen
David Williams		

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Cherwell

Maurice Billington  
Mark Cherry  
Surinder Dhesi  
Timothy Hallchurch MBE  
Kieron Mallon  
George Reynolds  
Les Sibley  
Lawrie Stratford

### Vale of White Horse

Yvonne Constance  
Jenny Hannaby  
Bob Johnston  
Sandy Lovatt  
Melinda Tilley  
Richard Webber

Councillor Keiron Mallon is a representative on the Thames Valley Police and Crime Panel. This is considered to be a related party.

A summary of transactions with the district councils is given below, split between those transactions with Collection Funds (non-domestic rates payments and receipts 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.

<b>2014/15</b>	<b>Collection Fund Transactions</b>			<b>Other Transactions</b>	
<b>District Council</b>	<b>Rates £'000</b>	<b>Rates Receipts £'000</b>	<b>Precepts £'000</b>	<b>Payments £'000</b>	<b>Receipts £'000</b>
Cherwell	1,594	-7,506	-58,878	2,561	-358
Oxford City	1,640	-8,263	-51,349	3,727	-1,164
South Oxfordshire	1,049	-4,254	-66,696	1,762	-210
Vale of White Horse	1,051	-5,163	-57,943	1,769	-7
West Oxfordshire	1,060	-3,403	-49,795	1,450	-365
<b>Total</b>	<b>6,394</b>	<b>-28,589</b>	<b>-284,661</b>	<b>11,269</b>	<b>-2,104</b>

<b>2013/14</b>	<b>Collection Fund Transactions</b>			<b>Other Transactions</b>	
<b>District Council</b>	<b>Rates £'000</b>	<b>Rates Receipts £'000</b>	<b>Precepts £'000</b>	<b>Payments £'000</b>	<b>Receipts £'000</b>
Cherwell	1,543	-6,767	-56,522	2,577	-2,221
Oxford City	1,691	-8,076	-49,243	5,200	-1,746
South Oxfordshire	1,149	-4,083	-63,650	1,715	-467
Vale of White Horse	1,210	-5,443	-55,444	1,341	-232
West Oxfordshire	1,108	-2,887	-48,354	1,714	-357
<b>Total</b>	<b>6,701</b>	<b>-27,256</b>	<b>-273,213</b>	<b>12,547</b>	<b>-5,023</b>

No other related parties have been identified.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 24. Movement of Property, Plant and Equipment

2014/15	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
<b>Cost or valuation as at 1 April</b>	<b>696,263</b>	<b>116,698</b>	<b>445,453</b>	<b>4,642</b>	<b>12,585</b>	<b>1,275,641</b>	<b>17,520</b>
Additions	14,812	1,576	31,893	204	25,073	73,558	769
Donations							
Revaluation increases recognised in the Revaluation Reserve	30,458			529		30,987	41
Revaluation decreases recognised in the Revaluation Reserve	-3,067					-3,067	
Revaluation increases recognised in the Surplus/Deficit on Provision of Services	8,806			5		8,811	9
Revaluation decreases recognised in the Surplus/Deficit on Provision of Services	-11,949					-11,949	
Derecognition - disposals		-1,096				-1,096	
Derecognition - other	-90,484	-29,781		-1,280		-121,545	-769
Assets reclassified to / from Held for Sale				-1,300		-1,300	
Assets reclassified to / from Investment Properties	-52			-96		-148	
Assets reclassified to / from Intangible Assets							
Transfers	-23,931	27,453	2,562		-6,084		
Other movements in cost or valuation							
<b>Cost or Valuation as at 31 March</b>	<b>620,856</b>	<b>114,850</b>	<b>479,908</b>	<b>2,704</b>	<b>31,574</b>	<b>1,249,892</b>	<b>17,570</b>
<b>Depreciation as at 1 April</b>	<b>-1,793</b>	<b>-30,742</b>	<b>-109,696</b>	<b>-1</b>		<b>-142,232</b>	<b>-1</b>
Depreciation charge	-8,482	-6,885	-12,811	-47		-28,225	-219
Depreciation written out to the Revaluation Reserve	7,215			18		7,233	
Depreciation written out to the Surplus/Deficit on Provision of Services	2,419			30		2,449	
Derecognition - disposals		1,010				1,010	
Derecognition - other	1,319	11,091				12,410	1

# NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 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
Assets reclassified to / from Held for Sale							
Assets reclassified to / from Investment Properties							
Assets reclassified to / from Intangible Assets							
Depreciation on transfer	-2,212	2,212					
Other movements in depreciation							
<b>Depreciation as at 31 March</b>	<b>-1,534</b>	<b>-23,314</b>	<b>-122,507</b>			<b>-147,355</b>	<b>-219</b>
<b>Impairment as at 1 April</b>	<b>-222</b>	<b>-140</b>				<b>-362</b>	
Impairment losses recognised in the Revaluation Reserve	-2,606			-122		-2,728	
Impairment loss reversals recognised in the Revaluation Reserve							
Impairment losses recognised in the Surplus/Deficit on Provision of Services	-2,835	-453		-82		-3,370	
Impairment loss reversals recognised in the Surplus/Deficit on Provision of Services							
Impairment written out to the Revaluation Reserve	3,651			184		3,835	
Impairment written out to the Surplus/Deficit on Provision of Services	1,821			20		1,841	
Derecognition - disposals							
Derecognition - other							
Assets reclassified to / from Held for Sale							
Impairment on transfer	-3	3					
Other movements in impairment							
<b>Impairment as at 31 March</b>	<b>-194</b>	<b>-590</b>				<b>-784</b>	
Net Book Value at 31 March 2014	694,248	85,816	335,757	4,641	12,585	1,133,047	17,519
Net Book Value at 31 March 2015	619,128	90,946	357,401	2,704	31,574	1,101,753	17,351

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14	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
<b>Cost or valuation as at 1 April</b>	<b>750,902</b>	<b>108,797</b>	<b>424,317</b>	<b>5,034</b>	<b>9,084</b>	<b>1,298,134</b>	<b>18,326</b>
Additions	16,994	4,454	19,420	1,372	10,236	52,476	772
Donations							
Revaluation increases recognised in the Revaluation Reserve	13,814			1,181		14,995	136
Revaluation decreases recognised in the Revaluation Reserve	-3,756			-468		-4,224	-9
Revaluation increases recognised in the Surplus/Deficit on Provision of Services	5,922			317		6,239	12
Revaluation decreases recognised in the Surplus/Deficit on Provision of Services	-3,026			-617		-3,643	-3
Derecognition - disposals	-8	-260				-268	
Derecognition - other	-67,501	-16,728			-184	-84,413	-1,408
Assets reclassified to / from Held for Sale	-893			-1,781		-2,674	-306
Assets reclassified to / from Investment Properties	-360			-621		-981	
Assets reclassified to / from Intangible Assets							
Transfers	-15,825	20,435	1,716	225	-6,551		
Other movements in cost or valuation							
<b>Cost or Valuation as at 31 March</b>	<b>696,263</b>	<b>116,698</b>	<b>445,453</b>	<b>4,642</b>	<b>12,585</b>	<b>1,275,641</b>	<b>17,520</b>
<b>Depreciation as at 1 April</b>	<b>-1,226</b>	<b>-29,386</b>	<b>-97,522</b>	<b>-16</b>		<b>-128,150</b>	<b>-20</b>
Depreciation charge	-10,166	-7,606	-12,174	-87		-30,033	-226
Depreciation written out to the Revaluation Reserve	5,262			30		5,292	168
Depreciation written out to the Surplus/Deficit on Provision of Services	2,975			72		3,047	69
Derecognition - disposals		230				230	
Derecognition - other	1,723	5,659				7,382	8

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14 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
Assets reclassified to / from Held for Sale							
Assets reclassified to / from Investment Properties							
Assets reclassified to / from Intangible Assets							
Depreciation on transfer	-361	361					
Other movements in depreciation							
<b>Depreciation as at 31 March</b>	<b>-1,793</b>	<b>-30,742</b>	<b>-109,696</b>	<b>-1</b>		<b>-142,232</b>	<b>-1</b>
<b>Impairment as at 1 April</b>	<b>-268</b>	<b>-140</b>				<b>-408</b>	
Impairment losses recognised in the Revaluation Reserve	-2,634			-347		<b>-2,981</b>	
Impairment loss reversals recognised in the Revaluation Reserve							
Impairment losses recognised in the Surplus/Deficit on Provision of Services	-1,273	-3,903		-598		<b>-5,774</b>	
Impairment loss reversals recognised in the Surplus/Deficit on Provision of Services							
Impairment written out to the Revaluation Reserve	2,447			354		<b>2,801</b>	
Impairment written out to the Surplus/Deficit on Provision of Services	1,506			591		<b>2,097</b>	
Derecognition - disposals							
Derecognition - other		3,903				<b>3,903</b>	
Assets reclassified to / from Held for Sale							
Impairment on transfer							
Other movements in impairment							
<b>Impairment as at 31 March</b>	<b>-222</b>	<b>-140</b>				<b>-362</b>	
Net Book Value at 31 March 2013	749,408	79,271	326,795	5,018	9,084	1,169,576	18,306
Net Book Value at 31 March 2014	694,248	85,816	335,757	4,641	12,585	1,133,047	17,519

**25. Movement in the Fair Value of Investment Properties**

	2013/14		2014/15	
	Non-Current	Current	Non-Current	Current
	£'000	£'000	£'000	£'000
Balance at 1 April	5,151	535	7,190	0
Derecognition		-555	-277	
Net gains (+)/losses (-) from fair value adjustments	1058	20	508	
Assets reclassified to / from Investment Properties	981		148	
<b>Balance at 31 March</b>	<b>7,190</b>	<b>0</b>	<b>7,569</b>	<b>0</b>

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**

2013/14 £'000		2014/15 £'000
0	Balance at 1 April	76
	Assets newly classified as held for sale:	
2674	- Property, Plant and Equipment	1,300
-1,473	Revaluation losses	3
	Impairment losses	
	Assets declassified as held for sale:	
	- Property, Plant and Equipment	
-1,125	Assets derecognised	-1,300
	Additions	
<b>76</b>	<b>Balance at 31 March</b>	<b>79</b>

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 did not capitalise any purchased software licenses in 2014/15 (nil in 2013/14). The movement in the carrying value of intangible assets for the year was as follows:



## NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14 £'000	2014/15 £'000
Gross Carrying Value at 1 April	5,661	3,810
Additions		
Assets reclassified to/from Intangible Assets		
Derecognition	-1,851	0
<b>Gross Carrying Value at 31 March</b>	<b>3,810</b>	<b>3,810</b>
Amortisation at 1 April	-4,061	-3,098
Amortisation for the year	-718	-294
Depreciation on reclassification to/from Intangible Assets		0
Amortisation on derecognition	1,681	0
<b>Amortisation at 31 March</b>	<b>-3,098</b>	<b>-3,392</b>
Impairment at 1 April	0	0
Impairment for the year	-168	0
Impairment on reclassification to/from Intangible Assets		
Impairment on Derecognition	168	0
<b>Impairment at 31 March</b>	<b>0</b>	<b>0</b>
Net Book at 1 April	1,600	712
<b>Net Book Value at 31 March</b>	<b>712</b>	<b>418</b>

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

Service line	2013/14 £'000	2014/15 £'000
Children's and Education Services	311	109
Adult Social Care	177	89
Highways and Transport Services	82	52
Fire and Rescue Services	28	10
Environmental and Regulatory Services	33	1
Public Health	0	1
Cultural and Related Services	61	22
Planning Services	5	0
Central Services to the Public	12	7
Other Corporate Services	9	3
<b>Total</b>	<b>718</b>	<b>294</b>

### 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 41,751 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, rural crafts and contemporary working life. There are 48,431 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 8,633 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 7,916 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 De-acessioning Policy', 'Preservation Policy' 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 £2.5m 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 (including children's, youth and sports centres), 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 Carillion Capita Symonds. Carillion Capita Symonds 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.

As part of the rolling programme secondary and special schools were revalued as at 1 April 2014.

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 one PFI type contract (service concession arrangement) with an external operator in relation to the provision of residential care homes and care services, details of which are 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, These have now all been reprovided through a redevelopment programme.

The operator has built nine new homes and four Extra Care Housing schemes through the redevelopment programme, whilst eleven 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

In 2014/15 it was agreed that Oxfordshire Care Partnership would continue to operate the homes until the end of 2031/32 (the end of the financing arrangements for the new homes). However it was agreed that there would be no fixed purchase obligations during the years 2027/28 to 2031/32 other than the obligation of both parties to maintain existing placements as at 31 March 2027.

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).

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

	<b>2013/14</b> <b>£'000</b>	<b>2014/15</b> <b>£'000</b>
Balance at 1 April	27,868	27,181
Increase in liability in the year		
Liability repaid in the year	-687	-739
<b>Balance at 31 March</b>	<b>27,181</b>	<b>26,442</b>

Details of payments due to be made under the service concession arrangement are as follows, with comparative figures for 2013/14 provided below. These are based on the current financial model and may change as a result of the current review of the contract.

<b>2014/15</b>	<b>Service Costs</b>	<b>Principal Repayments</b>	<b>Interest Costs</b>	<b>Lifecycle Replacement Payments</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within 1 Year	13,498	795	2,014	702	17,009
2 -5 Years	58,999	3,834	7,403	3,102	73,338
6 - 10 Years	87,510	6,679	7,367	4,628	106,184
11 -15 Years	26,238	15,134	3,074	3,245	47,691
<b>Total</b>	<b>186,244</b>	<b>26,442</b>	<b>19,858</b>	<b>11,677</b>	<b>244,221</b>

<b>2013/14</b>	<b>Service Costs</b>	<b>Principal Repayments</b>	<b>Interest Costs</b>	<b>Lifecycle Replacement Payments</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within 1 Year	13,355	739	2,070	676	16,840
2 -5 Years	58,555	3,563	7,674	2,983	72,775
6 - 10 Years	86,572	6,207	7,839	4,450	105,068
11 -15 Years	72,360	16,672	4,344	4,245	97,621
<b>Total</b>	<b>230,842</b>	<b>27,181</b>	<b>21,927</b>	<b>12,354</b>	<b>292,304</b>

### 31. Finance Leases

The County Council has acquired some equipment under finance leases.

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

	<b>At 31 March 2014 £'000</b>	<b>At 31 March 2015 £'000</b>
Vehicles, plant and equipment	145	57

Contingent rents recognised as an expense in 2014/15 totalled £0.018m (£0.005m in 2013/14).

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

	<b>At 31 March 2014 £'000</b>	<b>At 31 March 2015 £'000</b>
Finance lease liabilities	147	51
Finance costs payable in future years	6	0
<b>Total future minimum lease payments</b>	<b>153</b>	<b>51</b>

The minimum lease payments are payable over the following periods:

	<b>Minimum lease payments</b>		<b>Finance lease liabilities</b>	
	<b>At 31 March 2014</b>	<b>At 31 March 2015</b>	<b>At 31 March 2014</b>	<b>At 31 March 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within 1 year	93	20	89	20
Within 2nd - 5th years	59	31	58	31
6th year and beyond	0	0	0	0
<b>Total</b>	<b>152</b>	<b>51</b>	<b>147</b>	<b>51</b>

### 32. Capital Spending 2014/15

The County Council's total capital spend for 2014/15 was £95.409m, which included £4.269m of structural repairs and maintenance of buildings, structural highways maintenance, purchase of vehicles/equipment and ICT and £17.830m of work in progress as at 31 March 2015.

Details of the expenditure are set out in the table on the next page:

# NOTES TO THE CORE FINANCIAL STATEMENTS

<b>Capital Spending</b>	<b>£'000</b>	<b>£'000</b>
<b>Children, Education &amp; Families</b>		
Oxford Bayards Hill Primary School	3,666	
SEN Provision - Residential School (Endeavour Academy)	4,120	
Oxford St Christopher's Primary School	1,814	
Wolvercote Primary School	660	
Botley Primary School	766	
Henley Badgemore Primary School	1,325	
Oxford, Cutteslowe Primary School	665	
Oxford, St Ebbe's Primary School	1,061	
Oxford, St Joseph's Primary School	1,067	
Wantage, Charlton Primary School	616	
Oxford, St Gregory the Great	2,931	
Bicester, South West Primary School	2,922	
Didcot University Technical College	502	
Witney Wood Green Primary Roof Replacement	788	
Devolved Formula Capital	3,097	
Retentions	281	
Schemes under £500,000	10,820	
<b>Total Children, Education &amp; Families</b>		37,100
<b>Social &amp; Community Services</b>		
Schemes under £500,000	1,824	
<b>Total Social &amp; Community Services</b>		1,824
<b>Environment &amp; Economy Transport</b>		
Didcot, Milton Interchange Improvement	2,721	
A34 Chilton Interchange Improvements	887	
Kennington Roundabout Improvement	5,866	
Didcot Parkway Station Interchange	692	
Carriageway Programme (Non-Principal Roads)	4,270	
Footways Programme	1,069	
Routine Surface Dressing	1,865	
Combined Safety Schemes	919	
Routine pre-patching	820	
Oxford, Frideswide Square	1,937	
A4130 Bix Dual Carriageway	3,735	
A420 Shrivenham Bypass	2,793	
Street Lighting Column Replacement	517	
Department for Transport Funded Schemes	1,160	
Edge Strengthening	892	
Oxford, London Road Bus Lane	967	
Harwell Link Road Section 1 B4493 to A417	805	
Harwell Link Road Section 2 Hagbourne Hill	1,357	
Featherbed Lane and Steventon Lights	1,317	
Oxford, The Plain, cycle improvement	897	
Witney Ducklington Lane/Station Lane Junction	2,053	
Schemes under £500,000	5,546	
<b>Total Environment &amp; Economy Transport</b>		43,084



## NOTES TO THE CORE FINANCIAL STATEMENTS

<b>Capital Spending</b>	<b>£'000</b>	<b>£'000</b>
<b>Environment &amp; Economy Other</b>		
Better Broadband	6,143	
Asset Strategy Implementation, County Hall	605	
Asset Strategy Implementation, Abbey House	1,501	
Schemes under £500,000	634	
<b>Total Environment &amp; Economy Other</b>		8,883
<b>Chief Executive's Office</b>		
Schemes under £500,000	248	
<b>Total Chief Executive's Office</b>		248
<b>Sub Total Capital Programme</b>		<b>91,140</b>
Capitalised Structural Repairs & Maintenance of Buildings		1,060
Capitalised Purchase of Vehicles / Equipment		373
Capitalised Structural Maintenance of Highways		2,479
Capitalised ICT		357
<b>Sub Total</b>		<b>4,269</b>
<b>Total</b>		<b>95,409</b>

### Summary of capital expenditure

Capital expenditure by asset class is as follows:

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Property, Plant and Equipment	52,476	73,558
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute	15,516	22,618
Capital loans	32	1
Repayment of capital grants and contributions	68,024	96,177
Less assets acquired under service concession arrangements	0	0
Less assets transferred from capital prepayment account	-771	-768
Less assets acquired under finance leases	-52	0
<b>Total capital expenditure</b>	<b>67,201</b>	<b>95,409</b>



### 33. Capital Financing

The capital expenditure of £95.409m has been financed from the following sources:

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Prudential and other unsupported borrowing	1,221	373
Grants & Contributions	58,771	88,428
Revenue	7,209	6,607
<b>Total</b>	<b>67,201</b>	<b>95,409</b>

### 34. 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:

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Capital Financing Requirement as at 1 April	438,761	422,896
New supported borrowing	1	0
New unsupported borrowing	1,221	373
Assets acquired under service concession arrangements	0	0
Assets acquired under finance leases	52	0
Service concession arrangements - lifecycle prepayments	482	676
Residual interest - asset accumulation prepayments	43	43
Loan repayments and fair value adjustments	382	12
Reduction in underlying need to borrow arising from derecognition of finance leases	0	-8
Minimum Revenue Provision for the year	-18,046	-17,694
Increase (+)/decrease (-) in Capital Financing Requirement	-15,865	-16,598
<b>Capital Financing Requirement as at 31 March</b>	<b>422,896</b>	<b>406,298</b>

### 35. Capital Commitments

As at 31 March 2015 the Council was contractually committed to £42.451m (£31.933m as at 31 March 2014) on the following schemes:

	<b>2014/15 £'000</b>	
<b>Children, Education &amp; Families</b>		
Banbury, Frank Wise School	1,611	
Oxford, Wolvercote Primary School	1,923	
Wantage, Charlton Primary School	972	
Oxford, Windmill First School	1,578	
Henley, Badgemore Common	743	
Bicester, South West Primary School	3,964	
Bletchington Relocation & Expansion	695	
Didcot University Technical College	1,500	
Oxford, Bayards Hill Primary School	657	
Schemes under £500,000	2,129	
		15,772
<b>Social &amp; Community Services</b>		
Schemes under £500,000	0	
		0
<b>Environment &amp; Economy</b>		
Bicester Park & Ride	863	
Didcot, Milton Interchange Improvement	5,805	
Surface Patching	850	
Edge Strengthening	609	
Oxford, Frideswide Square	3,108	
Footway HAMP Scheme	705	
Structural Patching	1,450	
Better Broadband	9,131	
Schemes under £500,000	4,145	
		26,666
<b>Chief Executive's Office</b>		
Schemes under £500,000	13	
		13
<b>TOTAL</b>		<b>42,451</b>

As at 31 March 2015 there were no commitments relating to investment property or intangible assets.

### 36. 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 and the finance liability element of service

## NOTES TO THE CORE FINANCIAL STATEMENTS

concession arrangements. The Code specifies the categorisation of these assets (see pages 30 – 32 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 2014	At 31 March 2015	At 31 March 2014	At 31 March 2015
	£'000	£'000	£'000	£'000
Loans and receivables	88,985	49,836	227,074	250,000
Available-for-sale financial assets	0	0	47,015	98,409
Financial assets at fair value through profit and loss	0	0	0	0
<b>Total Financial Assets</b>	<b>88,985</b>	<b>49,836</b>	<b>274,089</b>	<b>348,409</b>
Financial liabilities at amortised cost	410,883	394,061	91,692	116,550
<b>Total Financial Liabilities</b>	<b>410,883</b>	<b>394,061</b>	<b>91,692</b>	<b>116,550</b>

Statutory debtors and creditors, receipts in advance and the capital prepayment account are not considered to be financial instruments and are therefore excluded from the above carrying values.

The County Council has £8.671m of loans and receivables as at 31 March 2015 secured on property (£8.018m at 31 March 2014). Of this, £1.393m was new in 2014/15 (£2.364m in 2013/14). The County Council is not permitted to sell or re-pledge this collateral.

The County Council has not pledged any collateral for liabilities or contingent liabilities and, as at 31 March 2015, 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:

	2013/14 £'000	2014/15 £'000
Balance as at 1 April	4,728	4,722
Nominal value of new loans granted	448	337
Fair value adjustment on initial recognition	-2	-9
Loans repaid during the year	-601	-166
Impairment losses recognised	0	-3
Interest credited to the Surplus/Deficit on Provision of Services	80	60
Other changes	69	2
<b>Balance as at 31 March</b>	<b>4,722</b>	<b>4,943</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 and deferred payment agreements for clients' care costs. The nominal value of the soft loans as at 31 March 2015 was £4.968m (£4.794m at 31 March 2014).

### 37. 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 2014		At 31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and receivables	316,059	316,579	299,836	300,326

As at 31 March 2015 the fair value is higher than the carrying value amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of the loans.

	At 31 March 2014		At 31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities	502,575	521,203	510,611	614,523

As at 31 March 2015 the fair value is higher than the carrying amount because the authority'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

authority 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.

### **38. Long Term Debtors**

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

	<b>At 31 March 2014 £'000</b>	<b>At 31 March 2015 £'000</b>
Key Worker Loans	357	271
Car Loans to Employees	39	19
Chronically Sick & Disabled Persons Act – loans	2,009	1,950
Children's Act: loans to foster carers	547	573
Other	33	22
	2,985	2,835
Capital Prepayment Account	2,584	2,534
<b>Total</b>	<b>5,569</b>	<b>5,369</b>

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 (£0.769m was transferred in 2014/15). 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.

### 39. Debtors

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

	<b>At 31 March 2014 £'000</b>	<b>At 31 March 2015 £'000</b>
Government Departments	7,496	13,855
Other Local Authorities	9,768	10,473
Health Authorities	2,327	2,179
Public Corporations and Trading funds	20	0
Payments in Advance	4,449	5,763
Sundry	32,327	33,638
	<b>56,387</b>	<b>65,908</b>
Less Impairment Allowance Account	-8,578	-8,740
	<b>47,809</b>	<b>57,168</b>

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:

<b>2013/14 £'000</b>		<b>2014/15 £'000</b>
-7,406	Balance at 1 April	-8,578
4	Decrease in allowance	507
-1176	Increase in allowance	-669
<b>-8,578</b>	<b>Balance at 31 March</b>	<b>-8,740</b>

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

### 40. 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:

	<b>At 31 March 2014 £'000</b>	<b>At 31 March 2015 £'000</b>
Cash at bank and in hand	-4,146	-8,462
Call Accounts	19,880	0
Money Market Funds	614	30,780
<b>Total</b>	<b>16,348</b>	<b>22,318</b>

#### **41. 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).

The following table summarises the nominal value of the Council's investment portfolio at 31 March 2015, and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

# NOTES TO THE CORE FINANCIAL STATEMENTS

Counterparty	Credit rating criteria met when investment placed?	Credit rating criteria met on 31 March 2015?	Balance invested as at 31 March 2015						Total
			Up to 1 month	1-3 months	3 - 6 months	6 – 12 months	1 – 2 years	2 – 3 years	
	Yes/No	Yes/No	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Banks UK	Yes	Yes	5,000	15,000	5,000	-	-	-	25,000
Banks non-UK: Singapore	Yes	Yes	10,000	20,000	20,000	10,000	-	-	60,000
Canada	Yes	Yes	-	-	-	-	-	-	-
Sweden	Yes	Yes	-	5,000	20,000	-	-	-	25,000
Australia	Yes	Yes	-	5,000	-	-	-	-	5,000
<b>Total Banks</b>			<b>15,000</b>	<b>45,000</b>	<b>45,000</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>115,000</b>
Local Authorities and Police Authorities	Yes	Yes	20,000	15,000	41,000	15,000	35,000	12,000	138,000
Building Societies - UK	Yes	Yes	5,000	10,000	-	-	-	-	15,000
Notice Accounts	Yes	Yes	36,558	-	-	-	-	-	36,558
Short dated Bond Funds	Yes	Yes	21,231	-	-	-	-	-	21,231
Bond Funds	Yes	Yes	9,840	-	-	-	-	-	9,840
Money Market Funds	Yes	Yes	30,779	-	-	-	-	-	30,779
Call Accounts	Yes	Yes	-	-	-	-	-	-	-
<b>Total</b>			<b>138,408</b>	<b>70,000</b>	<b>86,000</b>	<b>25,000</b>	<b>35,000</b>	<b>12,000</b>	<b>366,408</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

The above analysis shows that all deposits outstanding as at 31 March 2015 met the County Council's credit rating criteria at that date.

The amount best representing the Council's maximum exposure to credit risk at the reporting date is deemed to be nil.

Within the £35.963m short-term debtors included in loans and receivables, £20.478m were past due at 31 March 2015 (£20.851m at 31 March 2014). The past due amount can be analysed by age as follows:

	<b>At 31 March 2014 £'000</b>	<b>At 31 March 2015 £'000</b>
Less than 1 month	12,051	8,831
Between 1 and 3 months	2,410	4,668
Between 3 and 6 months	1,826	1,896
Between 6 months and 1 year	1,212	1,627
Between 1 and 3 years	2,381	2,598
Over 3 years	971	858
<b>Total</b>	<b>20,851</b>	<b>20,478</b>

None of these past-due short-term debtors have been individually impaired. An impairment allowance of £1.503m has been provided for past due debtors that are financial instruments based on past experience (£1.218m at 31 March 2014). This is the County Council's estimate of maximum exposure to uncollectability. £1.361m of the debtor impairment allowance is based on a collective assessments of debtors with similar characteristics. An individual impairment allowance has been provided for overdue library fines (£0.142m). 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 statutory debtors as these are not considered to be financial instruments.

With the exception of car loans 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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

At 31 March 2014 £'000		At 31 March 2015			
		Fixed Rate Borrowing £'000	Variable Rate Borrowing £'000	Other Finance Liabilities £'000	Total £'000
22,239	Less than 1 year	9,479	25,829	759	36,068
16,818	Between 1 and 2 years	8,000	5,000	812	13,812
72,803	Between 2 and 5 years	44,000	20,000	3,849	67,849
50,207	Between 5 and 10 years	40,000	0	6,679	46,679
271,055	More than 10 years	251,383	0	15,133	266,516
<b>433,122</b>		<b>352,862</b>	<b>50,829</b>	<b>27,232</b>	<b>430,923</b>

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:

	2013/14 £'000	2014/15 £'000
Increase in interest payable on new borrowings	0	0
Increase in interest receivable on variable and structured investments	-100	0
Increase in interest receivable on fixed rate investments	-1,201	-1,397
Increase in the gain arising from the revaluation of available for sale assets	-359	-612
<b>Impact on Comprehensive Income &amp; Expenditure Statement</b>	<b>-1,660</b>	<b>-2,009</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2013/14 £'000	2014/15 £'000
Decrease in interest payable on new borrowings	0	0
Decrease in interest receivable on variable and structured investments	0	0
Decrease in interest receivable on fixed rate investments	775	881
Decrease in the gain arising from the revaluation of available for sale assets	221	385
<b>Impact on Comprehensive Income &amp; Expenditure Statement</b>	<b>996</b>	<b>1,267</b>

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 externally managed pooled funds which may invest instruments sensitive to price movements. The fund managers monitor price fluctuations and have strategies for limiting the impact of adverse price movements of underlying investments within the pooled funds.

### Foreign Exchange Risk

The council's deposits and debt instruments are denominated in sterling.

## 42. Creditors

A breakdown of the items within the creditors category on the Balance Sheet is given in the following table.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	At 31 March 2014 £'000	At 31 March 2015 £'000
<b>Receipts in Advance</b>		
Government Departments	1,054	1,690
Other Local Authorities	19	94
Health Authorities	15	3,379
Public Corporations and Trading Funds	0	0
Sundry	4,423	2,758
	<b>5,511</b>	<b>7,921</b>
<b>Creditors</b>		
Government Departments	10,128	9,323
Other Local Authorities	3,723	4,298
Health Authorities	3,456	2,784
Public Corporations and Trading Funds	7	9
Sundry	62,615	73,927
	<b>79,929</b>	<b>90,341</b>
<b>Long Term Receipts in Advance</b>	<b>2,606</b>	<b>3,273</b>
	<b>88,046</b>	<b>101,535</b>

Long Term Receipts in Advance relate to contributions received which have conditions attached to them that are not expected to be satisfied within the next 12 months.

### 43. 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:

	Balance at 31 March 2014 £'000	Reclass- ification between short and long term £'000	Additional provisions made in 2014/15 £'000	Amounts used in 2014/15 £'000	Unused amounts reversed in 2014/15 £'000	Balance at 31 March 2015 £'000
<b>Provision due within 1 year</b>						
Insurance	367	570	1,905	-1,851	-344	647
Pooled Budgets	963		30	-10	-299	684
Redundancy	90		82	-46		126
Carbon Commitment Levy	629			-629		0
MMI Scheme of Arrangement	20					20
Highways Schemes	433			-433		0
Business Rates	1,735		1,269			3,004
Joint Use	0		175			175
	<b>4,237</b>	<b>570</b>	<b>3,461</b>	<b>-2,969</b>	<b>-643</b>	<b>4,656</b>
<b>Provision due after 1 year</b>						
Insurance	6,879	-570	3,426	24	-2,289	7,470
<b>Total</b>	<b>11,116</b>	<b>0</b>	<b>6,887</b>	<b>-2,945</b>	<b>-2,932</b>	<b>12,126</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at 31 March 2013	Reclass- ification between short and long term	Additional provisions made in 2013/14	Amounts used in 2013/14	Unused amounts reversed in 2013/14	Balance at 31 March 2014
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Provision due within 1 year</b>						
Insurance	324	478	1,790	-1,688	-537	367
Pooled Budgets	1,763		698	-1,498		963
Redundancy	292			-202		90
Fairer Charging Refunds	445			-445		0
Carbon Commitment Levy	658		630	-659		629
MMI Scheme of Arrangement	466		3	-449		20
Highways Schemes	0		433			433
Business Rates	0		1,735			1,735
	<b>3,080</b>	<b>478</b>	<b>5,289</b>	<b>-4,941</b>	<b>-537</b>	<b>4,237</b>
<b>Provision due after 1 year</b>						
Insurance	4,626	-478	5,458	-718	-2,009	6,879
<b>Total</b>	<b>7,706</b>	<b>0</b>	<b>10,747</b>	<b>-5,659</b>	<b>-2,546</b>	<b>11,116</b>

Details of the provisions held at 31 March 2015 are as follows:

- Further information about the insurance provision is provided in Note 45 below
- The Pooled Budgets 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 and Physical Disabilities Pooled Budgets arrangement.
- The redundancy provision reflects the estimated liability for redundancy costs within Children, Education & Families and Cultural Services.
- The Fairer Charging Refunds provision reflected the estimated reimbursement to clients to take account of variations in care costs. This was fully utilised in 2014/15.
- The Carbon Commitment Levy provision reflected the County Council's estimated liability for purchasing carbon allowances under the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The County Council was required to purchase and surrender allowances retrospectively, on the basis of carbon dioxide produced as energy is used. The final liability relating to 2013/14 was discharged in 2014/15. The County Council fell out of the CRC Scheme in 2014/15 so no further provision is required.
- The County Council has claims outstanding with Municipal Mutual Insurance Plc. (MMI). In November 2012 the directors of MMI triggered a process to wind up the business. This means the County Council may have to repay all or part of the insurance claims settled since the company ceased to trade, as well as fund any outstanding claims. The initial 15% levy was paid in 2013/14 and a provision of £0.020m has been made for the self-insured element of the latest scheme of arrangement.

- The highways schemes provision relates to an estimated liability for the settlement of disputed contract costs.
- Under the Business Rates Retention Scheme the County Council is required to account for its share of the billing authorities' provision for appeals on business rates valuations.
- The Joint Use provision relates to an underpayment for joint use facilities provided by South Oxfordshire District Council.

**44. 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 62, 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 two 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.

**45. Deferred Income**

The deferred income balance of £3.796m at 31 March 2015 (£4.130m at 31 March 2014) relates to lease premiums received under the service concession arrangement with Oxfordshire Care Partnership and in relation to two other leases, which are being released to the Comprehensive Income and Expenditure Statement over the lives of the arrangements.

**46. 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 2014/15, split between short term and long term is as follows:

# NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15	Capital Grants	Developer Contributions	Other Contributions	Total
	£'000	£'000	£'000	£'000
<b>Short term:</b>				
Balance as at 1 April 2014	12,112	4,541	0	16,653
Received/refunded during the year	10,128	204		10,332
Transferred to the Comprehensive Income and Expenditure Statement during the year	-4,823	-5,154		-9,977
Reclassification between short and long term	0	14,752		14,752
<b>Balance at 31 March 2015</b>	<b>17,417</b>	<b>14,343</b>	<b>0</b>	<b>31,760</b>
<b>Long term:</b>				
Balance as at 1 April 2014	2,080	28,479	65	30,624
Received/refunded during the year		23,815		23,815
Transferred to the Comprehensive Income and Expenditure Statement during the year		-58		-58
Reclassification between short and long term		-14,752		-14,752
<b>Balance at 31 March 2015</b>	<b>2,080</b>	<b>37,484</b>	<b>65</b>	<b>39,629</b>
<b>Total at 31 March 2015</b>	<b>19,497</b>	<b>51,827</b>	<b>65</b>	<b>71,389</b>

The balance at 31 March 2015 includes £8.223m Growing Places Fund grant held on behalf of the Oxfordshire Local Enterprise Partnership (LEP), for which the County Council is the accountable body.

The comparative amounts for 2013/14 are given in the table on the next page:

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14	Capital Grants	Developer Contributions	Other Contributions	Total
	£'000	£'000	£'000	£'000
<b>Short term:</b>				
Balance as at 1 April 2013	4,518	1,397	0	5,915
Received/refunded during the year	4,871	684		5,555
Transferred to the Comprehensive Income and Expenditure Statement during the year	-2,089	-2,938		-5,027
Reclassification between short and long term	4,812	5,398		10,210
<b>Balance at 31 March 2014</b>	<b>12,112</b>	<b>4,541</b>	<b>0</b>	<b>16,653</b>
<b>Long term:</b>				
Balance as at 1 April 2013	6,892	23,199	65	30,156
Received/refunded during the year		10,507		10,507
Transferred to the Comprehensive Income and Expenditure Statement during the year		171		171
Reclassification between short and long term	-4,812	-5,398		-10,210
<b>Balance at 31 March 2014</b>	<b>2,080</b>	<b>28,479</b>	<b>65</b>	<b>30,624</b>
<b>Total at 31 March 2014</b>	<b>14,192</b>	<b>33,020</b>	<b>65</b>	<b>47,277</b>

## 47. 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.



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 48. Earmarked Reserves

Balance at 1 April 2013 £'000	Contribution from Reserve £'000	Contribution to Reserve £'000	Balance at 31 March 2014 £'000		Balance at 1 April 2014 £'000	Contribution from Reserve £'000	Contribution to Reserve £'000	Balance at 31 March 2015 £'000
26,246	-14,314	12,222	24,154	Local Management of Schools	24,154	-17,474	15,302	21,982
989	-195	496	1,290	Other Schools Reserves	1,290	-1,445	92	-63
2,780	-727	346	2,399	Vehicle and Equipment Reserve	2,399	-662	638	2,375
11,873	-8,124	16,847	20,596	Grants and Contribution Reserve	20,596	-10,003	8,132	18,725
2,134	-1,241	531	1,424	ICT Projects	1,424	-1,021	231	634
0	0	0	0	Government Initiatives	0	0	1,085	1,085
1,027	-552	514	989	CE&F Commercial Services	989	-641	153	501
779	-590	83	272	CE&F Joint working with Police	272	-272	0	0
1,418	-1,448	1,146	1,116	CE&F School Intervention Fund	1,116	-906	240	450
225	-44	20	201	CE&F Foster Carer Loans	201	-138	157	220
600	-600	619	619	CE&F Academies Conversion Support	619	-474	325	470
140	-140		0	CE&F School Amalgamations	0	0	0	0
253	-181	30	102	CE&F Staff Training and Development	102	-102	0	0
850	-532	45	363	CE&F Early Intervention Service Reserve	363	-342	7	28
800		945	1,745	CE&F Thriving Families	1,745	-1,010	1,026	1,761
195	-175		20	CE&F Children's Social Care	20	0	706	726
325	-51	8	282	CE&F Pay Protection Costs	282	-282	0	0
7,469	-5,461	870	2,878	S&CS Older People Pooled Budget Reserve	2,878	-1,178	1,166	2,866
1,311	-267		1,044	S&CS Physical Disabilities Pooled Budget Reserve	1,044	-500	0	544

# NOTES TO THE CORE FINANCIAL STATEMENTS

Balance at 1 April 2013 £'000	Contribution from Reserve £'000	Contribution to Reserve £'000	Balance at 31 March 2014 £'000		Balance at 1 April 2014 £'000	Contribution from Reserve £'000	Contribution to Reserve £'000	Balance at 31 March 2015 £'000
204	-204	95	95	S&CS Learning Disabilities Pooled Budget Reserve	95	0	0	95
803	-407	13	409	S&CS Fire Control	409	-369	0	40
161	-32		129	S&CS Fire & Rescue & Emergency Planning Reserve	129	0	0	129
89	-34	101	156	S&CS Community Safety Reserve	156	0	0	156
385			385	EE Highways and Transport Reserve	385	-348	0	37
862	-862	137	137	EE Area Stewardship	137	-137	0	0
2,232	-1,461	1,315	2,086	EE On Street Car Parking	2,086	-1,883	1,242	1,445
20		1	21	EE Countryside Ascott Park - Historical Trail	21	0	0	21
60			60	EE Carbon Reduction	60	-60	0	0
20		277	297	EE SALIX Repayments	297	0	79	376
133	-76		57	EE Oxfordshire Waste Partnership Joint Reserve	57	-57	12	12
704	-32	167	839	EE Dix Pit Engineering Works & WRC Development	839	-109	0	730
3,249	-2,721		528	EE Waste Management	528	-148	0	380
227	-26		201	EE Property Disposal Costs	201	-35	69	235
0		102	102	EE Skills Reward	102	-102	7	7
305	-63	168	410	EE Developer Funding (Revenue)	410	-82	147	475
86	-30		56	EE West End Partnership	56	0	0	56
552		525	1,077	EE Joint Use	1,077	-430	167	814
1,231		363	1,594	EE Catering Investment Fund	1,594	-679	203	1,118
765	-128		637	EE Asset Rationalisation	637	-423	23	237

**NOTES TO THE CORE FINANCIAL STATEMENTS**

Balance at 1 April 2013 £'000	Contribution from Reserve £'000	Contribution to Reserve £'000	Balance at 31 March 2014 £'000		Balance at 1 April 2014 £'000	Contribution from Reserve £'000	Contribution to Reserve £'000	Balance at 31 March 2015 £'000
191	-80		111	EE Minerals and Waste Project	111	-65	0	46
2,228	-1,285	120	1,063	EE OCS Development Reserves	1,063	-801	0	262
150			150	EE Money Management Reserve	150	-150	0	0
241	-49	6	198	EE Oxfordshire - Buckinghamshire partnership	198	-198	398	398
315	-37		278	EE LABGI Reserve	278	-80	0	198
				EE Oxford Western Conveyance		0	350	350
90	-90	16	16	CEO Big Society Fund	16	-16	0	0
58	-58	58	58	CEO CIPFA Trainees	58	-58	0	0
135	-135		0	CEO Change Management & New Ways of Working	0	0	0	0
133			133	CEO Coroner's Service	133	-93	0	40
536	-536		0	CEO Council Elections	0	0	232	232
553		122	675	CEO Registration Service	675	-271	0	404
1,391	-96	211	1,506	Cultural Services Reserve	1,506	-624	147	1,029
4,736	-1,307	53	3,482	Insurance Reserve	3,482	0	1,034	4,516
3,168	-3,168	1,085	1,085	Carry Forward Reserve	1,085	-1,791	902	196
18,419	-147	1,170	19,442	Capital Reserve	19,442	-106	3,999	23,335
1,559		491	2,050	Rolling Fund Reserve	2,050	0	491	2,541
0	-177	177	0	Financing Capital	0	0	0	0
3,341	-3,341		0	Budget Reserve - 2009/10 to 2013/14	0	0	0	0
17,211		2,182	19,393	Budget Reserve	19,393	-13,960	3,373	8,806
3,384	-1,530	2,399	4,253	Efficiency Reserve	4,253	-2,659	154	1,748
6,326	-96	1,300	7,530	Prudential Borrowing Reserve	7,530	-93	1,461	8,898
<b>135,667</b>	<b>-52,850</b>	<b>47,376</b>	<b>130,193</b>	<b>Total Earmarked Reserves</b>	<b>130,193</b>	<b>-62,277</b>	<b>43,750</b>	<b>111,666</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 schools.

The following table provides an analysis of school surplus and deficits:

	Balance at 31 March 2014		Balance at 31 March 2015	
	No. of schools	Balance £'000	No. of schools	Balance £'000
<b>Primary Schools</b>				
Schools in surplus	199	13,186	180	12,632
Schools in deficit	9	-326	13	-225
<b>Secondary Schools</b>				
Schools in surplus	11	4,042	7	1,354
Schools in deficit	1	-31	2	-525
<b>Special Schools</b>				
Schools in surplus	10	1,533	9	1,134
Schools in deficit	0	0	0	0
<b>Sub-Total Revenue</b>	<b>230</b>	<b>18,404</b>	<b>211</b>	<b>14,370</b>
Closed Schools				
Schools Contingency & Schools Forum		5,750		7,613
<b>Total</b>		<b>24,154</b>		<b>21,982</b>

### Other School Reserves

These reserves cover a number of miscellaneous education activities, including amounts loaned to individual schools against schools reserves, and School Partnership accounts which 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.

### Vehicle and Equipment Reserve

This reserve is to fund future replacements of vehicles and equipment.

### Grants and Contributions Reserve

This reserve has been set up to hold unspent grants and contributions committed to be spent in future years. £11.136m of the balance at 31 March 2015 relates to the Dedicated Schools Grant. £3.435m of unspent Public Health grant is also held in the reserve.

### ICT Projects Reserve

This reserve has been set up to fund the cost of ICT projects.

**Government Initiatives Reserve**

The Government Initiatives Reserve was created in 2014/15. It will be used to hold underspends on budgets funded by unringfenced grants held that relate to specific agreed outcomes or the implementation of Government initiatives.

**CE&F Commercial Services**

This reserve has combined a number of smaller reserves and includes the Oxfordshire Safeguarding Children Board Reserve, which was set up to hold contributions from participants in the Board (the balance will be drawn down as required). Surplus balances from Outdoor Education Centres are also held in the reserve. The Governor Services reserve, holds any surpluses arising on the service to help the service move towards a self-financing basis in future years.

**CE&F Joint Working with Police Reserve**

This reserve has been used to fund a two-year project to and respond to an increase in referrals and workloads.

**CE&F School Intervention Fund Reserve**

This reserve is for school improvement projects in line with the Education Strategy.

**CE&F Foster Carer Loans Reserve**

Funds set aside to meet potential write-off of Children's Act loans and interest costs in future years.

**CE&F Academies Conversion Support Reserve**

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.

**CE&F School Amalgamations Reserve**

This reserve was set up to meet costs associated with school amalgamations. The balance in was transferred into the Academies Conversion Support Reserve in 2013/14.

**CE&F Staff Training & Development Reserve**

This reserve was for training and staff development towards new ways of working following the restructuring of the Children, Education and Families directorate. It was fully spent in 2014/15.

**CE&F Early Intervention Service Reserves**

Funding for early intervention projects and equipment.

**CE&F Thriving Families Reserve**

This reserve will be used to fund the Thriving Families project.

**CE&F Children's Social Care Reserve**

This reserve is to fund project work within Children's Social Care.

**CE&F Pay Protection Costs Reserve**

This reserve has been used to support the Medium Term Financial Plan as agreed in the 2015/16 budget.

**S&CS Older People, Physical Disabilities and Learning Disabilities Pooled Budget Reserves**

These reserves hold the County Council's element of the pooled budget underspends. To be used in future years as agreed by the Joint Management Group.

**S&CS Fire Control Reserve**

This reserve has been created to hold funding for the Fire Control project (Oxfordshire/Berkshire/Buckinghamshire Fire Control Centre).

**S&CS Fire & Rescue Emergency Planning Reserves**

These reserves are to be used for future unbudgeted fire hydrant work and renewal of IT and other equipment.

**S&CS Community Safety Reserves**

These reserves have combined some smaller reserves, including the Gypsy & Traveller Service reserve, which is being used for improvements to play areas at the Gypsy & Traveller sites at Redbridge Hollow and Wheatley. The other reserves are to be used for costs of complex investigations, e.g. expert witnesses.

**EE Highways and Transport Reserve**

Used to support 2014/15 expenditure.

**EE Area Stewardship Reserve**

Remaining Area Stewardship Scheme funding that has been spent in 2014/15.

**EE On-Street Parking Account Reserve**

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.

**EE Countryside, Ascott Park - Historical Trail Reserve**

This reserve has been set up to help fund the maintenance of the historical train as Ascott Park.

**EE Carbon Reduction Reserve**

This reserve was held to support any unforeseen costs associated with the Carbon Reduction Commitment scheme. That has now finished so the balance has been used to support the Medium Term Financial Plan.

**EE SALIX Energy Schemes Reserve**

This reserve is ring-fenced to energy saving schemes in the future.

**EE Oxfordshire Waste Partnership Joint Reserve**

This reserve held the revenue proportion of the unutilised element of the performance reward grant secured by the Oxfordshire Waste Partnership (OWP).

The OWP has now ceased so the remaining balance will be used to support waste management projects.

**EE Dix Pit Engineering Works & WRC Development Reserve**

These reserves are to meet engineering work at Dix Pit waste management site and any other ongoing liabilities due to the closure of other landfill sites.

**EE Waste Management**

This reserve will be used to fund financial liabilities due to any contract deficit mechanism payments as part of the Energy from Waste Contract.

**EE 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.

**EE Skills Reward Reserve**

This reserve was set up to provide funding for job clubs in 2014/15.

**EE Developer Funding (Revenue) Reserve**

This reserve is used to meet the costs of monitoring and administering Section 106 agreements.

**EE West End Partnership Reserve**

Funding relating to the development of Oxforde's West End.

**E&E Joint Use Reserve**

This reserve has been established to hold the balance of funds for the joint-use sports agreements with the district councils.

**EE Catering Investment Fund Reserve**

This reserve will be used to invest in catering facilities and includes a contingency for unforeseen costs.

**EE Asset Rationalisation Reserve**

This reserve is for the implementation of the property asset rationalisation strategy.

**EE Minerals and Waste Project Reserve**

This reserve is to fund the Minerals and Waste Project.

**EE OCS Development Reserves**

This reserve will be used to develop the Customer Service Centre and the Transforming Oxfordshire Customer Services Project.

**EE MM Money Management Reserve**

This reserve is to be used to meet shortfalls arising when client income received is less than expenditure incurred.

**EE Oxfordshire - Buckinghamshire Partnership Reserve**

This reserve has been set up to ring-fence funding for the Oxfordshire & Buckinghamshire Partnership graduate teacher training programme.

**EE LABGI Reserve**

This reserve contains funding that has been allocated to support the Local Enterprise Partnership.

**CEO Big Society Fund Reserve**

This reserve held funding for the Big Society Fund. The remaining schemes were completed in 2014/15.

**CEO CIPFA Trainees Reserve**

This reserve originally provided funding for CIPFA trainees. This was agreed to be used to support the Medium Term Financial Plan as part of the 2015/16 budget.

**CEO Coroner's Service**

This reserve will be used to support one – off projects in the Coroner's Service.

**CEO Elections Reserve**

This reserve has been established to meet the cost of County Council Elections.

**CEO Registration Service**

This reserve is for the refurbishment of registrar's buildings and facilities, and for other registration service projects.

**Cultural Services Reserves**

This reserve combines some small Cultural Services reserves and includes ICT/Digitisation projects, donations and Library Strategy.

**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 employers 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 2015.

The actuaries projected the standard claims arising in future years in respect of the period up to 31 March 2015 at £0.578m. In addition to these claims the actuaries have also highlighted an amount in respect of Municipal Mutual Insurance Plc (MMI) clawback and non-standard claims (for example exceptional and latent claims) which in total has been assessed at £1.913m. £1.177m has been included in the reserve to cover MMI clawback noted as a contingent liability in Note 62. A £0.435m contribution from balances to reflect actuarial advice was agreed in July 2014. £0.413m is being held for risk management initiatives.



## NOTES TO THE CORE FINANCIAL STATEMENTS

	<b>At 31 March 2014 £'000</b>	<b>At 31 March 2015 £'000</b>
Standard claims likely to be received as at 31 March	1,694	578
Additional IBNR/Latent claims as assessed by Actuarial review	1,382	1,913
MMI Clawback as assessed by actuarial review	406	1,177
Risk management initiatives	0	413
Contribution from balances agreed by Cabinet in July 2014 - reflects actuarial advice		435
<b>Total</b>	<b>3,482</b>	<b>4,516</b>

### **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.

A summary of the carry-forwards for each directorate is as follows:

<b>Directorate</b>	<b>At 31 March 2014 £'000</b>	<b>At 31 March 2015 £'000</b>
Children, Education & Families	-72	0
Social & Community Services	-513	0
Environment & Economy	997	0
Chief Executive's Office	673	0
Public Health	0	0
Strategic Measures	0	196
<b>Total</b>	<b>1,085</b>	<b>196</b>

### **Capital Reserve**

This reserve has been established for the purpose of financing capital expenditure in future years.

### **Rolling Fund Reserve**

The Rolling Fund was established to facilitate, through forward funding, the timely provision of critical infrastructure that supports planned growth. This has been agreed to be used to support the Medium Term Financial Plan in 2015/16.

### **Financing Capital Reserve**

This reserve is used for facilitating capital financing adjustments.

### **Budget Reserves**

This reserve is used to manage the cash flow implications of variations to the Medium Term Financial Plan.

### **Efficiency Reserve**

This reserve is to help support the implementation of directorate business strategies and the Medium Term Financial Plan.

### **Prudential Borrowing Reserve**

This reserve is used to meet the costs of borrowing for increased funding for the Capital Programme. Contributions are to be made each year with draw-downs being required as costs are incurred.

## **49. Useable Capital Receipts**

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Balance as at 1 April	10,617	14,148
Net receipts from sale of assets	2,961	1,800
Net receipts from repayment of loans	570	130
Receipts applied to finance capital expenditure	0	0
<b>Balance as at 31 March</b>	<b>14,148</b>	<b>16,078</b>

This reserve has been established for the purpose of financing capital expenditure in future years. Unutilised capital receipts at 31 March 2015 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:

	<b>£'000</b>
Other receipts from sale of assets under £500,000	552
<b>Total</b>	<b>552</b>

## **50. 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.

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Balance as at 1 April	54,130	54,540
Applied during the year	-7,697	-28,133
Recognised as income but not applied during the year	8,107	23,213
<b>Balance as at 31 March</b>	<b>54,540</b>	<b>49,620</b>

## 51. Unusable Reserves

A breakdown of reserves within the unusable reserves category on the Balance Sheet is set out in the following table.

	<b>Balance at 31 March 2014 £'000</b>	<b>Balance at 31 March 2015 £'000</b>
Revaluation Reserve	81,836	97,020
Available-for-Sale Financial Instruments Reserve	452	1,681
Pensions Reserve	-666,812	-822,003
Capital Adjustment Account	641,790	611,832
Financial Instruments Adjustment Account	-317	-262
Collection Fund Adjustment Account	6,228	4,593
Accumulated Absences Account	-5,745	-4,314
<b>Total</b>	<b>57,432</b>	<b>-111,453</b>

Movements on the Pensions Reserve are set out in the Retirement Benefits Note 20.

## 52. Revaluation Reserve

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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14 £'000			2014/15 £'000	
	67,179	Balance as at 1st April		81,836
14,995		Upward revaluation of assets	30,987	
-4,224		Downward revaluation of assets	-3,067	
-2,981		Impairment of assets	-2,728	
5,292		Write back of accumulated depreciation on revaluations	7,233	
2,801		Write back of accumulated impairment on revaluations	3,834	
	15,883	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		36,259
2,317		Difference between fair value depreciation and historical cost depreciation	1,261	
-3,543		Accumulated gains on assets sold or scrapped	-22,336	
	-1,226	Amounts written off to the Capital Adjustment Account		-21,075
	<b>81,836</b>	<b>Balance as at 31st March</b>		<b>97,020</b>

## 53. Capital Adjustment Account

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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14 £'000			2014/15 £'000	
	676,820	Balance as at 1st April		641,790
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
-30,033		Charges for depreciation for non-current assets	-28,226	
-5,942		Charges for impairment for non-current assets	-3,370	
-2,335		Revaluation losses on Property, Plant and Equipment	-11,771	
10,075		Reversal of revaluation losses on Property, Plant and Equipment	12,924	
-718		Amortisation of Intangible Assets	-294	
-15,516		Revenue expenditure funded from capital under statute	-22,618	
-73,168		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on derecognition	-109,212	
		Removal of finance liability on derecognition of assets held under finance leases	1	
	-117,637	Adjusting amounts written out of the Revaluation Reserve:		-162,566
-2,317		Difference between fair value depreciation and historical cost depreciation	-1,261	
3,105		Accumulated gains on assets sold or scrapped	21,286	
	788			20,025
	559,971	Net written out amount of the cost of non-current assets consumed in the year		499,249
		Capital financing applied in the year:		
51,515		Capital grants and contributions credited to the CIES that have been applied to capital financing	60,625	
7,256		Application of grants to capital financing from the Capital Grants Unapplied account	27,804	
		Reversal of grants and contributions applied in previous years	0	
18,046		Statutory provision for the financing of capital investment charged against the County Fund balance	17,694	
7,209		Capital expenditure charged against the County Fund balance	6,607	
		Reversal of revenue applied to capital financing in previous years	0	
	84,026			112,730
	1,078	Movements in the market value of Investment Properties debited or credited to the CIES		508
	-555	Amounts of Investment Properties written off on disposal or sale as part of the gain/loss on derecognition		-277
		Movement in the Donated Asset Account credited to the CIES		0
	-1,473	Revaluation losses on Assets held for Sale		0
		Revaluation gains on Assets held for Sale		3
		Impairment losses on Assets held for Sale		0
	438	Accumulated gains on Assets held for Sale sold or scrapped		1,050
	-1,125	Amounts of Assets held for Sale written off on disposal or sale as part of the gain/loss on derecognition		-1,300
	-570	Repayment of loans treated as capital receipts		-131
	<b>641,790</b>	<b>Balance as at 31 March</b>		<b>611,832</b>

#### **54. 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.

<b>2013/14 £'000</b>		<b>2014/15 £'000</b>
-389	Balance as at 1 April	-317
-9	Write-down/write-ups to fair value	-11
81	Effective interest rate adjustments	66
72	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	55
<b>-317</b>	<b>Balance at 31 March</b>	<b>-262</b>

#### **55. Collection Fund Adjustment Account**

The account holds the difference between the accrued Council Tax income and accrued Business Rates 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:

<b>2013/14 £'000</b>		<b>2014/15 £'000</b>
5,087	Balance as at 1 April	6,228
-238	Decrease in Council Tax and Business Rate surpluses/increases in deficits	-2,042
1,379	Increases in Council Tax and Business Rate surpluses/reductions in deficits	408
1,141	Amount by which Council Tax and Business Rate income credited to the CIES is different from the income for the year calculated in accordance with statutory requirements	-1,635
<b>6,228</b>	<b>Balance at 31 March</b>	<b>4,593</b>

## 56. 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.

The main element of the balance relates to teachers' accumulated holiday pay. The balance has reduced because of the conversion of schools to academies.

<b>2013/14 £'000</b>		<b>2014/15 £'000</b>	
-6,831	Balance at 1 April		-5,745
6,831	Settlement or cancellation of previous year's accrual	5,745	
-5,745	Amount accrued at the end of the current year	-4,314	
1,086	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute		1,431
<b>-5,745</b>	<b>Balance at 31 March</b>		<b>-4,314</b>

## 57. 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:

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Depreciation/amortisation of fixed assets	-30,751	-28,519
Impairment charges/revaluation losses	325	-2,214
Retirement benefit adjustments	-23,209	-21,773
Impairment allowance for doubtful debts	-58	-285
Other financial instrument adjustments	76	-207
Provisions set aside in the year	-1,256	-1,555
Deferred income released	993	334
Movement in value of investment properties	1,078	508
Carrying amount of non-current asset sold	-74,848	-110,790
Transfers from Capital Grants Receipts in Advance	4,856	10,035
Previous years' capitalised spend written-off	0	0
Increase/decrease(-) in inventories	-23	-132
Increase/decrease(-) in debtors	8,188	9,944
Increase(-)/decrease in creditors	5,314	-10,133
<b>Total adjustments for non-cash movements</b>	<b>-109,315</b>	<b>-154,787</b>

## 58. Cash Flow Statement – Operating Activities

The cash flows for operating activities are as follows:

2013/14 £'000		2014/15 £'000	
393,557	<b>Cash outflows</b>	380,210	
481,033	Cash paid to and on behalf of employees	484,136	
874,590	Other operating costs		864,346
	<b>Cash inflows</b>		
-273,213	Council Tax receipts	-284,663	
-27,256	Non-domestic rate income	-28,588	
-94,561	Revenue Support Grant	-80,623	
-35,694	Business Rates Top-Up Grant	-36,390	
-392,248	Other government grants and contributions	-379,354	
-67,294	Other cash received for goods and services	-66,321	
-890,266			-875,939
	<b>Cash outflows</b>		
19,847	Interest paid	18,126	
2,134	Interest element of finance lease rental payments	2,134	
21,981			20,260
	<b>Cash Inflows</b>		
-3,148	Interest received		-2,630
<b>3,157</b>	<b>Total operating activities</b>		<b>6,037</b>

Payments on behalf of employees have reduced primarily due to the conversion of schools to academies.

## 59. Cash Flow Statement – Investing Activities

The table below provides a breakdown of the items within the Investing Activities line of the Cash Flow Statement.

	2013/14 £'000	2014/15 £'000
Purchase of property, plant and equipment, investment property and intangible assets	47,403	69,438
Purchase of short-term and long-term investments	350,399	338,970
Other payments for investing activities	558	719
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-2,961	-1,799
Capital grants	-67,123	-100,958
Proceeds from short-term and long-term investments	-345,950	-321,000
Other receipts from investing activities	-631	-205
<b>Total investing activities</b>	<b>-18,305</b>	<b>-14,835</b>



**60. Cash Flow Statement – Financing Activities**

A breakdown of the items within the Financing Activities line in the Cash Flow Statement is as follows:

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Cash receipts of short- and long-term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet service concession arrangements	818	825
Repayments of short- and long-term borrowing	11,003	2,002
Other payments for financing activities	0	0
<b>Total financing activities</b>	<b>11,821</b>	<b>2,827</b>

**61. Analysis of Government Grants**

The total cash received for revenue government grants (other than Revenue Support Grant and Business Rates Top-Up Grant) is £346.254m. An analysis is set out in the table on the next page.

# NOTES TO THE CORE FINANCIAL STATEMENTS

<b>Government Grants</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
<b>Department for Education</b>		
Dedicated Schools Grant	289,509	269,026
Adoption Reform Grant	1,612	597
Pupil Premium Grant	9,408	11,324
Education Services Grant	7673	7,401
PE & Sports Grant	1,169	1,721
Universal Infant Free School Meals		4,052
<b>Department of Health</b>		
Public Health Grant	25,264	26,086
<b>Education Funding Agency</b>		
Sixth Form Funding	7,242	5,124
<b>Skills Funding Agency</b>		
Adult Learning	3,627	3,671
<b>Department for Transport</b>		
Severe Weather Recovery Grant - Highways	3,027	0
Local Sustainable Transport Fund Resource Grant	1,338	566
<b>Department for Communities &amp; Local Government</b>		
New Homes Bonus	1,662	2,387
Troubled Families Grant	1,224	1,126
Section 31 Grant - Business Rates and Other Reliefs (Autumn 2013 Statement)		1,551
<b>Home Office</b>		
Asylum Seekers	764	991
<b>Regional Growth Fund</b>		
Regional Growth Fund		1,195
Other grants less than £1m	8,225	9,436
<b>Total</b>	<b>361,744</b>	<b>346,254</b>

Dedicated Schools Grant and Sixth Form Funding have both reduced with the conversion of schools to academies. The universal infant free school meals grant enables schools to provide free school meals to all pupils in reception, year one and year two. £4.052m received by the council has been passed to local education authority maintained schools in accordance with the grant conditions. The Regional Growth Fund (RGF) supports eligible projects and programmes that are raising private sector investment to create economic growth and lasting employment. £1.195m was received by the council on behalf of the Local Enterprise Partnership.

**62. 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 an 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 £2.3 million of schemes costing £3.25 million. The total liability outstanding for the year ending 31 March 2015 is £0.386million.

**Municipal Mutual Insurance Plc**

The County Council has claims outstanding with Municipal Mutual Insurance (MMI) Plc. In November 2012 the directors of MMI triggered a process to wind up the business. This means the County Council may have to repay all or part of the insurance claims settled since the company ceased to trade, as well as fund any outstanding claims. A provision of £0.020 million was included in the 2013/14 accounts and represents 6.5% of the £0.308m claims outstanding. A further £1.177 million is held in the Insurance Reserve for MMI clawback in accordance with advice from the scheme's actuaries in March 2015.

**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.

**Child Sexual Exploitation**

The County Council has received a number of potential claims relating to child sexual exploitation cases following the recent Bullfinch Trial. These are matters currently with the Council's Insurers and liability has not been admitted. It is not therefore possible to estimate the value of these potential claims nor the timing of any potential payouts at this time.

**Employment Contractual Terms**

The County Council may receive claims for compensation relating to employment contractual terms, although no claims have yet been received. It is not possible to estimate the total value of potential claims given uncertainties over the size and relevant time period for individual claims.

**63. Material Post Balance Sheet Events**

Events after the balance sheet date have been considered up until 16 September 2015, when the accounts were authorised for issue.

Eight schools are expected to convert to academy status in July and August 2015. The value of Property, Plant and Equipment that is expected to transfer to academy trusts during 2015/16 relating to these schools is £42.139m. £0.634m of revenue and capital reserves/balances is also expected to transfer to the academy trusts for seven of these schools. The remaining school is expected to have a small deficit that will need to be met by the council on conversion.

For 2015/16 onwards group accounts will be required to show expenditure and income relating to the Local Enterprise Partnership which was incorporated as a company limited by guarantee on 1 April 2015. The council remains the accountable body.

The Chief Executive of the council will be stepping down in September 2015 ahead of a review of senior management arrangements. Pending a decision about the longer term, the interim arrangements will involve responsibilities being shared amongst the management team with Peter Clark, currently Chief Legal Officer, subject to Council approval becoming the statutory Head of Paid Service, and the other directors taking on additional duties in support. Proposals for the new arrangements will form part of the budget for 2016/17. A severance payment of £0.259m was agreed in June 2015.

**64. Changes in accounting policy**

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 Practice on Local Authority Accounting in the United Kingdom 2015/16 (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 (2014/15).

The 2015/16 Code has adopted amendments to some financial standards that may have an impact on the amounts disclosed within the accounts which will apply from 1 April 2015 or which will need to be considered during 2015/16 for adoption in 2016/17 with a restatement of 2015/16. The new or revised financial standards adopted are:

**IFRS 13 Fair Value Measurement**

IFRS 13 defines Fair Value (FV) as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The standard requires prospective application from 2015/16 (no prior year restatements are required). Operational Property, Plant & Equipment will continue to be measured at Service Potential (Current Value) with no change in measurement requirements. Surplus Assets will need to be measured for their

economic benefits at fair value. Investment Properties will need to be measured at their highest and best use.

Liabilities will need to be measured at the best transfer price. Further guidance will be required on how to measure the value of liabilities that cannot be sold, such as Public Works Loans Board loans.

Additional disclosure notes will be required in the 2015/16 Statement of Accounts to set out the valuation techniques and inputs used.

#### Code of Practice on Transport Infrastructure Assets

Currently local authorities record the value of their transport infrastructure assets at historical cost within their accounts. However, CIPFA/LASAAC, the body responsible for the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code), considers that current value is a more appropriate measurement base for local authority assets. CIPFA/LASAAC has therefore decided that the measurement requirements of the Transport Code will be adopted in the Accounting Code from 2016/17. Transport infrastructure assets will therefore be required to be measured on a depreciated replacement cost basis from 2016/17. This will require retrospective restatement of the 2015/16 statements of account. The value of infrastructure assets will increase significantly when the code is adopted.

#### Accounts and Audit Regulations 2015

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and apply to 2015/16. This brings forward the local government reporting timetable for published accounts to 31 July 2017/18. Accounting Policies will need to be reviewed to ensure that the Council is able to produce its statutory accounts to meet this earlier deadline.

The annual improvements to IFRS are minor in nature and are not considered to have any impact on the financial statements.

### **65. Authorisation of the Accounts**

The Statement of Accounts will be authorised for issue on 16 September 2015 by Lorna Baxter, Chief Finance Officer. Events after the balance sheet date will be considered up to this time.

## TRUST FUNDS

66. 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.

		2013/14	2014/15	
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	108	1	117
	Oxford Boys	23	1	24
	Criminal Injuries Compensation Awards	21	4	21
	Other (under £10,000)	10	4	16
Chief Executive's Office	Bequest of Property at Watlington	87	1	88
<b>Total</b>		<b>249</b>	<b>11</b>	<b>266</b>

		2013/14	2014/15	
Trust Funds where Oxfordshire County Council acts as joint trustees		Value of Fund £'000	No. of Funds	Value of Fund £'000
Children, Education & Families Social & Community Services	Funds to be used for the benefit of Wallingford School	3,247	3	3,292
	Other (under £10,000)	1	1	1
	Junior Citizens Trust	6	1	9
<b>Total</b>		<b>3,254</b>	<b>5</b>	<b>3,302</b>

		2013/14	2014/15	
Other Funds		Value of Fund £'000	No. of Funds	Value of Fund £'000
Children, Education & Families Social & Community Services	Thomas Gifford Charity	353	1	355
	City Lectureship Scholarship	17	1	18
	Other (under £10,000)	31	11	31
	Other (under £10,000)	9	1	9
<b>Total</b>		<b>410</b>	<b>14</b>	<b>413</b>

# FIRE-FIGHTERS' PENSION FUND ACCOUNTS: FUND ACCOUNT

## Fund Account for the year ended 31 March

Fund Account	2013/14 £'000	2014/15 £'000
<b>Contributions Receivable</b>		
From employer		
- normal	-1,902	-1,836
- early retirements	0	0
Other (ill health retirement contribution)	-101	-73
From members	-1,313	-1,415
	-3,316	-3,324
<b>Transfers in</b>	0	-34
<b>Benefits Payable</b>		
Pensions	4,408	4,546
Commutations and lump sum retirement benefits	979	930
Lump sum death benefits	0	0
Other (ill health lump sums)	0	52
	5,387	5,528
<b>Payments to and on account of leavers</b>		
Individual transfers out to other schemes	210	394
	210	394
<b>Miscellaneous</b>		
Annual Allowance Charge	32	0
<b>Net amount payable/receivable for the year before top-up grant receivable/amount payable to sponsoring department</b>	<b>2,313</b>	<b>2,564</b>
<b>Top-up grant receivable</b>	<b>-2,313</b>	<b>-2,564</b>
<b>Net amount payable/receivable for the year</b>	<b>0</b>	<b>0</b>

# FIRE-FIGHTERS' PENSION FUND ACCOUNTS: NET ASSETS STATEMENT

Net Assets Statement	2013/14 £'000	2014/15 £'000
<b>Net Current Assets and Liabilities</b>		
Contributions due from employer	14	14
Pension top-up grant receivable from sponsoring department	510	780
Other Current Assets	10	11
Pension top-up grant payable to sponsoring department	0	0
Other current liabilities (other than liabilities to pay pensions and other benefits in the future)	-274	-104
Cash balance	-260	-701
<b>Total</b>	<b>0</b>	<b>0</b>



### **1. Basis of Preparation**

The fund, which reflects the financial arrangements relating to both the 1992 and the 1996 Firefighter 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 firefighters 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 no ill health retirements in 2014/15.

### **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 2015.

	1992 Scheme	2006 Scheme
Contributors	165	419
Pensioners	292	10
Preserved Pensions	27	211

**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.

**9. Contingent Liability**

The 2014/15 accounts noted that complaints had been made to the Pensions Ombudsman regarding the lack of a review by the Government Actuary of the Firefighters' Pension Scheme 1992 commutation factors between 1998 and 2006.

The Pension Ombudsman has now considered a test case and issued a final determination upholding the complaint. This means that many firefighters who retired between 1998 and 2006 should have been paid higher lump sums.

The Local Government Association are now seeking a decision as to who should be liable for the additional costs. Since this, revised commutation factors, and the process for individuals seeking redress, remains unclear it is not possible to estimate a contingent liability. Approximately 34 Oxfordshire pensioners are expected to be affected.

**10. Fire Fighters' Pension Scheme 2015**

From 1 April 2015 a new pension scheme was introduced for firefighters. Any benefits accrued from this date will be based on career average rather than a final salary basis. These changes will have implications for pensions administration arrangements and accounts disclosures in 2015/16.

**THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS: FUND ACCOUNT**

<b>Fund Account for the Year Ended 31 March 2015</b>		<b>Reclassification</b>	
	Notes	<b>2014</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
<b>Contributions and Benefits</b>			
Contributions Receivable	6	-80,620	-86,556
Transfers from Other Schemes	7	-5,211	-3,113
Other Income	8	-476	-423
<b>Income Sub Total</b>		<b>-86,307</b>	<b>-90,092</b>
Benefits Payable	9	70,139	72,230
Payments to and on Account of Leavers	10	4,384	4,011
Management Expenses	11	5,080	5,434
Other Expenses	8	0	337
<b>Expenditure Sub Total</b>		<b>79,603</b>	<b>82,012</b>
<b>Net Additions from dealings with members</b>		<b>-6,704</b>	<b>-8,080</b>
<b>Returns on Investments</b>			
Investment Income	12	-23,288	-23,564
Commission Recapture		-1	-2
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	-77,626	-182,703
Less Taxes on Income	12	156	81
<b>Net returns on Investments</b>		<b>-100,759</b>	<b>-206,188</b>
<b>Net Increase in the Net Assets Available for Benefits During the Year</b>		<b>-107,463</b>	<b>-214,268</b>
Opening Net Assets of the Scheme		1,523,748	1,631,211
<b>Closing Net Assets of the Scheme</b>		<b>1,631,211</b>	<b>1,845,479</b>

The latest guidance on the presentation of management costs has been adopted; as such Investment Management Expenses of £3.611m and Administrative Expenses Borne by the Scheme of £1.469m have been combined under the new line of Management Expenses for the year ended 31 March 2014. Further details are included in Note 3.

# NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Net Assets as at 31 March 2015		Reclassification	
	Notes	2014 £'000	2015 £'000
<b>Investment Assets</b>			
Fixed Interest Securities	16b	74,957	87,748
Index Linked Securities	16b	80,201	92,133
Equities	16b	590,179	643,335
Pooled Investments	16b	703,652	839,010
Pooled Property Investments	16b	97,287	111,462
Derivative Contracts	16c	100	1,598
Cash Deposits	16d	10,285	7,332
Other Investment Balances	16d	5,593	7,008
<b>Investment Liabilities</b>			
Derivative Contracts	16c	-111	-393
Other Investment Balances	16d	-2,288	-4,249
<b>Total Investments</b>		<b>1,559,855</b>	<b>1,784,984</b>
<b>Assets and Liabilities</b>			
Current Assets	17	58,816	50,191
Current Liabilities	18	-1,701	-2,005
<b>Net Current Assets</b>		<b>57,115</b>	<b>48,186</b>
Long-Term Assets	19	14,241	12,309
<b>Net Assets of the scheme available to fund benefits at year end</b>		<b>1,631,211</b>	<b>1,845,479</b>

Following a review of the classification of investments it was decided that the Fund's holdings in listed private equity companies should be classified under equities rather than private equity. The £91.435m listed under private equity for the financial year ended 31 March 2014 consisted entirely of listed private equity holdings and has been included within the equities category. Further details are included in 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 2014/15 Annual Report and in the underlying statutes.

**General**

The Oxfordshire County Council Pension Fund is part of the Local Government Pension Scheme which is a statutory, funded, defined benefit 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 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.

The scheme is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

This defined benefit scheme provides benefits related to salary for its members. Pensions paid to retired employees, their dependants, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. The amount is determined by the Secretary of State.

**Membership**

The majority of fund employers are required to automatically enrol eligible jobholders into the LGPS under the government's auto-enrolment legislation, employees may then choose to opt-out of the scheme. Some employers will have the option of whether to auto-enrol eligible jobholders into the LGPS or another qualifying scheme.

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. Typically this will

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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:

	<b>As at 31 March 2014</b>	<b>As at 31 March 2015</b>
<b>Number of Contributory Employees in Scheme</b>		
Oxfordshire County Council	11,434	10,801
Other Scheduled Bodies	7,956	9,527
Admitted Bodies	1,193	1,061
	<b>20,583</b>	<b>21,389</b>
<b>Number of Pensioners and Dependants</b>		
Oxfordshire County Council	7,556	7,874
Other Scheduled Bodies	4,635	4,833
Admitted Bodies	713	758
	<b>12,904</b>	<b>13,465</b>
<b>Deferred Pensioners</b>		
Oxfordshire County Council	13,076	14,002
Other Scheduled Bodies	6,164	6,914
Admitted Bodies	871	942
	<b>20,111</b>	<b>21,858</b>

Six Scheduled Bodies, all of which are Academies, plus eight Admitted Bodies joined the scheme in 2014/15. There was no significant impact on the membership of the scheme because the Academies' members were previously in the scheme as County Council employees and the other new bodies all transferred from an existing scheme employer.

### 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 2015 rates ranged from 5.5% to 12.5% of pensionable pay.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The latest actuarial valuation took place in 2013 and determined the contribution rates to take effect from 01 April 2014. Employer contribution rates currently range from 12.0% to 24.6% of pensionable pay.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below.

	<b>Service Pre 1 April 2008</b>	<b>Service Post 31 March 2008</b>
Pension	Each full-time year worked is worth $1/80 \times$ final pensionable salary.	Each full-time year worked is worth $1/60 \times$ final pensionable salary.
Lump Sum	Automatic lump sum of 3 $\times$ pension. 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.

From 1 April 2014 the scheme became a career average scheme, where members accrue benefits based on their pensionable pay in any given year at an accrual rate of  $1/49^{\text{th}}$ . Accrued pension is indexed annually in line with the Consumer Prices Index. The normal retirement age is linked to each individual member's State Pension Age.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. Scheme members are now also able to opt to pay 50% of the standard contributions in return for 50% of the pension benefit.

### 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 2014/15.

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 23.

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 35.



**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 2015.
  - (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 2015.
  - (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.
  - (g) 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.
  - (h) 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



## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 or on receipt if earlier than the due date.

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 determines the contribution rate for each employer during the triennial valuations of the Fund's assets and liabilities. 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. 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 2015.

### **Investment Management and Scheme Administration**

6. A proportion of relevant County Council officers' salaries, including salary on-costs, 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.

### **Cash**

8. Cash held in bank accounts and other readily accessible cash funds is classified under cash balances as it is viewed that these funds are not held for investment purposes but to allow for effective cash management. Cash that has been deposited for a fixed period and as such as an investment, has been included under cash deposits.

**Changes in Accounting Policy**

9. The fund holds a number of investments in listed private equity companies. These holdings have previously been classified under investments as private equity. However, it has been determined that it would be more appropriate to include these holdings under equities as the investment is in a company that undertakes private equity related activities rather than an investment in a specific fund that makes private equity investments. In addition, this is consistent with the treatment of other equity investments as the fund does not split out any other categories from within equities, for example retail stocks.

In June 2014 the Chartered Institute of Public Finance & Accountancy issued a document titled Accounting for Local Government Pension Scheme Management Costs. This document aims to establish best practice in the disclosure of scheme management costs in the LGPS. Although the document is not statutory or required to be complied with by the Code, the fund has adopted the presentation of management costs in line with the guidance.

**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 2015 was £64.433m (£51.602m at 31 March 2014). All of the unquoted private equity investments at 31 March 2015 are included within the pooled investments category in the net assets statement, as was the case at 31 March 2014.

**Pension Fund Liability**

The pension fund liability is calculated every three years by the Fund's actuary, with annual updates in the intervening years. Methods and assumptions consistent with IAS19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 26. 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 preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date, and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainties that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are:-

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 £2,941m. There is a risk that this figure is under, or overstated in note 26 to 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 £64.433m. There is a risk these investments are under, or overstated in the accounts.
Fund of Funds Hedge Funds	Fund of Funds Hedge Fund 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 £0.503m. There is a risk that these investments could be under, or overstated in the accounts.

### Note 6 – Contributions

	2013/14 £'000	2014/15 £'000
<b>Employers</b>		
Normal	-43,131	-45,611
Augmentation	-18	0
Deficit Funding	-17,216	-19,446
Costs of Early Retirement	-825	-451
	-61,190	-65,508
<b>Members</b>		
Normal	-19,047	-20,692
Additional *	-383	-356
	-19,430	-21,048
<b>Total</b>	<b>-80,620</b>	<b>-86,556</b>

Deficit recovery contributions are paid by employers based on the maximum 25 year recovery period set out in the Funding Strategy Statement. Where appropriate, the Actuary has shortened the recovery period for some employers to maintain as near stable contribution rates for those employers, in line with the Regulations.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

\*Local Government Scheme Additional Employees contributions are invested within the Fund, unlike AVCs which are held separately, as disclosed in Note 23.

	<b>Employer Contributions</b>		<b>Members Contributions</b>	
	<b>2013/14</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Oxfordshire County Council	-30,690	-30,817	-9,552	-9,837
Scheduled Bodies	-26,016	-30,859	-8,521	-9,909
Resolution Bodies	-595	-756	-211	-231
Community Admission Bodies	-2,334	-1,682	-695	-609
Transferee Admission Bodies	-1,555	-1,394	-451	-462
<b>Total</b>	<b>-61,190</b>	<b>-65,508</b>	<b>-19,430</b>	<b>-21,048</b>

### Note 7 – Transfers In

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Individual Transfers In from other schemes	-5,211	-3,113
<b>Total</b>	<b>-5,211</b>	<b>-3,113</b>

### Note 8 – Other Income and Expenses

Other Income for 2014/15 of £0.423m reflects the interest resulting from the unwinding of the discount for the long-term receivable recognised for transfers to Magistrates' Courts. The long-term receivable was calculated on a discounted cash flow basis. This resulted in a charge to the fund account in the year the long-term receivable was originally recognised representing the value of the discount. The discount is being written down over a ten year period. Further information regarding the deferred asset is included in Note 19.

Other Expenses for 2014/15 of £0.337m consists of a debt write-off where a scheme employer went into administration.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### Note 9 – Benefits

	2013/14 £'000	2014/15 £'000
Pensions Payable	55,992	59,484
Lump Sums – Retirement Grants	13,124	11,088
Lump Sums – Death Grants	1,023	1,658
<b>Total</b>	<b>70,139</b>	<b>72,230</b>

	Pensions Payable		Lump Sums	
	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000
Oxfordshire County Council	27,833	29,578	6,685	6,247
Scheduled Bodies	24,900	26,342	5,779	5,441
Resolution Bodies	474	488	199	50
Community Admission Bodies	1,988	2,182	880	434
Transferee Admission Bodies	797	894	604	574
<b>Total</b>	<b>55,992</b>	<b>59,484</b>	<b>14,147</b>	<b>12,746</b>

### Note 10 – Payment to and on account of leavers

	2013/14 £'000	2014/15 £'000
Refunds of Contributions	5	117
Payments for members joining state scheme	-4	0
Individual Transfers Out to other schemes	4,383	3,894
<b>Total</b>	<b>4,384</b>	<b>4,011</b>

### Note 11 – Management Expenses

	2013/14 £'000	2014/15 £'000
Administrative Costs	1,096	1,292
Investment Management Expenses	3,562	3,744
Oversight & Governance Costs	422	398
<b>Total</b>	<b>5,080</b>	<b>5,434</b>

A further breakdown of investment management expenses is provided in Note 13.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### Note 12 – Investment Income

	2013/14 £'000 Reclassification	2014/15 £'000
Fixed Interest Securities	-2,194	-2,371
Index Linked Securities	-1,473	-782
Equity Dividends	-16,007	-16,859
Pooled Property Investments	-2,767	-3,162
Pooled Investments – Unit Trusts & Other Managed Funds	-613	-113
Interest on Cash Deposits	-219	-254
Other – Securities Lending	-15	-23
Irrecoverable Withholding Tax - Equities	-23,288 156	-23,564 81
<b>Total</b>	<b>-23,132</b>	<b>-23,483</b>

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity income of £1.333m is now included under the equities line.

### Note 13 – Investment Management Expenses

	2013/14 £'000	2014/15 £'000
Management Fees	3,485	3,675
Custody Fees	77	69
<b>Total</b>	<b>3,562</b>	<b>3,744</b>

Investment Manager & Custody Fees are generally calculated on a fixed scale basis with applicable rates applied to the market value of the assets managed.

### Note 14 – Securities Lending

In January 2014 the Fund introduced an arrangement with its custodian BNP Paribas to lend eligible securities from within its portfolio 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 £0.023m in 2014/15 (2013/14 £0.015m). This is included within investment income in the Pension Fund Accounts. At 31 March 2015 £3.911m of stock was on loan, for which the fund held £3.995m worth of collateral. Collateral consists of acceptable securities and government and supranational debt.

### Note 15 – Related Party Transactions

The Pension Fund is required to disclose material transactions with related parties, and 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.

Members of the Pension Fund Committee and the post of Service Manager (Pensions, Insurance & Money Management) are the key management personnel involved with the

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Pension Fund. During 2014/15, the Committee consisted of nine County Councillors, two District Councillors and a beneficiary observer. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts. An amount of £0.060m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Short Term Benefits	48*	51*
Long Term/Post Retirement Benefits	9	9
<b>Total</b>	<b>57</b>	<b>60</b>

\* Includes allowances paid to the Chairman of the Pension Fund Committee

These figures represent the relevant proportion of the salary and employer pension contributions for the key Council staff, reflecting their work for the Pension Fund.

As the County Council is the designated statutory body responsible for administering the Oxfordshire Pension Fund, it is a related party.

For the 12 months ended 31 March 2015, employer contributions to the Pension Fund from the County Council were £30.816m (2013/14 £30.690m). At 31 March 2015 there were receivables in respect of contributions due from the County Council of £3.282m (2013/14 £2.378m) and payables due to the County Council of £0.066m (2013/14 £0.058m) for support services.

The County Council was reimbursed £ 1.042m (2013/14 £0.960m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

### **Note 16 – Investments**

During 2014/15 the fund sold the majority of its investments in hedge funds and used the resulting funds to make a new investment in a diversified growth fund. The decision to disinvest from hedge funds and move in to a diversified growth fund was made as part the fundamental review looking at the fund's asset allocation which was considered by the Pension Fund Committee in March 2014.

As noted in the fund accounts listed private equity has been moved to the equities category and as such 2013/14 figures have been adjusted accordingly.

# NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

	Value at 31 March 2014 £'000 Reclassification	Value at 31 March 2015 £'000
<b>Investment Assets</b>		
Fixed Interest Securities	74,957	87,748
Index Linked Securities	80,201	92,133
Equities	590,179	643,335
Pooled Investments	703,652	839,010
Pooled Property Investments	97,287	111,462
Derivatives:		
- Forward Currency Contracts	100	1,598
Cash Deposits	10,285	7,332
Investment Income Due	3,233	3,918
Amounts Receivable for Sales	2,360	3,090
<b>Total Investment Assets</b>	<b>1,562,254</b>	<b>1,789,626</b>
<b>Investment Liabilities</b>		
Derivatives:		
- Forward Currency Contracts	-111	-393
Management Expenses Due	-1,143	-930
Amounts Payable for Purchases	-1,145	-3,319
<b>Total Investment Liabilities</b>	<b>-2,399</b>	<b>-4,642</b>
<b>Net Investment Assets</b>	<b>1,559,855</b>	<b>1,784,984</b>

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets of £91.435m are now included under the equities line.



# NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

## Note 16a – Reconciliation of Movements in Investments and Derivatives

	Value at 1 April 2014 Reclassification	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	74,957	98,661	-91,655	5,785			87,748
Index Linked Securities	80,201	41,394	-45,526	16,064			92,133
Equities	590,179	101,381	-101,388	53,163			643,335
Pooled Investments	703,652	112,976	-73,526	95,908			839,010
Pooled Property Investments	97,287	11,229	-5,789	8,735			111,462
<u>Derivative Contracts</u>							
FX	-11	720	-2,513	3,009			1,205
<u>Other Investment Balances</u>							
Cash Deposits	10,285	64,501	-68,822	39	1,329		7,332
Amounts Receivable for							
Sales of Investments	2,360					730	3,090
Investment Income Due	3,233					685	3,918
Amounts Payable for							
Purchases of Investments	-2,288					-1,961	-4,249
<b>Total</b>	<b>1,559,855</b>	<b>430,862</b>	<b>-389,219</b>	<b>182,703</b>	<b>1,329</b>	<b>-546</b>	<b>1,784,984</b>

Included within the above purchases and sales figures are transaction costs of £0.328m. 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.

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets of £91.435m are now included under the equities line.

# NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

	Value at 1 April 2013 Reclassification n	Purchases at Cost & Derivative Payments Reclassification n	Sales Proceeds & Derivative Receipts Reclassification	Change in Market Value Reclassification on	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2014 Reclassification
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	65,628	90,327	-76,142	-4,856			74,957
Index Linked Securities	77,416	19,715	-12,189	-4,741			80,201
Equities	546,370	120,406	-106,970	30,373			590,179
Pooled Investments	676,896	19,036	-39,046	46,766			703,652
Pooled Property Investments	86,589	9,370	-6,068	7,396			97,287
<u>Derivative Contracts</u>							
FX	758	178,181	-183,149	4,199			-11
<u>Other Investment Balances</u>							
Cash Deposits	8,995	34,889	-41,793	-1,510	9,704		10,285
Amounts Receivable for Sales of Investments	1,286					1,074	2,360
Investment Income Due	2,961					272	3,233
Amounts Payable for Purchases of Investments	-5,742					3,454	-2,288
<b>Total</b>	<b>1,461,157</b>	<b>471,924</b>	<b>-465,357</b>	<b>77,627</b>	<b>9,704</b>	<b>4,800</b>	<b>1,559,855</b>

As a result of the decision to reclassify listed private equity under the equities category the 2012/13 private equity assets of £90.881, purchases of £0.043m, sales of £5.199m, and change in market value of £4.199m are all now included under the equities line.

**Note 16b – Analysis of Investments (Excluding Derivative Contracts)**

**Fixed Interest Securities**

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
UK Public Sector	39,387	46,394
UK Other	3,731	4,420
Overseas Public Sector	31,839	36,934
<b>Total</b>	<b>74,957</b>	<b>87,748</b>

**Index Linked Securities**

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
UK Public Sector Index Linked	80,201	92,133
<b>Total</b>	<b>80,201</b>	<b>92,133</b>

**Equity Investments**

	<b>2013/14 £'000 Reclassification</b>	<b>2014/15 £'000</b>
UK listed equities	421,026	436,277
Overseas Listed Equities:		
North America	95,587	126,281
Japan	19,035	23,702
Europe	32,732	43,193
Pacific Basin	0	749
Emerging Markets	21,799	13,133
<b>Total</b>	<b>590,179</b>	<b>643,335</b>

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 figure for UK Listed Equities has been increased by £86.442m, North American Equities have been increased by £3.013m and European Equities have been increased by £1.980m.

**Pooled Investment Vehicles**

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
UK Registered Managed Funds – Property	20,045	23,207
Non UK Registered Managed Funds – Property	23,867	14,742
UK Registered Managed Funds – Other	393,933	433,063
Non UK Registered Managed Funds – Other	104,364	149,158
UK Registered Property Unit Trusts	48,269	64,070
Non UK Registered Property Unit Trusts	5,107	9,443
Non UK Registered Unit Linked Insurance Fund	205,354	256,789
<b>Total</b>	<b>800,939</b>	<b>950,472</b>

**Total Investments (excluding derivative contracts)**

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
	1,546,276	1,773,688

**Note 16c – Derivative Contracts**

Objectives and policies

The Pension Fund Committee have authorised the use of derivatives by some of their Investment Managers as part of the investment strategy for the pension scheme.

The main objectives and policies followed during the year are summarised as follows:

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.

**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 £0.503m 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.

# NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

## 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	1 month	13,946 GBP	21,100 USD		-269	
Forward OTC	1 month	130 GBP	1,240 DKK	10		
Forward OTC	1 month	498 GBP	929 AUD	20		
Forward OTC	1 month	17,410 GBP	22,300 EUR	1,272		
Forward OTC	1 month	7,831 GBP	1,404,000 JPY		-57	
Forward OTC	1 month	383 GBP	693 CAD	14		
Forward OTC	1 month	78 GBP	960 SEK	4		
Forward OTC	1 month	275 EUR	207 GBP		-8	
Forward OTC	1 month	604 USD	397 GBP	10		
Forward OTC	1 month	443 GBP	591 EUR	16		
Forward OTC	1 month	812 GBP	1,238 USD		-22	
Forward OTC	1 month	789 GBP	1,060 EUR	22		
Forward OTC	1 month	195 GBP	298 USD		-5	
Forward OTC	1 month	317 GBP	431 EUR	5		
Forward OTC	1 month	260 GBP	356 EUR	2		
Forward OTC	1 month	22,620 JPY	170 EUR	4		
Forward OTC	1 month	432 USD	282 GBP	9		
Forward OTC	6 months	9,356 GBP	12,870 EUR	11		
Forward OTC	1 month	546 GBP	755 EUR			
Forward OTC	3 months	5,186 EUR	3,710 EUR	47		
Forward OTC	1 month	66 GBP	92 EUR			
Forward OTC	1 month	4,950 USD	6,323 AUD	83		
Forward OTC	1 month	1,886 EUR	1,389 GBP		-24	
Forward OTC	1 month	472 GBP	703 EUR		-2	
Forward OTC	1 month	2,489 USD	3,165 AUD	49		
Forward OTC	1 month	946 GBP	1,292 EUR	11		
Forward OTC	1 month	3,810 AUD	2,904 USD	9	-6	
Forward Currency Contracts at 31 March 2015				<b>1,598</b>	<b>-393</b>	<b>1,205</b>
Prior Year Comparative						
Forward Currency contracts at 31 March 2014				<b>100</b>	<b>-111</b>	<b>-11</b>

# NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

## Note 16d – Other Investment Balances

	2013/14 £'000	2014/15 £'000
<b><u>Receivables</u></b>		
Sale of Investments	2,360	3,090
Dividend & Interest Accrued	3,182	3,895
Inland Revenue	51	19
Other	0	4
	<b>5,593</b>	<b>7,008</b>
<b><u>Payables</u></b>		
Purchase of Investments	-1,146	-3,318
Management Fees	-1,104	-921
Custodian Fees	-38	-10
	<b>-2,288</b>	<b>-4,249</b>
<b>Total</b>	<b>3,305</b>	<b>2,759</b>

## Cash Deposits

	2013/14 £'000	2014/15 £'000
Non-Sterling Cash Deposits	10,285	7,332
<b>Total</b>	<b>10,285</b>	<b>7,332</b>

The following investments represent more than 5% of the net assets of the scheme

	2013/14 £'000	% of Total Fund	2014/15 £'000	% of Total Fund
UBS Life Global Equities All Countries Fund	0	0.00	256,789	13.91
UBS Global Optimal Thirds	205,354	12.59	0	0.00
L&G UK FTSE100 Equity Index	145,112	8.90	154,479	8.37
L&G World (ex-UK) Equity Index	137,950	8.46	154,278	8.36
L&G Core Plus Bond Fund	96,388	5.91	109,953	5.96

# NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

## Note 17 – Current Assets

<b>2014/15</b>	<b>Central Gov't Bodies</b>	<b>Local Authorities</b>	<b>NHS Bodies</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Receivables:						
Employer Contributions	2,798	3,585	19	0	934	<b>7,336</b>
Employee Contributions	211	1,166	6	0	348	<b>1,731</b>
Rechargeable Benefits	60	942	0	3	17	<b>1,022</b>
Transferred Benefits	0	0	29	0	438	<b>467</b>
Costs of Early Retirement	19	260	0	0	162	<b>441</b>
Inland Revenue	63	0	0	0	0	<b>63</b>
Other	0	0	0	0	100	<b>100</b>
Cash Balances					39,031	<b>39,031</b>
<b>Total</b>	<b>3,151</b>	<b>5,953</b>	<b>54</b>	<b>3</b>	<b>41,030</b>	<b>50,191</b>

<b>2013/14</b>	<b>Central Gov't Bodies</b>	<b>Local Authorities</b>	<b>NHS Bodies</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Receivables:						
Employer Contributions	2,695	3,435	19	0	1,440	<b>7,589</b>
Employee Contributions	161	1,119	6	0	333	<b>1,619</b>
Transferred Benefits	0	94	0	0	74	<b>168</b>
Costs of Early Retirement	11	515	0	2	287	<b>815</b>
Inland Revenue	146	0	0	0	0	<b>146</b>
Other	41	100	0	12	42	<b>195</b>
Cash Balances	0	0	0	0	48,284	<b>48,284</b>
<b>Total</b>	<b>3,054</b>	<b>5,263</b>	<b>25</b>	<b>14</b>	<b>50,460</b>	<b>58,816</b>

# NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

## Note 18 – Current Liabilities

<b>2014/15</b>	<b>Central Government Bodies</b>	<b>Local Authorities</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Transferred Benefits	0	0	0	-193	-193
Benefits Payable	0	0	0	-348	-348
Inland Revenue	-849	0	0	0	-849
Costs of Early Retirement	-390	0	0	0	-390
Staff Costs	0	-59	0	0	-59
Consultancy	0	0	-4	0	-4
Other	0	-11	0	-151	-162
<b>Total</b>	<b>-1,239</b>	<b>-70</b>	<b>-4</b>	<b>-692</b>	<b>-2,005</b>

<b>2013/14</b>	<b>Central Government Bodies</b>	<b>Local Authorities</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Transferred Benefits	-7	-166	0	0	-173
Benefits Payable	-11	-169	0	-20	-200
Inland Revenue	-829	0	0	0	-829
Costs of Early Retirement	-391	0	0	0	-391
Staff Costs	0	-58	0	0	-58
Consultancy	0	0	0	-25	-25
Other	-3	-6	0	-16	-25
<b>Total</b>	<b>-1,241</b>	<b>-399</b>	<b>0</b>	<b>-61</b>	<b>-1,701</b>

## Note 19 – Long-Term Assets

<b>2014/15</b>	<b>Central Government Bodies</b>	<b>Local Authorities</b>	<b>NHS Bodies</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employer Contributions	11,795	0	0	0	27	11,822
Costs of Early Retirement	42	278	0	0	167	487
<b>Total</b>	<b>11,837</b>	<b>278</b>	<b>0</b>	<b>0</b>	<b>194</b>	<b>12,309</b>



## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

2013/14	Central Government Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employer Contributions	13,558	0	0	0	31	<b>13,589</b>
Costs of Early Retirement	31	335	0	0	286	<b>652</b>
<b>Total</b>	<b>13,589</b>	<b>335</b>	<b>0</b>	<b>0</b>	<b>317</b>	<b>14,241</b>

Long-Term assets for 2014/15 include deferred receivables in relation to the transfer of staff to Magistrates' Courts for which a payment of £21.860m is due to be received in ten equal annual instalments, in line with the national agreement reached between Actuaries on behalf of Pension Funds, and the Government Actuary Department on behalf of the Government.

### Note 20 - Assets under External Management

The market value of assets under external fund management amounted to £1,697.975m as at 31 March 2015. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager:

Fund Manager	31/03/2014		31/03/2015	
	Market Value £'000	%	Market Value £'000	%
Baillie Gifford	337,925	22.89	349,700	20.59
Legal & General	538,938	36.51	602,093	35.46
UBS	345,989	23.44	359,077	21.15
Wellington	190,821	12.93	226,635	13.35
Insight	0	0.00	84,221	4.96
Adams Street Partners	21,496	1.46	30,918	1.82
Partners Group	40,856	2.77	45,331	2.67
<b>Total</b>	<b>1,476,025</b>	<b>100.00</b>	<b>1,697,975</b>	<b>100.00</b>

### Note 21 – Top 5 Holdings

Value of the Fund's Top Five Holdings at 31 March 2015	£'000	% of Fund
Electra Investment Trust	30,057	1.63
HG Capital Trust	21,893	1.19
British American Tobacco	16,284	0.88
Ashtead Group Plc	13,881	0.75
Prudential Plc	12,904	0.70

### 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

tax on the proceeds of investments sold. 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**

	<b>Market Value 31 March 2014 £'000</b>	<b>Market Value 31 March 2015 £'000</b>
Prudential	14,077	14,387

AVC contributions of £1.460m were paid directly to Prudential during the year. (2013/14 - £1.554m).

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.

**Note 24 – Contingent Liabilities**

There are two contingencies to note:

1. The Museums, Libraries and Archive (MLA) Council. Staff from three of the regional MLA employers who were previous members of the Oxfordshire County Council Pension Fund 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.
2. 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 nine years, though the maximum payment has been calculated as approximately £0.180m plus pensions increase.

As at 31 March 2015 the fund had outstanding capital commitments (investments) totalling £46.511m (31 March 2014 - £57.783m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the pooled investments 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 – Statement of Investment Principles**

Oxfordshire County Council Pension Fund has a statement of investment principles (SIP). 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 26 - Actuarial Present Value of Promised Retirement Benefits**

	<b>2014 £'000</b>	<b>2015 £'000</b>
Present Value of Funded Obligation	2,478,689	2,940,743

Present Value of Funded Obligation consists of £2,848.943m (2014 – £2,202.628m) in respect of Vested Obligation and £91.800m (2014 – £276.061m) in respect of Non-Vested Obligation. The movement from March 2014 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 £121.930m (2014 - £126.304m).

There has been a further increase in the present value of the Funded Obligation of £340.124m (2014 - £47.419m) reflecting a change in the actuarial assumptions as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- A decrease in the assumed level of CPI and therefore pension increase from 2.8% to 2.4% (net effect a decrease in Present Value of Funded Obligation)
- A reduction in the assumed level of pay increases from 4.6% to 4.2% (net effect a reduction in Present Value of Funded Obligations)
- A reduction in the discount factor from 4.4% to 3.3% (net effect an increase in Present Value of Funded Obligations).

**Note 27 - Financial Instruments**

**Note 27a – Classification of 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.

# NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

	2013/14			2014/15		
	Fair Value through Profit & Loss £'000 Reclassification	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000
<b>Financial Assets</b>						
Fixed Interest Securities	74,957			87,748		
Index Linked Securities	80,201			92,133		
Equities	590,179			643,335		
Pooled Investments	703,652			839,010		
Pooled Property Investments	97,287			111,462		
Derivatives	100			1,598		
Cash		58,569			46,363	
Other Investment Balances	5,542			6,990		
Receivables		30			90	
	<b>1,551,918</b>	<b>58,599</b>	<b>0</b>	<b>1,782,276</b>	<b>46,453</b>	<b>0</b>
<b>Financial Liabilities</b>						
Derivatives	-111			-393		
Other Investment Balances	-2,288			-4,249		
Payables			-101			-219
	<b>-2,399</b>	<b>0</b>	<b>-101</b>	<b>-4,642</b>	<b>0</b>	<b>-219</b>
<b>Total</b>	<b>1,549,519</b>	<b>58,599</b>	<b>-101</b>	<b>1,777,634</b>	<b>46,453</b>	<b>-219</b>

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets of £91.435m are now included under the equities line.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### Note 27b – Fair Value of Financial Instruments and Liabilities

The carrying values of the financial assets and liabilities compared with their fair values are summarised below by instrument class.

	2014		2015	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
<b>Financial Assets - Current</b>				
Loans & Receivables	58,599	58,599	46,453	46,453
Financial Assets at fair value through profit or loss	1,486,804	1,486,804	1,703,100	1,703,100
	1,545,403	1,545,403	1,749,553	1,749,553
<b>Financial Assets – Long Term</b>				
Financial Assets at fair value through profit or loss	65,114	65,114	79,176	79,176
<b>Financial Liabilities – Current</b>				
Amortised Cost	-101	-101	-219	-219
Financial Liabilities at fair value through profit or loss	-2,399	-2,399	-4,642	-4,642
	-2,500	-2,500	-4,861	-4,861
<b>Total</b>	<b>1,608,017</b>	<b>1,608,017</b>	<b>1,823,868</b>	<b>1,823,868</b>

The Fair Value of operational debtors and creditors, cash and short-term deposits, is assumed to be equal to the carrying value.

### Note 27c – Net Gains and Losses on Financial Instruments

	31 March 2014 £'000	31 March 2015 £'000
<b>Financial Assets</b>		
Fair Value through Profit and Loss	74,938	179,655
Loans and Receivables	-1,510	39
<b>Financial Liabilities</b>		
Fair Value through Profit and Loss	4,199	3,009
Financial Liabilities Measured at Amortised Cost	0	0
<b>Total</b>	<b>77,627</b>	<b>182,703</b>

## Note 27d – 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 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	775,271	918,622	88,382	1,782,275
Loans and Receivables	46,453	0	0	46,453
<b>Total Financial Assets</b>	<b>821,725</b>	<b>918,622</b>	<b>88,382</b>	<b>1,828,728</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit and Loss	-4,249	-393	0	-4,641
Financial Liabilities at Amortised Cost	-219	0	0	-219
<b>Total Financial Liabilities</b>	<b>-4,467</b>	<b>-393</b>	<b>0</b>	<b>-4,860</b>
<b>Net Financial Assets</b>	<b>817,257</b>	<b>918,229</b>	<b>88,382</b>	<b>1,823,868</b>

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Value at 31 March 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	670,974	772,132	108,812	1,551,918
Loans and Receivables	58,599	0	0	58,599
<b>Total Financial Assets</b>	<b>729,573</b>	<b>772,132</b>	<b>108,812</b>	<b>1,610,517</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit and Loss	-2,288	-111	0	-2,399
Financial Liabilities at Amortised Cost	-101	0	0	-101
<b>Total Financial Liabilities</b>	<b>-2,389</b>	<b>-111</b>	<b>0</b>	<b>-2,500</b>
<b>Net Financial Assets</b>	<b>727,184</b>	<b>772,021</b>	<b>108,812</b>	<b>1,608,017</b>

### Note 28 - 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 2013 Valuation estimated that the current Funding Level is only 82%, 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 classes, 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. Recently, changes to the scheme have been made with the aim of making the scheme more sustainable including; linking the normal retirement age to future estimates of life expectancy to bring stability to the length of time benefits are in payment, a change in the calculation of benefits to career average revalued earnings to avoid the sudden hike possible in final benefits possible under a final salary scheme, and a switch in the basis of indexation to CPI which is generally lower than the RPI alternative.

The Actuary when completing the 2013 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 82% down to 76% or up to 90%. A change in the CPI assumption of 0.5% per annum would lead to a reduction in the funding level to 76% or an increase to 89%.

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**

The Pension Fund's, credit risk is largely associated with the Fund's investments in Fixed Interest and Index Linked Securities, Cash Deposits and Short Term loans, where there is a risk that the other parties may fail to meet the interest or dividend payments due, or fail to return the Fund's investment at the end of the investment period.



## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

At 31 March 2015 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2014	31 March 2015
	£'000	£'000
UK Government Gilts	39,388	46,394
UK Corporate Bonds	100,119	114,373
UK Index Linked Gilts	80,201	92,133
Overseas Government Bonds	31,839	36,934
Non-Sterling Cash Deposits	10,285	7,332
Cash Balances	48,284	39,031
<b>Total</b>	<b>310,116</b>	<b>336,197</b>

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 limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be invested in sub-investment grade bonds. Cash held in sterling at 31 March 2015 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2014	Rating	Balance as at 31 March 2015
		£'000		£'000
<b>Money Market Funds</b>				
Ignis Asset Management	AAA	12,450	AAA	5,504
<b>Bank Deposit Accounts</b>				
Royal Bank of Scotland Plc	A	3		0
Santander UK Plc	A	4		0
<b>Bank Current Accounts</b>				
Lloyds TSB Plc	A	6,098	A	5,126
BNP Paribas	A+	29,729	A+	28,401
<b>Total</b>		<b>48,284</b>		<b>39,031</b>

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 2014/15 the Pension Fund received/accrued income related to dealings with members of £90.1m (2013/14 - £86.3m) and incurred expenditure related to dealings with members of £82.0m (2013/14 - £79.6m). There were further receipts/accruals of £23.6m

(2013/14 - £23.3m) in respect of investment income, against which need to be set taxes of £0.1m (2013/14 - £0.2m). The net inflow was therefore £31.6m (2013/14 - £29.8m).

These figures 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.

The Fund would need to experience 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, before it might be required to liquidate assets at financial loss.

There are risks in this area going forward as a result of the scale of the reductions in public expenditure, and the resulting impact on active scheme membership. 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.

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 likely to be 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, with 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 2015 £'000	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
		£'000	£'000
Cash and Cash Equivalents	7,332	73	-73
Cash Balances	39,031	390	-390
Fixed Interest Securities	289,834	2,898	-2,898
<b>Total Change in Assets Available</b>	<b>336,197</b>	<b>3,361</b>	<b>-3,361</b>

Asset Type	Carrying Amount as at 31 March 2014 £'000	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
		£'000	£'000
Cash and Cash Equivalents	10,285	103	-103
Cash Balances	48,284	483	-483
Fixed Interest Securities	251,546	2,515	-2,515
<b>Total Change in Assets Available</b>	<b>310,115</b>	<b>3,101</b>	<b>-3,101</b>

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 2015 and data on the level of volatility associated with these currencies it has been determined that the likely volatility associated with exchange rate movements is 10.8%. This is based on the one year implied volatility of the currency pairs to which the fund has exposure.

This analysis assumes that all other variables remain constant.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

The table below shows the impact a 10.8% 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 2015	Change in Year in the Net Assets Available to Pay Benefits	
		+10.8%	-10.8%
	£'000	£'000	£'000
Overseas Equities	207,058	22,321	-22,321
Pooled Overseas Equities	411,066	44,313	-44,313
Pooled Private Equity (LLPs)	61,508	6,631	-6,631
Pooled Property	24,185	2,607	-2,607
Cash	7,332	790	-790
<b>Total Change in Assets Available</b>	<b>711,149</b>	<b>76,662</b>	<b>-76,662</b>

Currency Exposure - Asset Type	Asset Values as at 31 March 2014 Reclassification	Change in Year in the Net Assets Available to Pay Benefits			
		+7.6%		-7.6%	
	£'000	£'000 Reclassification	£'000 Restated	£'000 Reclassification	£'000 Restated
Overseas Equities	169,153	181,941	12,788	156,364	-12,788
Pooled Overseas Equities	360,670	387,938	27,268	333,403	-27,268
Pooled Private Equity (LLPs)	48,840	52,533	3,693	45,148	-3,693
Pooled Property	28,974	31,164	2,190	26,783	-2,190
Cash	10,285	11,062	777	9,507	-777
<b>Total Change in Assets Available</b>	<b>617,922</b>	<b>664,638</b>	<b>46,716</b>	<b>571,205</b>	<b>-46,716</b>

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets subject to currency risk of £4.993m are now included under the equities line.

The change in year in net assets available to pay benefits figures for 2013/14 have been restated as in the published 2013/14 accounts they incorrectly showed the total value of assets after applying the percentage change rather than the change in value after applying the percentage change.

### 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.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Based on an analysis of historical data, 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 one year 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:

<b>Asset Type</b>	<b>Value as at 31 March 2015 £'000</b>	<b>Percentage Change %</b>	<b>Value Increase £'000</b>	<b>Value Decrease £'000</b>
UK Equities	570,090	11.9	637,928	502,249
Pooled UK Equities (Small Cap)	14,353	7.4	15,410	13,297
Global Equities	227,725	9.5	249,336	206,114
Diversified Growth Fund	84,221	3.5	87,161	81,282
Pooled Global Equities	256,789	10.9	284,687	228,891
Pooled Overseas Equities	154,278	9.1	168,256	140,301
UK Bonds	50,814	5.4	53,579	48,050
Overseas Bonds	36,934	6.2	39,209	34,659
UK Index Linked Bonds	92,133	8.9	100,360	83,905
Pooled Corporate Bonds	109,953	4.3	114,682	105,224
Pooled Hedge Funds	503	3.5	521	485
Pooled Private Equity (LLPs)	64,433	7.4	69,201	59,665
Pooled Property	111,462	1.6	113,221	109,703
Cash	46,366	0.0	46,375	46,357
<b>Total Assets Available to Pay Benefits</b>	<b>1,820,054</b>	<b>8.8</b>	<b>1,979,926</b>	<b>1,660,182</b>

<b>Asset Type</b>	<b>Value as at 31 March 2014 £'000 Reclassification</b>	<b>Percentage Change % Reclassification</b>	<b>Value Increase £'000 Reclassification</b>	<b>Value Decrease £'000 Reclassification</b>
UK Equities	542,935	11.6	605,645	480,226
Pooled UK Equities (Small Cap)	14,483	8.3	15,680	13,285
Global Equities	192,355	9.7	210,937	173,734
Emerging Markets Equities	17,365	13	19,626	15,104
Pooled Overseas Equities	205,354	11.4	228,847	181,862
Pooled World Equities	137,951	9.4	150,918	124,983
UK Bonds	43,119	5.1	45,331	40,907
Overseas Bonds	31,839	6.0	33,746	29,932
UK Index Linked Bonds	80,201	9.3	87,620	72,782
Pooled Corporate Bonds	96,388	4.6	100,816	91,960
Pooled Hedge Funds	35,397	2.8	36,381	34,413
Pooled Private Equity (LLPs)	51,602	8.3	55,870	47,335
Pooled Property	97,287	2.5	99,720	94,855
Cash	58,569	0.0	58,569	58,569
<b>Total Assets Available to Pay Benefits</b>	<b>1,604,845</b>	<b>9.0</b>	<b>1,749,346</b>	<b>1,459,947</b>

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets of £91.435m are now included under the equities line.

## Actuarial Valuation

The contribution rates within the 2014/15 Pension Fund Accounts were determined at the actuarial valuation carried out as at 31 March 2013.

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 2015 was 19.9% 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	12.3	693
West Oxfordshire District Council	14.4	1,363
Cherwell District Council	13.7	1,459
Oxford City Council	20.6	-
Vale of White Horse District Council	13.1	648
Oxford Brookes University	14.1	1,492

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 £1,523.7m. The smoothed market value<sup>1</sup> of the Fund's assets at the valuation date was £1,510.1m representing 82% of the Fund's accrued liabilities, allowing for future pay increases. The Actuary has certified contribution rates for all Fund employers from 1 April 2014, 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:

## LOCAL GOVERNMENT PENSION FUND ACTUARIAL VALUATION

Assumptions for the 2013 Valuation	Annual Rate %
Inflation	3.5
Pension Increases	2.7
Short-Term Pay Increases*	2.7
Long-Term Pay Increases	4.5
Discount Rates for Periods	5.8

\*Short-term pay increases are for the two year period to 31 March 2015.

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.

<sup>1</sup>The smoothed market value is the six month average of the market value straddling the valuation date.



**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.

**Call Account**

A call account is a deposit account with a financial institution without a fixed maturity date.

**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.

**Cash Flow**

The movement of money into or out of the County Council during the financial year.

**Collection Fund**

A fund maintained by each district council to receive all income raised through the Council Tax and Business Rates. The County Council precepts the district councils to receive its share of Council Tax 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.

**Curtailement**

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.

**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.

**Hedge Fund**

A hedge fund is a form of investment partnership.

**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)**

These are issued by the International Accounting Standards Board and provide standards for the preparation of financial statements.

**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.

**Limited Liability Partnership**

A partnership in which some or all partners have limited liabilities.

**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**

S1PA and S1PA Heavy - Mortality tables 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.

**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

## GLOSSARY OF TERMS

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.

## Annual Governance Statement 2014/15

### INTRODUCTION

1. Good corporate governance means that:

- The purpose and vision of the Council is clear to everyone;
- The Council has clear values, focusing on customers and the way we work;
- There is robust engagement and consultation with local people and stakeholders;
- Councillors and officers have clear functions, roles and responsibilities and training;
- Standards of conduct and behaviour are high, and meet the values of the Council;
- Decisions are taken in an informed, transparent and accountable way, focusing on outcomes for the community;
- Decisions are the subject of review and scrutiny;
- Risks are considered and managed to a reasonable level;
- There are internal controls on decisions and actions; and that
- Each year, the governance structure itself is reviewed and updated, progress planned last year is checked and there are new plans for further improvements.

Corporate governance is about ensuring that we do the right things, in the right way, for the right people in an accountable, honest, inclusive, open and timely manner. Excellent systems, processes, cultures and values are needed to control the Council and engage with and lead Oxfordshire to meet the needs of residents.

2. This Statement describes the corporate governance in Oxfordshire County Council in 2014/15 and up to the date of approval of the Statement of Accounts. It also shows how systems have been reviewed and will be improved. This Annual Governance Statement is required by Regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

3. The Council is subject to other complex legal requirements in this area. We:

- Are responsible for ensuring that our business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and that it is used economically, efficiently and effectively;
- Have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which our functions are exercised, having regard to a combination of economy, efficiency and effectiveness; and
- Are responsible for putting in place proper arrangements for the governance of our affairs and facilitating the effective exercise of our functions and managing risk.

4. Oxfordshire County Council has adopted a 'Code of corporate governance', which is consistent with the principles of the CIPFA/SOLACE<sup>1</sup> Framework 'Delivering Good Governance in Local Government'. A copy of our 'Code' is on our public website<sup>2</sup>.

<sup>1</sup> Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives

<sup>2</sup> <http://www.oxfordshire.gov.uk/cms/public-site/corporate-governance>

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5. The result is our 'governance framework'. This is the system that we use to direct and control the activities of the Council. We use this system to check whether we achieve our objectives and deliver appropriate services and value for money. Internal controls – such as internal audit - are an important part of our governance framework. They help us identify and manage risks. Internal controls cannot eliminate all risks, but they do provide a reasonable level of assurance.
6. This statement covers all services including the Fire & Rescue Service. However the Fire & Rescue Service are required to produce a separate Statement of Assurance which will supplement this statement. A copy of the Fire and Rescue Service Annual Statement of Assurance for 2014/15 can be found on our public website at:  
<http://www.oxfordshire.gov.uk/cms/content/oxfordshire-fire-and-rescue-service-performance>
7. The following sections cover the key elements of our Council's governance framework:
  - A vision for Oxfordshire
  - Equalities
  - Consultation and Communication
  - Decision making structures
  - Senior Management
  - Controls Information, Projects and ICT
  - Codes of Conduct
  - Training

Further sections cover working with others:

- Schools
- Partnerships

Next, processes to ensure that good governance is in place:

- Measuring and Managing service performance
- Compliance, Risks, Complaints and Whistleblowing
- Internal Audit
- Checking the Effectiveness of our Governance

Then we review past plans, review our effectiveness and introduce new plans:

- Progress in 2014/15
- Review of effectiveness
- Action Plans for 2015/16

And finally, the signatures of our Leader and County Council Management Team (CCMT) officers show their approval of our Annual Governance Statement.



## **OUR GOVERNANCE FRAMEWORK**

### **A vision for Oxfordshire**

8. Oxfordshire County Council's ambition, as set out in our corporate plan, is for a county where local residents and businesses can flourish - a Thriving Oxfordshire. To us this means having:
- A Thriving Economy - with small businesses starting, existing small businesses growing, and large businesses choosing to locate here, creating good jobs for local people. A strong economy makes everything else possible.
  - Thriving People and Communities - where residents are empowered to help themselves and can contribute to what happens locally, and where everyone can make informed decisions about their health and wellbeing.
  - A Safety Net – where we support our most vulnerable residents, focusing on those we have a duty to consider such as older people, disabled adults, and children. We must ensure they are aware of, and are easily able to access the services and care to which they are entitled.
9. We will work to achieve these objectives by delivering essential core services and playing a key leadership role within the county to bring partners together to encourage the best possible outcomes for the residents of Oxfordshire. We will also, wherever appropriate, look first at how we can help people and communities to help themselves.
10. Our Corporate Plan is supported by Directorate Business Strategies which set out how the work will be delivered. The Directorate Business Strategies for 2015/16 to 2017/18 were updated through the 2015/16 Service & Resource Planning process and approved by Council in February 2015.

### **Equalities**

11. Oxfordshire County Council is committed to making Oxfordshire a fair and equal place in which to live, work and visit. We want our services to effectively meet the needs of all local residents, including those in rural areas and areas of deprivation. We also aim to ensure that our staff are equipped with the knowledge and skills to meet the diverse needs of customers, that our services are accessible, and to encourage supportive and cohesive communities through our service delivery.
12. In 2012 we launched our Equality Policy setting out how we aim to achieve this goal, as well as meet our obligations under the Equality Act 2010. In our Equality Policy 2012-17, we set ourselves the following objectives:
1. Understanding the needs of individuals and communities
  2. Providing accessible, local and personalised services, including to rural areas and areas of deprivation
  3. Supporting thriving and cohesive communities
  4. Promoting a culture of fairness in employment and service delivery

## **AG6 ANNUAL GOVERNANCE STATEMENT**

These key equality objectives align closely with the council's overall strategic objectives, as set out in the council's Corporate Plan.

13. We have set of specific and measurable actions for Directorates to work toward each year in support of achieving these objectives, and we report annually to Cabinet on progress against these.
14. In addition, the Public Sector Equality Duty within the Equality Act requires us to consider how the decisions that we make, and the services we deliver, affect people who share different protected characteristics. We must publish information to demonstrate that we have done this. To meet this obligation we produce and publish Service and Community Impact Assessments (SCIAs) to review the potential impact of new and updated policies and service delivery decisions.
15. The Public Sector Equality Duty also requires us to publish information to demonstrate we have considered how our activities as an employer affect people who share different protected characteristics. We publish an Annual Equality in Employment report to monitor the extent to which we achieve this.

### **Consultation and Communication**

16. Oxfordshire County Council's Communication team manages channels for communicating with residents and staff which include:
  - The Council website with information on services and policies;
  - A Press office to respond to media enquiries and run targeted media campaigns;
  - Marketing channels to reach residents directly, including poster sites, email newsletters and social media channels (for example Twitter and Facebook).

Council staff are kept informed about important workplace developments via the Intranet and regularly cascaded manager briefings. The Council holds an annual staff conference and a series of staff road shows led by the Chief Executive, Directors and senior managers, to directly engage with staff and communicate possible changes.

Oxfordshire County Council also has established public affairs channels managed by the Policy team for communicating with MPs, representatives from district councils and other local and national partners. This includes a monthly MPs briefing.

17. Our website includes our 'Transparency' information, as required by the Local Government Transparency Code. This code was revised in 2014, increasing the amount of information required.
18. We also have well established consultation and involvement arrangements to specifically engage the community and its staff. There is a council-wide Consultation & Involvement Strategy, 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

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and Sounding Boards are published on an online consultation calendar that can be found at: <http://www.oxfordshire.gov.uk/consultation>.

19. Oxfordshire 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 and the use of data about the lifestyle types and needs of people in different parts of Oxfordshire to inform decisions on locating services. A key aspect is to consider the impact of budget decisions on vulnerable groups. We manage this through the production of Service and Community Impact Assessments as part of our budget and service change process.
20. The County Council's Research and Intelligence Team manages the 'Oxfordshire Insight' website, which provides an open platform for sharing information and statistics on Oxfordshire. The team proactively communicates data to staff and councillors to ensure that our approach to decision making is evidence based. 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 whilst encouraging self-help solutions.
21. The Health and Wellbeing Board oversees the production of the Joint Strategic Needs Assessment (JSNA) – a shared evidence base required by the Health and Social Care Act. This identifies the health needs of the local community and other factors affecting health outcomes, with trends over time and by local area. The JSNA drives the priority setting of the Health and Wellbeing Board, in particular providing the foundation for the Oxfordshire Health and Wellbeing Strategy. The JSNA also provides much of the evidence base for the Director of Public Health's Annual Report and directly informs the approach to commissioning take by the County Council and other partners.

### **Decision making structures**

22. Oxfordshire 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. It notes the legal requirements. The County Council's Corporate Plan supplements our Policy Framework. These formal policies are approved by full Council in accordance with the provisions of Oxfordshire County Council's Constitution.
23. The Constitution also sets out a scheme of delegation. The Chief Finance Officer approves the financial scheme and the Monitoring Officer approves the decision making scheme. The Constitution also records what responsibility each Oxfordshire County Council body or individual delegate (councillor or officer) has for particular types of decisions or areas or functions. The Constitution requires that all decisions taken by or on behalf of the County Council are made in accordance with given principles.
24. The Constitution also sets out how the public can take part in the decision making process. The Cabinet's Forward Plan alerts the public to what business the Cabinet will be undertaking to give members of the public the right to make representations before a decision is taken. Some of the responsibilities of the County Council committees require statutory consultation to precede a decision being taken.

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25. The Constitution is reviewed annually by the Monitoring Officer with recommendations of changes being made to Full Council for consideration and adoption.
26. There is a thirty minute Question Time 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.
27. The Council has retained its procedure for dealing with Councillor Calls for Action and retains a duty on Directors to respond to petitioners within 10 working days.
28. Oxfordshire County Council has an Audit & Governance Committee which normally meets six times a year. The County Council also operates an Audit Working Group, made up of members of the Committee and Senior Officers, chaired by a co-opted member of the Audit & Governance Committee. The Audit Working Group looks in detail at specific areas of governance, risk or control under the direction of the Audit & Governance Committee. We are reviewing and updating our arrangements in response to the 2013 version of the CIPFA guidance<sup>3</sup>.
29. 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 Full Council. They are 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, Review and 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.

## **Senior Management**

30. Oxfordshire has a Chief Executive who is responsible for the head of paid service function. Her role, in summary, includes co-ordinating the different functions of the council, staff appointment, organisation, management, numbers and grades. Additional responsibilities are set out in the Constitution include supporting councillors and the democratic process, overall corporate management and promoting our objectives, performance management, strategic partnership, the community strategy, media and communications.
31. Our Chief Finance Officer holds the statutory role of 'Chief Financial Officer' within the Council. In 2010 CIPFA issued a Statement on the "Role of the Chief Financial Officer in Local Government"<sup>4</sup>. This outlines five 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

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<sup>3</sup> Audit Committees, Practical Guidance for Local Authorities and Police, 2013 Edition, CIPFA,

<sup>4</sup> See: [http://www.cipfa.org/Policy-and-Guidance/Reports/-/media/Files/Publications/Reports/role\\_of\\_CFO\\_in\\_LG\\_2010\\_WR.pdf](http://www.cipfa.org/Policy-and-Guidance/Reports/-/media/Files/Publications/Reports/role_of_CFO_in_LG_2010_WR.pdf)

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financial management arrangements conform with the governance principles of the CIPFA statement as outlined below:

1. Our Chief Finance Officer is a member of the County Council Management Team, helping it to develop and implement strategy and to fund and deliver the County Council's strategic objectives.
  2. Our Chief Finance Officer is actively involved in and can influence all material business decisions. She can make sure that immediate and longer term implications, opportunities and risks are fully considered and aligned with the Medium Term Financial Plan.
  3. Our Chief Finance 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.
  4. Our Chief Finance Officer leads and directs a finance function that is adequately resourced and is fit for purpose.
  5. Our Chief Finance Officer is professionally qualified and suitably experienced.
32. The Financial Procedure Rules are part of the Constitution and are published on the Council's website. These 'Rules' and the supporting Financial Regulations are reviewed by the Chief Finance Officer. Schemes of Financial Delegation and Delegation of Powers are reviewed and updated twice a year.
33. These financial documents are supported by a Treasury Management Manual, a Capital Manual, an Accounting Manual and information for use by non-finance specialists which are published on Oxfordshire County Council's Intranet.
34. 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 review, 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.
35. Oxfordshire has a County Solicitor who is the Monitoring Officer. His role, in summary, includes meeting all legal requirements, ensuring effective administration and compliance with statutory responsibilities around the councillors code of conduct and the ethical standards of officers. Additional responsibilities in the Constitution include maintaining the Constitution itself, work for the Audit & Governance Committee on standards issues, advising on ethical and legal issues, supporting the complaints procedure, access to information and promoting good corporate governance.

### **Controls on Information, Projects and ICT**

36. Our Information Governance Group reviews and implements corporate policies, including the new Information Governance Policy, the Data Sharing Policy and new tools

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and methods of work evaluated by ICT Business Delivery to improve the security of data transfer.

37. Oxfordshire County Council requires projects to be managed using their Project Management Framework which gives a comprehensive structure, standard paperwork and defined processes. Progress of Major Programmes is regularly reported to DLTs, the Chief Executive and also to the Audit Working Group (via the Directorate's Strategic Risk Registers).
38. Our ICT Service Manager has overall responsibility for the strategic development and delivery of all aspects of ICT for Oxfordshire County Council. The Deputy Head of Law and Culture is the Council's Data Controller and chairs the Information Governance Group. This group has representatives from all Directorates and specialists from Human Resources and ICT Services. The group has appointed a Senior Risk Information Owner, an Information Risk Owner for ICT and an Information Risk Owner for Joint Commissioning; as well as linking with the Caldicott Guardian (responsible for patient and service user confidentiality).

### **Codes of Conduct**

39. Oxfordshire County Council has developed and adopted separate Codes of Conduct for Councillors and Officers; both Codes define the standards of behaviour expected by the County Council and the duty owed to the public. Training on 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. The Monitoring Officer undertakes a confidential biennial survey of Member/Officer relations.
40. Each Council must adopt a local Code of Conduct and have arrangements in place to investigate complaints made against Members. Our Council has agreed to include standards within the terms of reference of the Audit & Governance Committee. The work relating to standards being undertaken by a small advisory group led by the Monitoring Officer with the advice and assistance of independent persons.

### **Training**

41. Oxfordshire County Council's Constitution sets out the roles and functions for all councillors. Member development is delivered having regard to emerging issues, skills requirements, formal roles and any necessary induction following an election or by-election.
42. Development needs for senior managers are identified and followed up through our appraisal process. Our in-house Senior Leadership Programme provides them with a platform for sharing best practice and the support needed to tackle the complex issues we face in local government.

## **WORKING WITH OTHERS**

### **Schools**

43. Section 48 of the Schools Standards and Framework Act 1998 requires the authority to prepare a scheme setting out the financial framework for local authority maintained schools, known as the Scheme for Financing Schools. Amendments to the Scheme may be proposed by the authority after consultation with all maintained schools and agreed by either the Schools Forum or the Secretary of State for Education. The Secretary of State may also direct changes to all authorities' scheme for financing schools. Practical day to day application of the Scheme is set out in the Financial Manual of Guidance, which also includes links to the County Council's Constitution. Schools receiving delegated budgets must adhere to the financial framework, and failure to comply with the Scheme can ultimately lead to withdrawal of delegation.
44. It is the responsibility of each school's governing body to set down and oversee proper governance arrangements for the school. The governing body in maintained schools is accountable to the local authority for the way the school is run. The Schools Finance Team visit maintained schools to provide support, advice and challenge and give assurance on financial management in each school. The team validates all maintained schools' budgets annually and reviews budget monitoring reports during the year. A helpline is also provided to schools to give them immediate SAP applications support and finance guidance where needed. The Schools Finance team monitors compliance with the Scheme for Financing Schools and the Financial Manual of Guidance. Schools identified as having higher financial risks or issues are given additional support and oversight. If the authority is not satisfied that a school is exercising good financial management, a notice of concern can be issued advising the school of required actions. Ultimately failure to comply with a notice of concern could lead to withdrawal of delegated budget powers from a school.
45. All local authority maintained schools are required to complete a Schools Financial Value Standard (SFVS) statement annually and submit a signed copy to the local authority. The SFVS is not externally assessed but is used to inform the authority's programme of financial assessment and audit.
46. Dedicated Schools Grant (DSG) is the main source of funding for schools and the authority must consult Schools Forum about deployment of DSG to support the Schools Budget. Government continues to make other grant streams available to schools via the County Council, including funding for school sixth forms and the Pupil Premium. Grant terms and conditions and related guidance are followed when distributing the local school funding formula and other grant streams. All local authorities are required, under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009, to publish via their public web site an annual budget statement and an annual outturn statement.
47. Academies are legally separate entities and therefore their effective governance does not fall within the control or responsibilities of the County Council. The County Council retains responsibilities to ensure that special educational needs are met and that the free entitlement to early year's education is provided by academies where applicable.

## **Partnerships**

48. Oxfordshire County Council works together with other bodies and organisations, in many different partnerships. Each partnership is governed by terms of reference. Overall accountability for partnership working is provided by Council. Council is responsible for examining formal and informal feedback mechanisms. To enable Council to carry out this responsibility each partnership presents an annual report.

49. The key partnerships that Oxfordshire County Council is part of are:

- **Oxfordshire Local Enterprise Partnership** - responsible for championing and developing the Oxfordshire economy. Working with businesses, academia and the public sector OxLEP drives economic development across the county. The LEP is responsible for bidding and securing funding for investment to promote growth in the county.
- **Oxfordshire Skills Board** – responsible for improving the skills available to employers and the learning opportunities available to students, residents and workforce.
- **Oxfordshire Growth Board** – responsible for the delivery of the projects agreed in the City Deal and Growth Deal that fall to the councils, working collaboratively to deliver.
- **Oxfordshire Local Transport Board** – responsible for identifying and prioritising the delivery of local major transport schemes.
- **Oxfordshire Safeguarding Children Board** – responsible for scrutinising and monitoring the work of local agencies to safeguard and promote the welfare of children.
- **Oxfordshire Safeguarding Adults Board** – responsible for working together to safeguard and promote the welfare of vulnerable adults.
- **Oxfordshire Health and Wellbeing Board** – responsible for producing the Joint Health and Wellbeing Strategy and working together to improve the health and wellbeing of local people, especially those with health problems or in difficult circumstances
- **Oxfordshire Stronger Communities Alliance** – responsible for helping to build and maintain stronger communities and a thriving voluntary, community and faith sector in Oxfordshire to improve the quality of life for local people.
- **Oxfordshire Safer Communities Partnership** – responsible for tackling crime and disorder, anti-social behaviour and the fear of crime, to make the county safer for residents, those who work in Oxfordshire and those who visit.
- **The partnership with Hampshire** who will provide some of the Council's Finance and Human Resources support services from July 2015.

50. The partnership arrangements across Oxfordshire County Council are varied. There is a mixture of statutory and non-statutory bodies. The key statutory arrangements are in relation to health and wellbeing, safeguarding and community safety. There are also essential partnerships that allow for the bidding for, allocation and distribution of funding, especially those that operate in the economic growth arena and to manage pooled health budgets.



51. Further accountability is provided by the Oxfordshire Partnership. The Oxfordshire Partnership sets the objectives in the Oxfordshire 2030 strategy. The partnership meets twice a year to discuss shared priorities and key issues. Each partnership will present regular updates on the progress of their work to the Oxfordshire Partnership. The Oxfordshire Partnership currently has 37 members drawn from

- Local Government (12 members)
- Other public sector agencies (health, police, military, etc.) (7 members)
- The Voluntary, Community, and Faith Sectors (7 members)
- Town and Parish Councils (5 members)
- Private Sector representatives (3 members)
- Education (including local universities) (3 members)

## **REVIEWING OUR EFFECTIVENESS**

### **Measuring and Managing Service Performance**

52. Oxfordshire County Council has a robust performance management framework, centred on quarterly reporting and an exception based escalation of issues. Priorities are identified in the Corporate Plan and related performance indicators are agreed with directorates, as part of the service and resource planning process. Progress is reported by the use of dashboards with Red, Amber or Green (RAG) ratings.

53. Accountability for performance runs from the individual to corporate level through directorate leadership teams and then on to the County Council Management Team (CCMT). Public reports are made to Performance Scrutiny Committee and Cabinet. Performance Scrutiny Committee met eight times in 2014/15 to consider performance across the Council focusing on a directorate in detail at each meeting. The Committee can call for additional reports from directors and examine issues in detail to ensure that improvements are made. The Committee also challenges proposed indicators and targets to ensure they are realistic and in line with strategic priorities. The Cabinet considers and agrees the indicators and targets. They also consider any performance issues escalated to them and any recommendations for further action by the Performance Scrutiny Committee.

54. Performance is also discussed at regular meetings between each directorate leadership team and the chief executive. There is a detailed examination of a range of management information. This includes information about performance, people, risk, audits and inspections. In addition to the official reporting framework key issues are escalated to Directors and the Chief Executive on a need to know basis.

### **Compliance, Risks and Complaints & Whistleblowing**

#### **Compliance**

55. Oxfordshire County Council uses a range of measures to ensure compliance with established policies, procedures, laws and regulations including:

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- 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 Chief Internal Auditor;
- A Corporate Governance Strategy for Law and Culture; and a
- Protocol for Implementing New Legislation ensures that there are Directorate Leads who have a specific obligation to ensure appropriate dissemination of legal, policy and professional information within their Directorates.

56. Guidance and advice on all our key policies and procedures have been reviewed and updated. All policies and guidance are available on the Intranet within the Corporate Governance Library as well as separate pages for Human Resources and Finance.

57. Compliance with our policies is monitored by the relevant corporate lead officers. Their assessment is incorporated in the year end 'Certificate of assurance' signed off by each corporate lead officer.

58. 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 was not necessary for the Monitoring Officer to issue a formal report for the year 2014/15. The Monitoring Officer undertakes a review of the County Council's annual governance arrangements. This review is formally reported to the Audit & Governance Committee.

## **Risks**

59. Oxfordshire 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 Chief Finance Officer was the CCMT Risk Champion during 2014/15.

60. Oxfordshire 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.

61. A strategic risk register is in place that is owned and reviewed by CCMT. Service Risk Registers are owned and reviewed by each Deputy Director 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.

62. Risk Management in projects is required in our Corporate Project Management Framework<sup>5</sup>. It includes the requirement for risk registers to be maintained as part of the project management process.

### **Complaints & Whistleblowing**

63. Oxfordshire County 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.

64. An annual review of reports and incidents is undertaken by the Monitoring Officer and is reported to the Audit & Governance Committee via the report of the Audit Working Group.

### **Internal audit**

65. In 2010 CIPFA issued a Statement on the “Role of the Head of Internal Audit in public service organisations”. This outlines the principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit and the governance requirements needed to support them. The Council's arrangements conform with the governance requirements of the CIPFA statement as our Chief Internal Auditor:

- Objectively assesses the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;
- Gives an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Is a Senior Manager with regular and open engagement across the organisation, including the Leadership Team and the Audit & Governance Committee; and
- Leads and directs an internal audit service that is resourced to be fit for purpose; and is professionally qualified and suitably experienced.

66. In accordance with the requirements of the Accounts and Audit (England) Regulations 2011<sup>6</sup>, 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 (Public Sector Internal Audit Standards 2013), reporting on performance and outcomes to the Audit & Governance Committee, and a survey of Senior Management on the effectiveness of Internal Audit.

67. The Audit & Governance Committee has determined the process by which this review is undertaken. It includes continuous monitoring of the Internal Audit process by the Committee in conjunction with the Audit Working Group.

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<sup>5</sup> <http://projectmanagement.oxfordshire.gov.uk/wps/wcm/connect/occ/project+management+framework/Home/>

<sup>6</sup> As set out in the sector specific note – \ local government application note, for the United Kingdom Public Sector Internal Audit Standards, CIPFA and CIIA, April 2013.

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68. In the resulting report to the Audit & Governance Committee it was concluded that the Internal Audit Service overall continues to be effective and well received; however capacity to meet the planned and reactive work needs attention. The Chief Internal Auditor's self-assessment against the Public Sector Internal Audit Standards was considered as part of the review. The assessment identifies two key areas where the service does not currently conform to the standards - the Internal Audit terms of reference needs to be updated and incorporated within a new Internal Audit Charter - and a Quality and Improvement Plan needs to be produced for review and monitoring by the Audit & Governance Committee. These areas of non-conformance were also identified last year. In accordance with the requirements for reporting "non-conformance", these are detailed in the Chief Internal Auditor's annual report including actions being taken.
69. The Chief Internal Auditor has prepared an Annual Report on the work of Internal Audit which concludes that the system of internal control provides reasonable assurance regarding the effective, efficient and economic exercise of the County Council's functions. Where areas for improvement have been identified, management action plans are in place and are routinely monitored by the Internal Audit team and the Audit Working Group. Managers are required to provide positive assurance that actions have been implemented; performance on implementation is high, demonstrating that control weaknesses identified by Internal Audit are being addressed on a timely basis.

### **Checking the Effectiveness of our Governance**

70. Oxfordshire 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.
71. Full Council requested a review of effectiveness of the changes to the Committee and decision making processes of the Council, introduced in May 2013. The Monitoring Officer made some recommendations for improvements but overall regarded the changes as being effective (report back to Full Council in September 2014).
72. The following paragraphs describe the process that we have applied to maintain and review the effectiveness of the governance framework. They also include some comment on the role of key bodies.

### **Audit & Governance Committee**

73. The Chairman of our Audit & Governance Committee produces an Annual Report to Council. The Annual Report also covers the work of the Audit Working Group. This group has met regularly throughout the year and reviewed specific areas of governance, risk and control, reporting any significant issues identified to the Committee.

### **Scrutiny Committees**

74. Oxfordshire County Council has three scrutiny committees. They cover the following areas:

- Education;
- Performance;
- Joint Health Overview includes district council and co-opted lay members)

75. The scrutiny process is a fundamental part of the governance framework. The committees have three key functions. Firstly, they provide advice to the Cabinet on major policy decisions. They also explore particular issues of concern in depth and challenge the way in which our services are run. Committees may also review the Cabinet's decisions, through the call-in process. The call-in process is a powerful tool in the accountability process. Under certain circumstances, it allows for members to request the reconsideration of Cabinet decisions and gives scrutiny committees the opportunity to examine the decision making process.

76. The good governance of the council is further enhanced by the work of the Cabinet Advisory Groups. These groups can be set up to examine topics selected by Cabinet which align to corporate council priorities. They enable back bench members to be more closely involved with issues of greatest importance to the council. The Transport Advisory Panel is a permanent group that provides challenge and assurance to the development of transport policy.

77. Member engagement is key to good governance. Within Oxfordshire, local member engagement is strengthened by locality meetings. Locality meetings allow members to examine issues and influence policy development on issues affecting their local area.

78. CIPFA guidance indicated that Audit Committees '*should have clear reporting lines and rights of access to.... for example scrutiny committees*'. The Chairman of the Performance Scrutiny Committee has a standing invitation to attend our Audit & Governance Committee to provide advice in relation to the work of the Scrutiny Committees. Similarly, the Chairman of Audit & Governance Committee has a reciprocal standing invitation to attend the meetings of the Performance Scrutiny Committee. An annual report on the key achievements of all Scrutiny Committees is considered by our Audit & Governance Committee in draft and submitted for agreement by Council. Scrutiny and Audit Committee Chairmen meet regularly to coordinate their work and forward plans.

### **Corporate Governance Assurance Group (CGAG)**

79. This Group monitors the corporate governance framework. It reviews the Annual Governance Statement action plan, as well as monitoring and challenging the assurance framework owned by designated Corporate Leads. The Group identifies and considers weaknesses in the internal control environment. 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 (Ernst and Young) relating to the 2013/14 Annual Governance Statement. The group now includes a representative from Human Resources.

### **Key Deliverables**

80. Key deliverables within Directorate Business Strategies are managed as projects as a part of our 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 to Leadership Teams and through the regular Business Strategy Delivery Reports to Cabinet.
81. Further to these monitoring arrangements, the Chief Finance Officer and the Head of Policy meet monthly with all Deputy Directors. They review the delivery of business strategies, check progress on the delivery of projects and ensure that support is targeted to projects as necessary. The policy and finance teams work with service areas to monitor delivery of agreed savings and escalate issues for consideration to CCMT as required.

### **Other external reviews**

82. Oxfordshire County Council receives external reports and inspections from a range of sources that can provide assurance or indicate any issues related to internal control and governance. These are generally ad-hoc and are reported to CGAG by the Head of Policy so that governance issues can be reported to Audit & Governance Committee. The following areas have been considered in 2014/15:
- In May 2013, seven men were found guilty of offences including rape, facilitating child prostitution and trafficking in Oxford from 2005-2011. The men received sentences totalling 95 years. Subsequently a serious case review was commissioned by the independent Oxfordshire Safeguarding Children Board. This review was published in March 2015. The Council fully accepted the findings of the report and is committed to acting on the recommendations that were made. Considerable action has already been taken by the Council since evidence of the abuse first emerged. Full details of action that has been taken to date and is planned in response to the review are in a report to Performance Scrutiny Committee on 26 March 2015 and Cabinet on 26 May 2015.
  - On 30 June 2014, Oxfordshire's children's social care service was rated as "Good" by Ofsted.
  - In March 2015, a Court of Protection visitor from the Office of the Public Guardian noted that our Money Management Team were experienced, knowledgeable and keen to ensure that arrangements for each client maximised their individual abilities and capacities.

## **SIGNIFICANT GOVERNANCE ISSUES**

### **Progress in 2014/15**

83. The Progress Report on Actions planned for 2014/15 follow. More details of the progress made are contained in a report to Audit & Governance Committee on 22 April 2015.

<b>Action that were planned for 2014/15</b>	<b>Timescale, Responsible officer, Monitoring body</b>	<b>Progress</b>	<b>Status</b>
<b>1. Data Transfers and Security (on-going from 2012/13)</b>  Ensuring that where appropriate, data is transmitted securely either using 'Government Connect', or Egress Switch email and file transfer software or another secure software system.	31 March 2015  ICT Corporate Lead  Information Governance Group	Appropriate secure systems are in place. Staff and schools have been informed, guided and trained. A new Acceptable Use Policy was launched in March 2015, with eLearning required for everyone. A consistent process for investigating and responding to Data Security Breaches is in place. Information Asset registers are being put in place. There is some evidence from third parties that we are using these systems appropriately.	<b>COMPLETED</b>

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Action that were planned for 2014/15	Timescale, Responsible officer, Monitoring body	Progress	Status
<b>2. Data Quality (on-going from 2013/14)</b>  Agree, implement and report on the performance of a <b>Data Quality Strategy</b> within the organisation and with third parties	31 March 2015  ICT Corporate Lead  Information Governance Group	A revised Data Quality Strategy is in place. Actions include developing common operating standards, changing job descriptions, improving storage arrangements, sign-off, sharing practices, better use of the JSNA, improved contracts, ownership arrangements and developing a comprehensive communications plan.	<b>CONTINUING</b> <b>With a focus on checking major and critical databases</b>
<b>3. Commercial Services Board (on-going from 2013/14)</b>  The Board's framework should be embedded and implemented effectively. This will provide an on-going robust overview of the adequacy of procurement and contract management arrangements across the organisation including contract performance and visibility of issues/risks.	31 March 2015  Chief Finance Officer Interim Corporate Procurement Manager  CGAG	The Board continues to monitor significant commercial activity, focusing on the most important contracts. Training of contract managers has started. Further work is needed to fix changes in place and reinforce the Boards work. In particular to develop a more consistent approach to commissioning. Recent developments suggest that work	<b>CONTINUING</b> <b>With revised Actions</b>



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Action that were planned for 2014/15	Timescale, Responsible officer, Monitoring body	Progress	Status
		needs to continue in this area.	
<b>4. Business Continuity</b>  a. Undertake a review of Business Continuity processes, guidance documents and templates to ensure that they reflect contracted services and rationalised process.  b. Ensure that appropriate BC toolkits, training and testing information is available to staff and managers.  c. Ensure that all necessary plans exist, can easily be accessed on a central database and are up to date and realistic.  d. Ensure that plans are updated when there is organisational change, estate rationalisation or increasing flexible or agile working.  e. Ensure that business continuity arrangements are reviewed and if necessary changed when commissioning or externalising services.	31 March 2015  Business Continuity Corporate Lead  CGAG	a. A review has been completed by the newly appointed Business Continuity and Resilience Officer.  b. New guidance, training and a toolkit based on the Good Practice Guide is being rolled during 2015.  c. Plans are in place and options for storing them have been explored. The search for a suitable system continues.  d. Plans and priority registers have been updated and this work continues.  e. Greater assurance and improved awareness have been achieved. More tangible objectives are replacing this in 2015/16.  f. Plan sign off has been assured	<b>CONTINUING With revised Actions</b>

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Action that were planned for 2014/15	Timescale, Responsible officer, Monitoring body	Progress	Status
f. Ensure that Tier 3 managers sign off the plans.		through the Business Continuity Steering Group.	
<p><b>5. Externalisation of Human Resources and Finance Services</b></p> <p>Setting up, implementing and embedding our new operating model includes extensive working with another public body and other work. The following action is required as a result.</p> <p>Develop for the approval of CCMT and the Audit &amp; Governance Committee a robust assurance framework for the governance and systems of internal control for the planned externalisation of services including explicitly those where there may be a transfer in full or in part of key control processes.</p> <p>Risks arising as our partner's access our data and other information assets will need to be explicitly considered.</p> <p>The output of this process is to be reviewed by CGAG, approved by CCMT and Audit &amp;</p>	<p>31 March 2015</p> <p>Chief Finance Officer Chief Internal Auditor Chief Human Resources Officer</p> <p>CGAG</p>	<p>An extensive programme of work to ensure the successful transfer of Human Resources and Finance Services to Hampshire County Council began in September 2014.</p> <p>A governance framework and project documentation was put in place. Operating differences and internal control issues were identified and dealt with. Detailed work continues and the handover is planned for late June and early July. Staffing issues have been identified and are being sorted out. Work continues as the handover is underway, until the project is completed. So this action continues.</p>	<p><b>CONTINUING Until December 2015 at least</b></p>

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Action that were planned for 2014/15	Timescale, Responsible officer, Monitoring body	Progress	Status
Governance Committee.			
<b>6. Partnerships</b>  To undertake a review of governance arrangements in relation to key strategic partnerships where the council is a formal member.	31 March 2015  Head of Law & Governance Head of Policy  CGAG	<p>The Council is now necessarily involved in a complex system of Partnerships. Many steps have been taken to ensure that Councillors and staff are aware of and understand these new arrangements.</p> <p>These include briefings, reports and updates on changes.</p> <p>Additional Corporate Governance Leads will be put in place to cover:</p> <ul style="list-style-type: none"> <li>• Partnership and</li> <li>• Clinical Governance issues</li> </ul>	<b>COMPLETED</b>

## **A Review of the effectiveness of our governance arrangements**

84. We have reviewed our overall effectiveness. Key points are that:

- We have made good progress on implementing our Action Plan for 2014/15 as noted above;
- There was a full review of the Council's constitution in the summer of 2014;
- Our decision taking processes are clear;
- The council has effective financial management providing good value for money and operating within a budget that included a low council tax increases and continuing plans to make savings;
- We monitor key governance issues through a system of Corporate Lead Officers, one covers Finance for example;
- Key management roles are defined and in place – Chief Executive, Chief Finance Officer, Monitoring Officer and Chief Internal Auditor;
- We have implemented the additional requirements of the Local Government Transparency Code that were announced in October 2014;
- We are implementing the Care Act 2014, changes to the Transparency Code and responding to change in the Deprivation of Liberty arrangements;
- We are setting up a 'Local Pensions Board' as required by the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014, to 'assist' the administering authority. The constitution of the board needs to be in place by 1 April 2015 and its first meeting must be within four months of that date;
- We are considering the government's Security Policy Framework as a benchmark for our Council;
- We are considering a 'Tri-county' alliance with Buckinghamshire and Northamptonshire, seeking additional powers from central government to set up a combined authority that will develop skills, transport, bus services, spatial planning and infrastructure across the area.
- Internal Audit's Annual Report concludes that the system of internal control provides reasonable assurance regarding the effective, efficient and economic exercise of Oxfordshire County Council's functions; and
- Through the governance assurance framework, issues and unacceptable risk exposures are being highlighted with action plans devised and implementation monitored on a timely basis. This will ensure that the level of risk is returned to acceptable levels as soon as possible.

Thus we consider that our governance arrangements are in reasonable shape given the pressures, scale of change and uncertainty about funding. We have continuing and new plans to improve our governance in 2015/16. They are listed below.

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### Action Plans for 2015/16

85. For 2015/16, some areas have been identified where work on an issue continues or the quality of our governance could be improved, or where we have planned material changes to the governance arrangements. Our action plan for 2015/16 follows:

	<b>Action now planned for 2015/16</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>1</b>	<p><b>Data Quality (ongoing from 2013/14)</b></p> <p>For each major or critical database held by the Council, identify what are the necessary, realistic and affordable features that there should be to ensure that an appropriate level of data quality is reached.</p> <p>Check if these features are in in place and effective.</p> <p>Then if possible make changes so that any features that are missing or weak are put in place or improved.</p> <p>Then report back on this process. List any remaining changes that need to be implemented and whether, when and how this will be possible.</p>	31 March 2016	ICT Corporate Lead	CGAG

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	<b>Action now planned for 2015/16</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>2</b>	<p><b>Commercial Services Board (ongoing from 2013/14)</b></p> <p>1. Communicate the role of the Commercial Services Board and ensure that its requirements are fixed in place in the Council.</p> <p>2. Implementation of the Contract Management Framework</p> <p>3. Development of the County Procurement Team including resources to support the ongoing work of the Commercial Services Board and implementation of the contract management framework.</p> <p>4. Tackling instability arising out of the externalization agenda and the effect on SAP governance and control mechanisms</p>	31 March 2016	<p>Chief Finance Officer</p> <p>Interim Corporate Procurement Manager</p>	CGAG

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	<b>Action now planned for 2015/16</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>3</b>	<p><b>Business Continuity (BC) (ongoing from 2014/15)</b></p> <ol style="list-style-type: none"> <li>1. Increase awareness and scrutiny of BC when buying in or outsourcing activity</li> <li>2. Ensure that flexible and agile working takes account of the need for BC</li> <li>3. Improve links between Directorates and the BC Steering Group</li> <li>4. Improve the Priority 1 exercise programme</li> <li>5. Improve awareness of BC across the organisation</li> <li>6. Use the good practice guide to improve BC generally</li> <li>7. Scrutinise the BC resilience of new projects. Notably the Integrated Business Centre (run by Hampshire) and the Joint Fire Control, to support bedding in for the first year.</li> </ol>	31 March 2016	Business Continuity and Resilience Officer	<p>Business Continuity Steering Group</p> <p>CGAG</p>



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	<b>Action now planned for 2015/16</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>4</b>	<b>Externalisation of Human Resources and Finance Services (ongoing from 2014/15)</b>  Setting up, implementing and fixing in place our new operating model includes extensive working with another public body and other work. This work continues as Hampshire take on this role in July 2015.	31 December 2015	Chief Finance Officer  Chief Internal Auditor  Chief Human Resources Officer	CGAG
<b>5</b>	<b>Strategic Risk Register</b>  The Strategic Risk Register to be refreshed and agreed by CCMT, with a quarterly review, including management assurance on the effectiveness of the mitigation for the Strategic Risks	31 September 2015	Chief Internal Auditor	CCMT
<b>6</b>	<b>Supported Transport for Children</b>  To ensure full implementation of the children's safeguarding standards framework for the transport service and the provision of assurance that these arrangements are effective.	30 September 2016	Service Manager Business Development & Fleet Management  Interim Head of Service – Safeguarding	Supported Transport Governance Group

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86. Over the coming year we propose to take steps to address the above matters to enhance further 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.

### SIGNATURES

Signed on behalf of Oxfordshire County Council:

.....	Date .....	.....	Date .....
Joanna Simons		Lorna Baxter	
Chief Executive		Chief Finance Officer	

.....	Date .....	.....	Date .....
Councillor Ian Hudspeth		Peter Clark	
Leader of the Council		Monitoring Officer	

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## **AUDIT & GOVERNANCE COMMITTEE – 8 JULY 2015 WORK PROGRAMME 2015**

### **2015**

#### **Wed 25 February 2015**

SCS LEAN and IT system update (Kate Terroni)  
Audit Committee Annual Report to Council 2014 (David Illingworth)  
Council request to look at Demographics of Council. (Peter Clark)  
Update on Hampshire Partnership (Lorna Baxter)  
NFI Audit Committee Checklist (Ian Dyson)

#### **Wed 22 April 2015**

Internal Audit Services – Internal Audit Strategy & Annual Plan  
Update on Hampshire Partnership (Lorna Baxter)  
Review of Effectiveness of Internal Audit (Peter Clark)  
External Auditors Progress Report (EY)  
External Auditors Grant Claim Report (EY)

#### **Wed 8 July 2015**

Corporate Lead Presentation – Alexandra Bailey  
Update on Hampshire Partnership (Lorna Baxter)  
Annual Governance Statement - 2013/2014 (David Illingworth)  
Annual Report of the Monitoring Officer (Peter Clark)  
Annual Report of the Chief Internal Auditor (Ian Dyson)  
Statement of Accounts 14/15 (Lorna Baxter)  
Treasury Management Outturn 2014/15  
Fire & Rescue Service Statement of Assurance 14/15  
Progress Report -EY

#### **16 September 2015**

Final Accounts 14/15 (Lorna Baxter)  
Local Government Ombudsman's Review of Oxfordshire County Council (Peter Clark)  
Annual Results –EY  
Internal Audit Plan – Progress report (Ian Dyson)  
RIPA (Richard Webb)

#### **18 November 2015**

Annual Letter ( EY)  
Treasury Management Mid Term Review (Lewis Gosling)  
Annual Governance Statement – Action Plan Progress

#### **January 2016**

Treasury Management Strategy (Lewis Gosling)  
Internal Audit Plan Update and Progress

***Standing Items:***

- Audit Working Group Reports  
(Ian Dyson)
- Audit & Governance Committee Work Programme – update/review  
(Committee Officer/Chairman/relevant officers)
- Future of Adult Social Care in Oxfordshire – Regular Progress update on  
Implementation Plan (**Quarterly**)

***Other matters***

Risk Management Strategy (same as Annual Report?)

Risk Management Annual Report (Ian Dyson)

Appeals & Tribunals sub-Committee – details of recommendations resulting from  
appeals to the Home to School Transport Appeals, and Pension Benefits sub-  
Committee at which issues of dismissal and redundancy were decided,

Partnerships – Progress Report