



To: Members of the Audit & Governance Committee

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

Wednesday, 6 September 2017 at 2.00 pm

Rooms 1&2 - County Hall, New Road, Oxford OX1 1ND

A handwritten signature in black ink that reads 'PG Clark'.

Peter G. Clark
Chief Executive

August 2017

Committee Officers: Colm Ó Caomhánaigh, Tel 07393 001096; E-mail:
colm.oacaomhanaigh@oxfordshire.gov.uk

Membership

Chairman – Councillor Nick Carter
Deputy Chairman - Councillor Tony Ilott

Councillors

Paul Buckley
Ian Corkin
Helen Evans

Charles Mathew
D. McIlveen
Les Sibley

Roz Smith

Co-optee

Dr Geoff Jones

Notes:

- ***Private briefings with the Internal and External Auditors will take place in the Members' Boardroom at 1pm on the day of the Committee meeting.***
- ***There will be a pre-meeting briefing at County Hall on Thursday 31 August 2017 at 9.30am for the Chairman, Deputy Chairman and Opposition Group Spokesman in the Members' Boardroom.***
- ***Date of next meeting: 8 November 2017***

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 **07776 997946** or 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 - 6)**

To approve the minutes of the meeting held on 5 July 2017 and to receive information arising from them.

4. **Petitions and Public Address**
5. **Statement of Accounts 2016/17 (Pages 7 - 226)**

2.10pm

Report from the Director of Finance

The Accounts and Audit Regulations 2015 require the Director of Finance to publish the unaudited Statement of Accounts 2016/17 no later than 30 June 2017 and certify that they give a true and fair view of the County Council's financial position and income and expenditure for the year. This was achieved on 31 May 2017. The Regulations require the Statement of Accounts to be considered by a committee of the Council by 30 September 2017 and, following that consideration, to be approved by resolution of that committee. This report presents the accounts to the Audit & Governance Committee for consideration and approval, with the findings of the audit available in Ernst & Young LLP's audit results reports.

The Committee is RECOMMENDED to:

- (a) **Consider and approve the Statement of Accounts 2016/17 at Annex 1;**
- (b) **Note the Summary Accounts 2016/17 at Annex 2;**
- (c) **Agree that no changes are required to the Annual Governance Statement, previously approved by the Committee on 26 April 2017;**
- (d) **Consider and approve the Letter of Representations 2016/17 for the Oxfordshire County Council accounts at Annex 3;**
- (e) **Consider and approve the Letter of Representations 2016/17 for the Oxfordshire Pension Fund accounts at Annex 4;**
- (f) **Agree that the Director of Finance, in consultation with the Chairman of the Committee (or Deputy Chairman in his absence), can make any further**

changes to the Statement of Accounts 2016/17 and / or letters of representation that may arise during completion of the audit.

6. External Auditors (Pages 227 - 268)

2.40pm

A representative from the external auditors, Ernst & Young, will attend to present the following item:

- Final Accounts Audit

7. Internal Audit Plan - Progress Report 2016/17 (Pages 269 - 286)

3.00pm

Report by the Director of Finance

This report presents the Internal Audit progress report for 2016/17.

The committee is RECOMMENDED to note the progress with the 17/18 Internal Audit Plan and 17/18 Counter Fraud Plan and the outcome of the completed audits.

8. Transformation Update (To Follow)

3.20pm

Presentation by Lorna Baxter, Director of Finance.

9. Report on the Authority's Policy for Compliance with the Regulation of Investigatory Powers Act 2000 and Use of Activities within the Scope of this Act (Pages 287 - 316)

3.50pm

The Regulation of Investigatory Powers Act 2000 ('the Act') regulates the use of covert activities by Local Authorities. It creates the statutory framework by which covert surveillance activities may be lawfully undertaken. Special authorisation arrangements need to be put in place whenever a Local Authority considers commencing covert surveillance or considers obtaining information by the use of informants or officers acting in an undercover capacity.

As part of the legislative regime, the Office of Surveillance Commissioners carry out

inspections from time to time to examine an authority's policies, procedures, operations and administration. On 25 May 2017, Assistant Commissioner (His Honour Brian Barker CBE, QC) visited the County Council to inspect the processes of the Council and the Oxfordshire Fire and Rescue Service. This report summarises the findings of the Inspector's investigation, which were generally positive with several helpful recommendations for improvement. The Committee is invited to raise any questions or comments.

Codes of Practice under the Act require that elected members review the Authority's use of the Act periodically and review the Authority's policy annually. This report therefore also provides a summary of the activities undertaken by Oxfordshire County Council that fall within the scope of this Act for the period from April 2016 to March 2017.

The Committee is RECOMMENDED to:

- (a) Consider and note the use of activities within the scope of the Regulation of Investigatory Powers Act by the Council and the Office of Surveillance Commissioners report, and**
- (b) Note the revised Policy and Guidance documents at Annexes 2 and 3 and to comment on any changes to the Policy for Compliance with the Regulation of Investigatory Powers Act 2000 that the committee would wish the Monitoring Officer to consider.**

10. Monitoring Officer Annual Report (Pages 317 - 328)

4.10pm

Report by the Monitoring Officer

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 2016/17 including the run-up to the May 2017 election and consequent governance actions.

The Committee is RECOMMENDED to consider and endorse the report.

11. Local Government Ombudsman's Review of Oxfordshire County Council (Pages 329 - 348)

4.30pm

Report by the Monitoring Officer.

Each year, the Local Government Ombudsman (LGO) issues an Annual Review Report

about each council in relation to the complaints made to the Ombudsman about that Council in the previous financial year. My report to this Committee therefore informs members about the LGO's Annual Review Report for Oxfordshire County Council for the year 2016/17.

In short, fewer complaints about the Council have been upheld by the Ombudsman in 2016/17 compared to the previous year, even with slightly more complaints being referred to her. Put into the context of county council performance generally, the Council has the third lowest number of upheld complaints per 100,000 residents (seven upheld complaints). This is an improvement on last year (fifth lowest) and remains encouraging. It continues to suggest that the Council's system of control expressed through its own complaints processes is working well.

This is not a case for complacency however and this report sets out the LGO's findings, the wider context and also details the complaints upheld by the LGO during 2016/17.

The Committee is RECOMMENDED to note and comment upon this report and on the Local Government Ombudsman's Annual Review of Oxfordshire County Council for 2016/17.

12. Work Programme (Pages 349 - 350)

4.50pm

To review the Committee's Work Programme.

Close of meeting

An explanation of abbreviations and acronyms is available on request from the Chief Internal Auditor.

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 5 July 2017 commencing at 2.00 pm and finishing at 5.30 pm

Present:

Voting Members: Councillor Nick Carter – in the Chair

Councillor Tony Ilott (Deputy Chairman)
Councillor Paul Buckley
Councillor Ian Corkin
Councillor Helen Evans
Councillor Charles Mathew
Councillor D. McIlveen
Councillor Les Sibley
Councillor Roz Smith
Dr Geoff Jones

Other Members in Attendance: Councillor (for Agenda Item)

By Invitation:

Officers:

Whole of meeting

Part of meeting

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

36/17 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

No apologies were received.

37/17 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

In relation to Agenda Item 11, Councillor Helen Evans, declared that she is a director of an NGO that holds a contract with Oxfordshire County Council for advocacy services.

38/17 MINUTES

(Agenda No. 3)

The minutes of the meeting on 26 April 2017 were agreed and signed subject to the following correction: delete the name of the Non-voting Member from the list of Voting Members.

The minutes of the meeting of 16 May 2017 were agreed and signed.

Cllr Roz Smith noted that it was regarded as good practice for committees to be chaired by a member of the opposition which was not the case here. The Chairman responded that that practice usually applied to scrutiny committees.

39/17 PROPOSED CHANGE OF MEETING DATE

(Agenda No. 4)

The Chairman thanked Members for agreeing to the change of date.

RESOLVED: to change the date of the Committee meeting originally scheduled for 13 September 2017 to take place on 6 September 2017, starting at 2pm.

40/17 AUDIT WORKING GROUP TERMS OF REFERENCE AND APPOINTMENT OF THE AUDIT WORKING GROUP

(Agenda No. 6)

Ms Cox presented the Audit Working Group Terms of Reference. The main change from the previous Terms was that the Deputy Chairman of the Audit & Governance Committee will be substitute for the Chairman at Working Group meetings.

Dr Geoff Jones, who chairs the Working Group, described how it operates, saving time at full Committee meetings and allowing more detailed questioning of officers. All Members were welcome to attend meetings.

It was agreed to amend the proposed Terms of Reference to have four Members in addition to the Chairman and four substitutes.

RESOLVED to

- a) approve the Audit and Working Group Terms of Reference subject to amendments to allow for four members of the Committee in addition to the Chairman of the Working Group and four substitute members; and**
- b) appoint the following members of the Audit Working Group:**

- **Councillor Nick Carter**
- **Councillor Ian Corkin**
- **Councillor Helen Evans**
- **Councillor Roz Smith**

and the following substitutes:

- **Councillor Paul Buckley**
- **Councillor Tony Ilott**
- **Councillor Charles Mathew**
- **Councillor Deborah McIlveen**

41/17 REVIEW OF PERFORMANCE MANAGEMENT OF THE HIGHWAYS PARTNERSHIP CONTRACT

(Agenda No. 7)

Mr Jenkins made a presentation on the Highways contract covering the history of the contract and the latest developments. He responded to questions from Members as follows:

- The latest assessment of the contract and decision on whether to extend it will take place over the next month. The advantage of extending the contract well into the future is that it allows contractors to invest more in new resources such as equipment.
- Assessments focus on the health of the relationship and whether it is delivering for the county.
- There is a machine that automatically assesses road conditions and this is compared to the condition that is expected given the money spent.
- Regarding roadworks management, it is only really possible to measure inputs, for example, that adequate notice of roadworks is given.
- Generally roads are in worse repair in towns than in rural areas because there are more of them and they are more heavily used.
- There is no detailed analysis available yet as to why perception of the state of Oxfordshire roads is below the national average although statistics indicate that the roads are actually above the national average condition.
- A factsheet will be available to Members in the next week or so.
- Systems are definitely improving but there is still a long way to go.

Members stated that they had many more questions about the contract and it was agreed to receive another update at the Committee's meeting in November.

42/17 TREASURY MANAGEMENT OUTTURN 2016/17

(Agenda No. 8)

Mr Turner presented the report and Officers responded to questions from Members as follows:

- The treasury section involves two full time staff and part of the role of the Principal Finance Manager.
- Local authorities who borrow from the Council are not required to say what they use the money for. Our concern is simply that they are of suitable standing.
- The figure for the total rate of return for fixed deposits during 2016/17 will be circulated to Members after the meeting.
- It is difficult to compare debt across local authorities because different classes of authorities have different levels of debt.
- The rates for local authority investments will be included in future reports.

RESOLVED: to note the report, and to RECOMMEND Council to note the Council's Treasury Management Activity in 2016/17.

43/17 INTERNAL AUDIT CHARTER

(Agenda No. 9)

Ms Cox introduced the report. The Internal Audit Charter must be signed by the Chairman of the Committee.

Members asked if they could be confident that there was sufficient staff to deliver the plan. Dr Jones stated that the staff resource would be below the norm for the Council's size but he was happy that the plan will be delivered. The Committee's private briefing with the Chief Internal Auditor before the Committee meeting in September will provide an appropriate opportunity to discuss the matter further.

RESOLVED: to

- a) **approve the Internal Audit Charter; and**
- b) **note the Quality Assurance and Improvement Programme.**

44/17 EXTERNAL AUDITORS

(Agenda No. 10)

Mr Witty presented the update on the plan which was issued in January. He reported that no issues have emerged from the interim reviews.

Asked how samples are selected for substantive testing, Mr Witty responded that the selection methodology is related to risk rating. With regard to Bulk Data Upload (BDU), individual payments are tested by sample. It is the validity of the payment that is tested, regardless of the processing system.

RESOLVED: to note the report.

45/17 UPDATE ON HAMPSHIRE PARTNERSHIP

(Agenda No. 11)

Mr Dyson presented the report which included updates on finance and human resources and officers responded to questions from Members.

- There will be a meeting reviewing pension payments on 23 July and a meeting on customer services on 26 July.
- OCC are not paying for the independent review so we do not know how much it will cost or how long it will take. However, online surveys show much better responses to queries.
- Blocked payments are now a performance matter. Those responsible for the blockages are now being targeted. Governance is working in this regard.

It was agreed to receive a presentation on customer services at the November meeting of this Committee and decide then how often updates are required.

RESOLVED to

- a) **note the report;**
- b) **agree to receive another update at the November 2017 meeting and to decide then when to receive further updates; and**
- c) **agree to receive a detailed presentation on the Customer Service Improvement Programme at the November 2017 meeting.**

46/17 REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

(Agenda No. 12)

Mr Graham presented the report on the review which, while no longer required, provides useful information for the Chief Internal Auditor.

Members asked what proportion of surveys were returned. Mr Graham confirmed that it was sent to Tier 3 managers which amounted to 66 individuals from whom 20 responses were received. The feedback was generally positive except for one response.

RESOLVED: to note the report.

47/17 WORK PROGRAMME

(Agenda No. 13)

The Committee agreed to add the following items to the meeting on 8 November 2017:

Update on the Highways Contract
Presentation on the Customer Service Improvement Programme

The Chairman proposed to meet with Officers to discuss a possible review of the contract with Carillion given the already lengthy agendas for the September and November meetings.

.....

..... in the Chair
Date of signing 200

Division(s):

AUDIT & GOVERNANCE COMMITTEE – 6 SEPTEMBER 2017

STATEMENT OF ACCOUNTS 2016/17

Report by the Director of Finance

Introduction

1. The Accounts and Audit Regulations 2015 require the Director of Finance to publish the unaudited Statement of Accounts 2016/17 no later than 30 June 2017 and certify that they give a true and fair view of the County Council's financial position and income and expenditure for the year. This was achieved on 31 May 2017. The Regulations require the Statement of Accounts to be considered by a committee of the Council by 30 September 2017 and, following that consideration, to be approved by resolution of that committee. This report presents the accounts to the Audit & Governance Committee for consideration and approval, with the findings of the audit available in Ernst & Young LLP's audit results reports.

Statement of Accounts

2. The Statement of Accounts 2016/17 is attached at Annex 1. This version includes changes made to the draft accounts as agreed with the auditors as set out below.
3. The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 'Code') and the 2016/17 Code Update issued in January 2017. An introduction to the statement of accounts is included in the Narrative Report by the Director of Finance, together with commentary on the Council's financial position and economy, efficiency and effectiveness in its use of resources over the financial year.
4. The statement of accounts contains the Expenditure and Funding Analysis note, followed by the four primary financial statements: the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement, together with accompanying notes. The statement of accounts also includes the Firefighters Pension Fund Accounts and the Oxfordshire Local Government Pension Fund Accounts.
5. The Annual Governance Statement is included in the statement of accounts document for completeness, as it is required to be published alongside the accounts and narrative report. The Audit & Governance Committee approved the 2016/17 Annual Governance Statement at its meeting on 26 April 2017, there are no issues being highlighted by the auditors that require any additional review of the Statement.
6. The main changes to the Statement of Accounts for 2016/17 are new formats and reporting requirements for some of the statements, including the introduction of a new Expenditure and Funding Analysis. The Analysis demonstrates how funding available to the Council (i.e. government grants, council tax and business rates) has

been used in providing services in comparison with the resources consumed or earned by the Council in accordance with generally accepted accounting practices as set out in the Comprehensive Income and Expenditure Statement. The service analysis within the statements is now on a directorate basis, rather than the grouping of services within the Service Reporting Code of Practice, making it easier to relate the financial statements to the financial monitoring reports and provisional outturn report presented to Cabinet. The 2015/16 Comprehensive Income and Expenditure Statement has been restated to present the service analysis on a directorate basis, however there is no change to the total Cost of Services reported. Prior year figures are also presented in the Expenditure and Funding Analysis. Changes to the measurement basis for highways network assets that were due to be introduced in the 2016/17 accounts are not now going ahead.

7. A significant increase in the pension liability has resulted in the net assets of the authority being negative (liabilities outweigh assets) as at 31 March 2017. The increase in the pension liability is mainly as a result of a change to the discount rate used in calculating the liability. The discount rate used for accounting purposes is based on corporate bond yields that reflect the duration of the employer's liabilities. Corporate bond yields have reduced markedly over the year, leading to a significant increase in the deficit disclosed as at 31 March 2017. It should be noted however that the pension liability valuation in accordance with accounting requirements is only a snapshot in time and will likely fluctuate year on year. The employer contribution rate for the local government pension scheme is set through a triennial revaluation by the County Council's actuary, and not with reference to the liability reported in the accounts, with similar arrangements applying nationally for the fire-fighters pension schemes.

Summary Accounts

8. The Summary Accounts 2016/17 (Annex 2) provide a much simplified presentation of the financial position of the Council and its income and expenditure for the year. These have been made available to members of the public alongside the unaudited Statement of Accounts on the Council's website.

Changes to the draft accounts

9. Ernst & Young LLP's audit results reports set out that, other than a comment on the methodologies used by the actuary to derive retirement benefits assumptions in relation to the Local Government Pension Scheme, no audit issues have been identified as yet during the course of the audit of the main accounts or the Pension Fund accounts, although the audit is still on-going. The comment regarding the methodologies used by the actuary does not require any amendments to the 2016/17 accounts. Small changes to the narrative report and some of the notes to the core financial statements have been agreed with the auditors, however these are not significant enough to be reported in their audit results reports. There are no changes to the core financial statements. The changes that have been made are set out below.

Narrative Report

10. The explanation of what the statement of accounts contains has been amended to make it clearer that the new Expenditure and Funding Analysis is a note and not a primary financial statement. The explanation of changes to the accounts since the previous year has been expanded to provide further details of the changes made. There have also been some minor wording changes in the overview of performance over the last financial year.

Notes to the Core Financial Statements

11. Note 8 Partnership schemes under section 75 of the National Health Service Act 2006 – the 2016/17 and 2015/16 figures for the 'Mental Health Commissioning' and 'Mental Health Provider' pooled budgets were transposed in the unaudited accounts and this has now been corrected.
12. Note 58 Material Post Balance Sheet events – the note has been updated to reflect the latest position on schools that have converted to academies since 31 March 2017 and to remove reference to the 'forthcoming' general election (which was scheduled to take place after the unaudited accounts were authorised for issue).

Letters of Representations

13. Auditing standards require Ernst & Young LLP to obtain representations from management on certain matters material to their audit opinion. Separate letters of representations are required for the Oxfordshire County Council accounts and the Local Government Pension Fund accounts. The Audit & Governance Committee is required to consider and approve the letters of representations before they are signed by the Director of Finance and the Chairman of the Committee.

Objection to the 2015/16 accounts

14. An objection concerning Lender's Option Borrower's Option loans was made to the 2015/16 Statement of Accounts. Ernst & Young LLP have provided a preliminary view that they are minded not to uphold the objection. Once the objection has been finalised the auditors will be able to conclude the 2015/16 audit.

Conclusion

15. No material errors in the Statement of Accounts have been identified during the course of the audit and only minor amendments have been required.

RECOMMENDATION

16. **The Committee is RECOMMENDED to:**
 - (a) **Consider and approve the Statement of Accounts 2016/17 at Annex 1;**
 - (b) **Note the Summary Accounts 2016/17 at Annex 2;**

- (c) Agree that no changes are required to the Annual Governance Statement, previously approved by the Committee on 26 April 2017;**
- (d) Consider and approve the Letter of Representations 2016/17 for the Oxfordshire County Council accounts at Annex 3;**
- (e) Consider and approve the Letter of Representations 2016/17 for the Oxfordshire Pension Fund accounts at Annex 4;**
- (f) Agree that the Director of Finance, in consultation with the Chairman of the Committee (or Deputy Chairman in his absence), can make any further changes to the Statement of Accounts 2016/17 and / or letters of representation that may arise during completion of the audit.**

LORNA BAXTER

Director of Finance

Background Papers: Nil.

Contact Officer: Stephanie Skivington, Strategic Finance Manager (Accounting & Reporting), 07393 001240

August 2017

OXFORDSHIRE COUNTY COUNCIL

STATEMENT OF ACCOUNTS

2016/17

CONTENTS

	Page
Narrative Report by the Director of Finance	1
Statement of Responsibilities for the Statement of Accounts	17
Expenditure and Funding Analysis	18
Comprehensive Income and Expenditure Statement	19
Movement in Reserves Statement	20
Balance Sheet	21
Cash Flow Statement	22
Notes to the Core Financial Statements (see table on next page)	23
<u>The Fire-fighters' Pension Fund Accounts:</u>	
Fund Account	120
Net Assets Statement	121
Notes to the Fire-fighters' Pension Fund Accounts	122
<u>The Local Government Pension Fund Accounts:</u>	
Fund Account	124
Net Assets Statement	125
Notes to the Local Government Pension Fund Accounts	126
Local Government Pension Fund Actuarial Valuation	158
Independent Auditor's Report to the Members of Oxfordshire County Council – to follow on completion of the audit	160
Annual Governance Statement	166
Trust Funds	187
Glossary	188

Notes to the Core Financial Statements

1. Summary of significant accounting policies
2. Critical judgements in applying accounting policies
3. Assumptions made about the future and other sources of estimation uncertainty
4. Adjustments in the Expenditure and Funding Analysis
5. Analysis of income and expenditure by nature
6. Adjustments between accounting basis and funding basis under regulations
7. Dedicated Schools Grant (DSG)
8. Partnership Schemes under section 75 of the National Health Service Act 2006
9. Members' Allowances
10. Audit and Inspection Fee
11. Senior Officers' Remuneration
12. Exit Packages
13. Operating Leases
14. Other operating expenditure
15. Financing and Investment Income and Expenditure
16. Trading Operations
17. Financial Instruments – Income, Expenses, Gains or Losses
18. Retirement Benefits
19. Taxation and Non – Specific Grant Income
20. Grant Income
21. Related Party Transactions
22. Movement in the value of Property, Plant & Equipment
23. Investment Properties
24. Movement in the value of assets held for sale
25. Movement in the value of intangible assets
26. Heritage Assets
27. Valuation of non – current assets
28. Private Finance Initiative (PFI) and similar contracts – Homes for Older People
29. Capital Spending
30. Capital Financing
31. Capital Financing Requirement
32. Capital Commitments
33. Financial Instrument Carrying Values
34. Financial Instrument Fair Values
35. Long Term Debtors
36. Debtors
37. Cash and Cash Equivalents
38. Risks arising from financial instruments
39. Creditors
40. Provisions
41. Deferred Income
42. Capital Grants Receipts in Advance
43. County Fund Balance
44. Earmarked Reserves
45. Usable Capital Receipts
46. Capital Grants and Contributions Unapplied
47. Unusable Reserves
48. Available for Sale Reserve
49. Revaluation Reserve
50. Capital Adjustment Account

Notes to the Core Financial Statements

- 51. Collection Fund Adjustment Account
- 52. Accumulated Absences Account
- 53. Cash Flow Statement – Non – cash Movements
- 54. Cash Flow Statement – Operating Activities
- 55. Cash Flow Statement – Investing Activities
- 56. Cash Flow Statement – Financing Activities
- 57. Contingent Liabilities and Assets
- 58. Material Post Balance Sheet events
- 59. Changes in Accounting Policy
- 60. Authorisation of the Accounts

Introduction

These accounts set out the financial results of Oxfordshire County Council's activities for the twelve months up to 31 March 2017. They have been compiled in accordance with the statutory requirements of the Accounts and Audit Regulations 2015 and in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code")(in conjunction with the Update to the 2016/17 Code issued in January 2017). To meet statutory requirements, the Director of Finance is required to sign the accounts no later than 30 June 2017 and certify that they give a true and fair view of the County Council's position. This was achieved on 31 May 2017 when the Director of Finance authorised the unaudited accounts for issue. The County Council is required to consider and approve the accounts no later than 30 September 2017. The Audit & Governance Committee is scheduled to meet on 6 September 2017 to fulfil this requirement.

The purpose of this narrative report 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
- a summary of the County Council's performance over the course of the year
- an overview of the County Council's future plans for service delivery and how they will be funded
- assistance in understanding the financial statements

A glossary of terms is provided at the end of the accounts to assist the reader in interpreting the accounts.

The Accounts

The financial and other statements/notes 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 Director of Finance for preparing the accounts.
- **Expenditure and Funding Analysis** note demonstrates to council tax payers how the funding available to the County Council (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the County Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the County Council's directorates. Directorate net expenditure chargeable to the County Fund for 2016/17 was £415.0m. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- **Comprehensive Income and Expenditure Statement** which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The County Council raises taxation to cover expenditure in accordance with statutory requirements; 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 both the Expenditure and Funding Analysis and

the Movement in Reserves Statement. The Deficit on the Provision of Services for 2016/17 was £24.1m.

- **Movement in Reserves Statement** which shows the movement from the start of the year to the end 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 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the County Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase/Decrease in Year line shows the statutory County Fund Balance movements in the year following those adjustments. For 2016/17 the net increase in the County Fund Balance was £1.0m, giving a closing County Fund Balance of £20.0m.
- **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 statutory provisions'. At 31 March 2017 the liabilities of the County Council were more than its assets, resulting in negative net assets of £82.6m. This negative position is a result of a large increase in the pension liability which is explained in more detail on page 7 (Pension Liability).
- **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 2016/17 was £34.8m.
- **The notes to the accounts** provide analysis of figures summarised in the financial statements and additional disclosures providing explanations for key items in the accounts.
- **Pension Fund Accounts** which set out the accounts of the Firefighters' Pension Scheme and the Oxfordshire Local Government 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 main changes to the Statement of Accounts for 2016/17 are new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, and the introduction of a new Expenditure and Funding Analysis note. The service analysis within the Comprehensive Income and Expenditure Statement is now on the basis of the organisational structure under which the County Council operates (i.e. directorates), rather than the grouping of services within the Service Reporting Code of Practice. The new Expenditure and Funding Analysis provides a direct reconciliation between the County Council's financial performance reported to Cabinet in the provisional outturn report and its financial performance under generally accepted accounting practice as shown in the Comprehensive Income and Expenditure Statement. The 2015/16 Comprehensive Income and Expenditure Statement has been restated to present the service analysis on a directorate basis, however there is no change to the total Cost of Services reported. Prior year figures are also presented in the Expenditure and Funding Analysis. There are consequential amendments to some of the disclosure notes. There are also minor changes to the format of the pension fund accounts.

In the 2015/16 Statement of Accounts, the note on upcoming changes to accounting policy referred to the adoption of the measurement requirements of the Code of Practice on Transport Infrastructure Assets (renamed the Highways Network Asset Code) in 2016/17. In the Update to the 2016/17 Code of Practice on Local Authority Accounting issued in January 2017, the CIPFA/LASAAC Code Board postponed the introduction of the new measurement requirements for the Highways Network Asset for 2016/17. This was followed by a decision of the CIPFA/LASAAC Code Board in March 2017 not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities, on the basis that the benefits are outweighed by the costs of implementation for local authorities.

Revenue Expenditure

Following national budget announcements in March and July 2015, the County Council consulted in the autumn of 2015 on further savings options totalling just over £50m for the period 2016/17 to 2019/20, before knowing the total savings that would need to be made. Government grant figures for 2016/17 were not announced until mid-December 2015, and changes to the way grants were distributed led to an additional reduction in funding of £22m over the medium term to 2019/20 on top of the worse-case planning assumption of £47m over the same period. This took the total savings made or to be made over the period 2010 to 2020 to £361m. At the budget setting meeting in February 2016, the Council agreed a balanced budget for 2016/17, however with £15m of savings still to be identified in 2017/18 and 2018/19 to achieve a balanced position over the medium term. The Council approved a Council Tax requirement for 2016/17 of £305.9m, based on a Band D Council Tax of £1,281.64, an increase of 3.99% from the previous year. 2% of the increase related to the new Adult Social Care precept, introduced to raise additional funding for spending on social care services for adults.

The provisional revenue outturn position for 2016/17 to be reported to Cabinet on 20 June 2017 (summarised in the following table) shows expenditure and funding compared to the original and final budgets and the overall surplus for the year to be added to the County Fund. The Expenditure and Funding Analysis (page 18) summarises the adjustments required to arrive at the amounts reported in the Comprehensive Income and Expenditure Statement in accordance with generally accepted accounting practice, with further details provided in Note 4 (page 41).

NARRATIVE REPORT BY THE DIRECTOR OF FINANCE

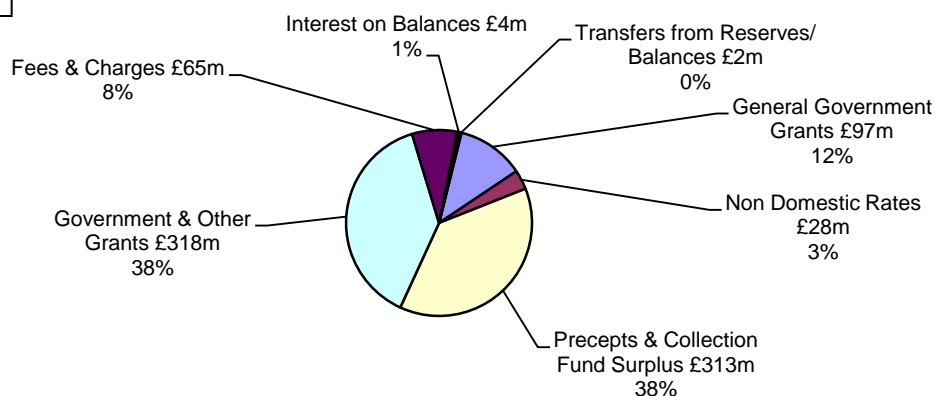
	Original budget	Final budget	Actual net expenditure	Variation against final budget
	£'000	£'000	£'000	£'000
Directorates				
Children, Education & Families	106,596	107,524	114,162	6,638
Social & Community Services	212,893	212,505	210,260	-2,245
Environment & Economy	62,421	70,462	67,439	-3,023
Public Health	0	0	0	0
Corporate Services	28,104	22,877	23,119	242
	410,014	413,368	414,980	1,612
Strategic Measures				
Capital Financing	33,095	33,145	32,564	-581
Interest on Balances	-5,818	-5,868	-6,010	-142
Unringfenced Government Grants	-20,149	-20,149	-20,335	-186
Contingency	4,625	1,292	400	-892
Public Health Saving Recharge	-1,250	-750	0	750
	10,503	7,670	6,619	-1,051
Contributions to/from corporate reserves & balances				
Contributions to (+) / from (-) reserves	-5,057	-5,051	-5,046	5
Contributions to (+) / from (-) balances	2,000	1,473	0	-1,473
	-3,057	-3,578	-5,046	-1,468
Funding				
Revenue Support Grant	-39,331	-39,331	-39,331	0
Business Rates Top-Up Grant	-37,394	-37,394	-37,394	0
Business Rates	-27,823	-27,823	-28,063	-240
Council Tax Requirement	-305,897	-305,897	-305,897	0
Council Tax Surpluses	-7,015	-7,015	-6,854	161
	-417,460	-417,460	-417,539	-79
Surplus (-) / Deficit (+)	0	0	-986	-986

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

NARRATIVE REPORT BY THE DIRECTOR OF FINANCE

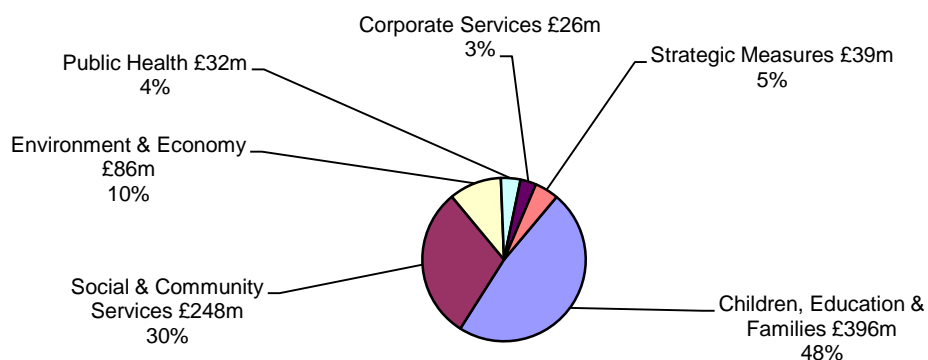
Total
£827m

Sources of income



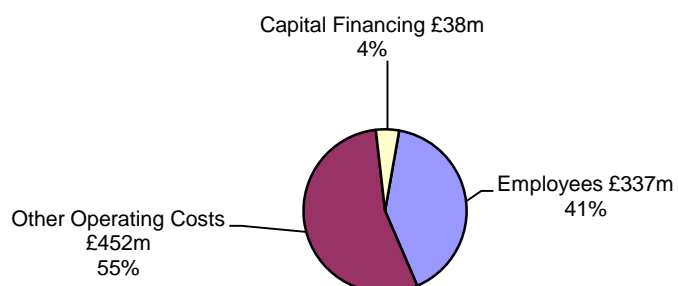
Total
£827m

Expenditure by directorate



Total
£827m

Expenditure by type



Throughout the year the Financial Monitoring and Business Strategy Delivery Reports to Cabinet have highlighted expenditure pressures of which the most significant have been in Children's Social Care placements and Special Educational Needs (SEN) Home to School Transport. Recognising these pressures, directorates have worked to reduce the forecast overspend by management action which included a freeze on non-essential recruitment, together with one-off use of reserves and budgeted contingency. As funding levels continue to fall there is less flexibility to manage pressures as they arise. The on-going impact of the increased demand has been taken into consideration in the 2017/18 budget.

In the main, directorate business strategies were delivered as planned, with 87% of the £53m savings built into the budget for 2016/17 being achieved by the end of the year and a further 5% expected to be achieved in 2017/18. The on-going implications of the £4.4m savings not achievable were considered as part of the 2017/18 Service & Resource Planning process.

The overall surplus of £1.0m shown in the previous table compares to a deficit on the provision of services of £24.1m. The difference between the provisional outturn position and the deficit in the accounts relates to a number of items that are included within the Surplus or Deficit on the Provision of Services for accounting purposes but are not funded from the County Fund under regulations. The Expenditure and Funding Analysis on page 18 provides a summary of the adjustments between the funding basis and the accounting basis, with further detail in Note 4 (page 41). As in recent years, the largest element of the deficit is from a loss on the disposal of assets of £67.9m, the majority of which relates to the transfer of school land and buildings to academy trusts for nil consideration.

Balances and reserves

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

	Budget £'000	Actual £'000
County Fund balance 1 April 2016	17,517	18,984
Additions to / calls on (-) balances	0	986
County Fund balance 31 March 2017	17,517	19,970

The £20.0m outturn position compares to anticipated balances at the end of the financial year of £15.1m as set out in the Medium Term Financial Plan (MTFP) approved by Council in February 2017. The improved position is as a result of the reduction in the anticipated overspend by directorates.

Earmarked reserves totalled £104.4m at the end of the year and comprise school reserves (£18.3m), directorate reserves (£37.6m), corporate reserves (£4.6m) and other reserves (£43.9m). Other reserves include insurance, capital and cash flow reserves. £7.5m of the budget reserve, used to help manage the cash flow implications of the Medium Term Financial Plan was used in 2016/17. The £1.2m balance at the end of the year will be used in line with the Medium Term Financial Plan agreed by Council in February 2017. Capital reserves total £34.5m and will be used to finance the Capital Programme agreed by Council.

Capital

The £111.2m capital spend in 2016/17 was spent on schools, children's and other educational facilities (£48.1m), highways and transport schemes (£39.7m), a care home for adults (£8.4m), schemes on behalf of the Oxfordshire Local Enterprise Partnership (£7.9m) and the balance, £7.1m, on a range of other projects. Details of capital spending are provided in Note 29 (page 83). The capital spend was funded from grants and contributions (£101.7m), prudential borrowing (£8.7m) and the remainder from revenue (£0.8m) (Note 30, page 85).

Pension Liability

The County Council's net liability for retirement benefits as at 31 March 2017 is £1,033.5m, an increase of £276.5m (36%) compared to last year. This significant increase in the net pension liability has resulted in the total liabilities reported on the balance sheet outweighing the assets at the reporting date. The increase in the pension liability is mainly as a result of a change to the discount rate used in calculating the liability. The discount rate used for accounting purposes is based on corporate bond yields that reflect the duration of the employer's liabilities. Corporate bond yields have reduced markedly over the year, leading to a significant increase in the deficit disclosed as at 31 March 2017. It should be noted however that the pension liability valuation in accordance with accounting requirements is only a snapshot in time and will likely fluctuate year on year. The employer contribution rate for the local government pension scheme is set through a triennial revaluation by the County Council's actuary, and not with reference to the liability reported in the accounts, with similar arrangements applying nationally for the fire-fighters pension schemes. Note 18 on retirement benefits (page 60) 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 £39.9m, comprising £24.9m for property built by Oxfordshire Care Partnership under a service concession arrangement and £15.0m relating to forward deals on long-term investments.

The County Council is the accountable body for the Growing Places Fund on behalf of the Oxfordshire Local Enterprise Partnership (OxLEP). The remaining £1.7m of the capital element of the grant received is held within Capital Grants Receipts in Advance pending allocation to projects in 2017/18.

Performance over the last financial year**Overview**

Oxfordshire County Council's ambition is for a 'thriving Oxfordshire'. This means a place where every community thrives, where everybody leads safe and healthy lives, and where a strong and thriving economy creates jobs and homes for the future.

At the start of 2016/17 we set out our plans to lead, support and enable activities to work towards these ambitions. During the year we made good progress on all fronts, delivering a wide range of high quality services to people, businesses and communities across the county. We also used our expertise and support to work in constructive partnerships with other Oxfordshire and regional bodies.

Throughout the year we monitored our performance across the breadth of the council's business. In particular, 24 high-level outcomes, aligned with our Corporate Plan priorities, have been under continuous assessment throughout the year, as set out in quarterly performance reports. By the end of March 2017 21 of the 24 high-level outcomes had been achieved in line with our 2016/17 targets. For all three of the outcomes where we have not fully achieved our stated ambitions for the year, plans are in hand to bring performance up to the desired level in the first part of 2017/18.

We achieved this despite reduced funding and rising demand for our services. Having already delivered £247m of savings between 2010/11 and 2015/16 we continued to progress towards all our ambitions in 2016/17 despite requiring an additional £53m of savings.

This strong record of living within our means, and even more effectively targeting our resources at the services we provide for Oxfordshire's people and businesses, has been at the heart of our work to begin a new transformation programme in the council this year. The organisation-wide "Fit for the Future" programme, along with other organisational change, will provide a robust and stable platform for the council over the medium term, ensuring we are well placed to effectively meet residents' and businesses' needs within our available budget.

The programme has already begun helping us to identify beneficial changes we can make to the way we operate. For example, the reform of our senior management structures during the year has created a more strategic, joined-up approach, making the council more readily able to adapt to the needs of the county and its residents.

Against this backdrop of reduced funding, rising demand and change initiatives, the council's many achievements in 2016/17 represent a proud record.

The council's 2016/17 performance is summarised by directorate below, reflecting the management structure reported on during the year. In future years performance reporting will be arranged under the three strategic themes – communities, people and resources – reflected in the new management structures adopted by the council following the senior management review.

Children, Education & Families

Our vision for Oxfordshire includes the ambition to be the best place in England for children and young people to grow up. We focused our resources on this in 2016/17 by working to ensure that every child and young person can develop the skills, confidence and opportunities they need to achieve their full potential.

We worked with partners to improve the wellbeing of children and young people, and to reduce inequalities between them. As a result we have seen a rise in the proportion of children attending primary and secondary schools judged as good or outstanding, and have seen Oxfordshire pupils continue to perform above the national average at Key Stage 4.

However the number of permanent exclusions from Oxfordshire schools continues to increase. We have developed a Children Missing Out on Education Strategy with a number of initiatives to ensure children regularly attend school.

In 2016/17 we also saw greater increased demand for children's social care compared to elsewhere in the country. This meant that more looked after children were placed out of county than we had planned. We are addressing this by implementing a multi-agency strategy to improve early help and stop children being pulled into the looked after system, and are continuing to deliver a placement strategy to develop more places in the county. Next year two of our stated ambitions are to increase school attendance and safely reduce the numbers of looked after children.

All children the subject of a child protection plan and looked after by the council remain allocated. The performance of our adoption services remains amongst the best in the country, with more looked after children adopted, and in a more timely fashion, than elsewhere. The average time between a child entering care and moving in with its adoptive family in Oxfordshire is 450 days, compared to 647 days nationally, with 75% of children waiting less than 16 months between entering care and moving in with their adoptive family in the county compared to 55% nationally. We met our target of working with 1,549 troubled families by the end of 2016/17 and are turning their lives around.

Environment & Economy

Through our leadership and actions in 2016/17 we continued to create the conditions to support investor confidence in Oxfordshire as the location of choice for the world's leading science and technology businesses. Our City Deal and Local Growth Fund allocations continued to help deliver growth through major infrastructure improvements and provided support in developing, employing and exporting profitable businesses and research and innovation.

In order to maximise value and to increase delivery capacity for growth the council seconded its economic development function to the Oxfordshire Local Enterprise Partnership (OxLEP) for a three year period commencing this year – further strengthening the council's support for a thriving Oxfordshire.

The team has since refreshed Oxfordshire's Strategic Economic Plan, its supporting skills, innovation, creative, cultural, heritage and tourism strategies and the strategic economic environmental investment plan – further enhancing the strategic framework for growth. In parallel the team has continued to oversee Oxfordshire's c.£2bn growth programme whilst delivering growth in apprenticeships, foreign direct investment and business support.

In our role as the Highways Authority we undertook statutory duties in accordance with the Highways Act 1980 and the Local Transport Plan, which sets out the long-term transport strategy for Oxfordshire. We also sought to make effective interventions to address challenges in the county's road network and public transport systems. This comprised a wide range of schemes from major improvements such as the Milton Interchange Improvement to minor upgrades to pedestrian and cycle infrastructure.

We worked with a number of industry partners to ensure the efficient maintenance of the county's 4,500 km of roads, 1,000 highway bridges, and the associated footways, drainage and electrical apparatus, to deliver a more stable asset. We also continued to improve our response to public concerns by developing public information and access to information, including through FixMyStreet defect reporting online.

We worked effectively with our Term Maintenance Contractor to introduce innovative ways of repairing highway defects, an example of which is in the use of the 'Dragon' patcher. This

road maintenance technique has increased productivity, reduced costs and improved the service to correct defects and provide sustainable repairs, increasing the life of the highways asset.

Following our successful Challenge Fund Bid with the Department for Transport (DfT) we have continued to invest the contribution of £13.0m towards our total scheme costs of £14.5m in highways, drainage and street lighting assets. The success of this bid is a reflection of the quality of asset information we hold in many areas of the highway service, which enabled us to successfully deliver the first and second year of the programme, including:

- Continued refurbishment and repair of surface water carrier drain systems in towns and villages across the south of Oxfordshire;
- In rural south Oxfordshire, we re-established a network of sustainable drainage grips to remove water off the highway and into drainage ditches and ponds;
- Innovative highway edge strengthening design, preparation and procurement for construction in years 2 and 3 of the Challenge Fund Programme at all sites identified in our bid¹;
- Identification of sites and design for the replacement in 2017/18 of over 1,400 deteriorating street lighting columns in excess of 40 years old in the major towns of Oxfordshire.

We also completed the second self-assessment of our highways service in accordance with the new DfT highways maintenance funding incentive element model.² Overall we achieved a Band 2, which acknowledges that we are competent in our application and understanding of asset management principles. However, there has been significant improvement in achieving Level 3 in 15 out of 22 questions compared with only 1 the previous year. An overall Band 3, indicating that we continuously improve and learn from our asset management processes, will be achieved in 2017/18.

Work continued on the delivery of the council's Major Transport Improvements Programme, which saw the completion of the Milton Interchange, Chilton Slips, and the Wolvercote and Cutteslowe projects, and the commencement of Harwell Link Road and Access to Headington projects, both of which are scheduled for completion in 2017/18. The capital expenditure this financial year on the Major Transport Improvements Programme was £20m.

The council spent £33.4m in 2016/17 on a range of supported transport services for those in the county who are in need. This included funding home to school transport for eligible school children, providing transport to and from day centres for adult social care clients, supporting community transport services, and subsidising concessionary bus passes for the elderly and disabled, along with various other forms of direct or indirect provision.

We have contributed to and led on a range of Oxfordshire Growth Board commissioned projects in the last year:

¹ Challenge Fund bid submission: <https://www.oxfordshire.gov.uk/cms/content/dft-funding-bids>

² Department for Transport Highways Maintenance Funding: Incentive Element
<https://www.gov.uk/government/publications/highways-maintenance-funding-incentive-element>

In July 2016, the Growth Board commissioned work for a county-wide infrastructure strategy known as the Oxfordshire Infrastructure Strategy (OxIS). When complete, OxIS will identify, map and prioritise our strategic infrastructure requirements to 2040 and set out what investment is needed across the various themes including transport, utilities and education.

In 2016, we took the lead on various projects in the Growth Board strategic work programme which assessed the best spatial options for accommodating Oxford's unmet housing need – a working assessment of 15,000 homes in total to 2031. In September 2016, based on the outcome of these assessments, Growth Board approved the apportionment of Oxford's unmet need – the apportionment figures are to be taken forward through district Local Plans.

In March 2017, the Growth Board requested that the County Council and City/District councils develop a detailed business plan for a Joint Spatial Plan for Oxfordshire. This Plan will set a co-ordinated strategic planning framework, to enable pro-active, co-ordinated decisions on both housing and business growth, with a comprehensive understanding of the infrastructure implications.

In 2016/17 we held chairmanship of the Oxfordshire Growth Board. In addition, we worked with the City and District councils on their statutory Local Plans to support the urgent need to plan for future growth and are working closely with partner authorities across the wider England's Economic Heartland area on infrastructure planning.

As the Waste Disposal Authority for Oxfordshire our Energy Recovery Facility at Ardley completed its second year of being fully operational. This, combined with continuing high levels of activity in household recycling and composting, enabled us to significantly reduce the amount of material we sent to landfill sites: only 5% of household waste generated in the county was sent to landfill during the year. Despite this strong performance, market pressures meant that the rising cost of disposal of waste, plus the impact of growth in the county on the amount of waste produced, continued to put pressure on the council's budgets.

As a rural county any economic growth needs to be carefully balanced against the need to preserve our countryside and enhance the environment. We led work on this both through continued efforts to inform and shape the statutory spatial development plans of the District and City councils, and through planned utilisation of our property assets. This ensured that the council's presence in both rural and urban Oxfordshire remained sympathetic to the environment and the needs of the community.

In our role as the Minerals and Waste Planning Authority for Oxfordshire, we took our draft Minerals and Waste Core Strategy (Part 1 of the Local Plan) to a Public Examination in September 2016, where the proposals were debated before an independent planning inspector. The inspector produced his Interim Report in December 2016, which affirmed his support for much of the strategy, including the critical issue of aggregates provision figures. He nonetheless advocated certain changes to bring the plan more into line with national policy and to address issues raised by representors. Having regard to the inspector's advice we have since consulted on Proposed Modifications to the Plan and subject to the inspector's final approval, we anticipate being in a position to adopt the document in the summer or early autumn of 2017.

We continued to make changes to our property portfolio and disposed of £1.9m worth of assets in 2016/17 with plans to make a significant increase in the scale of asset release as part of a structured investment strategy over future years. In addition we moved out of premises at Unipart House (Cowley) and will have also released premises at Kingsgate (Cowley) and Signal Court (Eynsham) saving over £1m of ongoing revenue costs. We continue to work towards vacating Speedwell House (Oxford), intensifying our usage of core buildings, and have commenced a programme of Place Reviews which will contribute toward the further release of premises in the short to medium term.

Social & Community Services

Adult Social Care

During the year we supported and promoted strong communities so that people can live their lives as successfully, independently and safely as possible. Our adult social care service's performance, as measured in the national Adult Social Care Outcome Framework, remains in the top quartile of the whole country.

We face increasing demand for adult social care, and full employment means that purchasing care (when over 90% of social care locally is delivered by third parties via a contract with the council) can be challenging. However, in 2016/17 we purchased 13% more home care to allow people to stay in their own home for as long as possible. This means we purchased over 1.1million hours of home care during the year, with the weekly figures for home care rising from 19,700 hours per week at the start of the year to 22,300 at the end. 67% of users say they are 'very' or 'extremely' satisfied with our social care services, while a further 23% say they are 'fairly' satisfied, making 90% of our service users satisfied overall.

As part of the council's commitment to support people to remain independently at home for as long as possible we invested in a new Reablement and Hospital Discharge Service. The new service began in October 2016 with targets to perform in the top quartile nationally, both in terms of the number of people offered the service and those it helps to return to complete independence. These targets have yet to be met, but the council has agreed an action plan with the provider to address this and improvements will be delivered in 2017/18.

Oxfordshire Fire & Rescue Service

Ensuring the safety and wellbeing of Oxfordshire's residents continued to be a high priority for us in 2016/17. Our Fire and Rescue Service, operating from 24 fire stations and with 35 frontline fire appliances, responded to 7,362 emergency calls during the year.³ This is an increase on the previous year by 23% and is mainly due to our life-saving co-responding work with South Central Ambulance Service. We met our response targets by attending 91.8% of incidents within 11 minutes and 97.3% within 14 minutes, both of which are an improvement on the previous year.

Fire and Rescue Service's work continues to increase in the area of prevention, which forms the main part of our revised 365alive initiative. Delivered by partnership working, 365alive also includes work carried out by Trading Standards and the Gypsy and Traveller Services teams. Our prevention work incorporated Safe and Well visits which, last year, became a wider remit from the home fire safety visits carried out in previous years.

³ This figure is taken from the Incident Recording System and is correct as of 10.04.2017.

The Thames Valley Fire Control Service has now been operating for two years and has delivered expected financial savings. We have identified further collaborative working in other areas with Royal Berkshire and Buckinghamshire & Milton Keynes Fire and Rescue Services which will help deliver an even more effective service.

2016/17 was the first year of our revised six year initiative 365alive which has seen success in all areas:

- 6,000 more people alive as a result of our prevention, protection and emergency response activities
- 85,000 children and young adults to be better educated to lead safer and healthier lives
- 37,500 vulnerable children and adults helped to lead more secure and independent lives supported by safe and well visits
- 20,000 businesses given advice to support and grow
- 1.6 million safety messages delivered via social media

Public Health

Reforms to the public health system (as instigated by the Health and Social Care Act 2012) gave us an unprecedented opportunity to take a far more strategic role than previously. Consequently we have promoted public health through the full range of council business and have become an influential source of trusted advice for the population, the local NHS and everyone whose activity might affect, or be affected by, the health of the people in Oxfordshire.

Our public health grant for 2016/17 remained ring fenced for public health. With this grant we commissioned public health services from a range of providers. These services included for Health Visiting 178,000 direct contacts with families, School Health Nursing 24,000 contacts delivering over 33,000 interventions and 17,847 NHS Health Checks. For sexual health there were 17,773 items of contraception provided and 32,352 visits to Oxfordshire Genitourinary Medicine (GUM) clinics for testing and treatment of a range of sexual transmitted infections. There were 3,200 people being supported through drugs and alcohol services during 2016/17.

Using the Health Visitor Service as a more detailed example, we ensured that a service was provided to all expectant mothers, new born babies and young children up to the age of 5 years. In 2016/17 99% (7,251) of families received a face to face new birth visit from a health visitor, over 98% (7,463) of babies received a review at 6-8 weeks and over 94% (over 14,000) received developmental checks at 12 months and 2-2½ years. Assessing new mothers' mental wellbeing is an important focus of the service and over 97% (7,245) of mothers received a maternal mood assessment by the time babies were 8 weeks old. In this cohort of mothers 14% (1,053) were identified with low mood and were provided support by the Health Visitor Service or referred for more specialist support.

Key public health indicators for the service in 2016/17 demonstrate Oxfordshire is performing higher than both the average for England and the South East.

Corporate Services

The council encourages and supports communities to help themselves, strengthening the role of individual citizens and communities and ensuring that services most effectively meet

local needs. The council supports town and parish councils and over the course of 2016/17 engaged with them on a variety of topics including Better Oxfordshire, our programme to devolve delivery to areas where the councils want it under Oxfordshire Together, and additional support through customer services to resolve councils' queries through a dedicated telephone support.

Our work in communities is supported by the Voluntary and Community Sector (VCS) Infrastructure Contract which provides additional support and capacity building to small VCS organisations. We use a variety of mechanisms for this, including encouraging individuals' active participation in the democratic system (e.g. being part of town and parish councils), volunteering in the local community and receiving support from the providers of the council's VCS Infrastructure Contract. We also provide direct service delivery under the Oxfordshire Together programme and using communications and services facilitated by the council's libraries.

In these ways, this year Oxfordshire's communities have been actively engaging with the council on the transfer of Children's Centres to community initiatives, meaning 30 different sites are now under community management. Away from children's services, our engagement work has meant that over 100 town or parish councils have now signed agreements to carry out their own minor highways maintenance including grass cutting.

The council continues to support the Oxfordshire Stronger Communities Alliance (OSCA) who have been working with partners to create community capacity and capability including the delivery of a new countywide volunteering strategy to increase the number and breadth of volunteers. The council continues to recognise the contribution it receives from volunteers and shows appreciation with a celebration event during National Volunteers Week.

A significant development over the course of the 2016/17 financial year was the debate around unitary government for Oxfordshire, initially launched through district-led proposals in February 2016. The County Council engaged actively over the course of the year, including commissioning research, assessing public opinion, supporting an independent stakeholder advisory group, and drafting alternative proposals.

Having engaged the public and stakeholders on a draft for discussion, a revised proposal called "Better Oxfordshire" was launched on 3 March 2017 with the support of two of Oxfordshire's district councils, South Oxfordshire and Vale of White Horse. Following approval by the appropriate member decision-making bodies this has been submitted to the Secretary of State for Communities and Local Government for decision in accordance with relevant legislation.

Two reports commissioned separately from independent firms of accountants by the county council and Oxfordshire's city and district councils have identified that unitary reorganisation has the potential to deliver recurring savings of in excess of £20m per annum alongside creating transformative opportunities for the improvement of services and outcomes.

The work we have undertaken on a single unitary structure of local government in Oxfordshire has also informed the approach taken in our Fit for the Future transformation programme. The aim of the programme is to more effectively join up our services, working with partners and communities to deliver better outcomes for people and places. Some of this thinking can be applied to the role of the county council within the current two tier arrangements for local government. This means that whatever the outcome of the Better

Oxfordshire proposal the council is well placed to continue delivering positive outcomes for Oxfordshire's residents, communities and businesses for the future.

Plans for future service delivery

A revised Medium Term Financial Plan 2017/18 to 2019/20 and Efficiency Plan 2016/17 to 2019/20 was presented to Cabinet in July 2016, proposing that the £15m of previously unidentified medium term savings would be achieved through a new County Council wide transformation programme, Fit for the Future. Council approved the revised MTFP for 2017/18 to 2019/20 and Efficiency Plan on 13 September 2016.

As part of the Provisional Local Government Finance Settlement announced in December 2015, the Secretary of State for Local Government set out an offer to all councils of a four-year funding settlement from 2016/17 to 2019/20. In setting the 2016/17 budget and Medium Term Financial Plan to 2019/20 in February 2016, these published figures were included as forecasts of income over the four year period. The offer of a four-year settlement required councils to publish an Efficiency Plan and notify the Department for Communities and Local Government (DCLG) of its availability by October 2016. Confirmation that the County Council is formally on a four-year settlement was received in November 2016.

The Cabinet published its budget proposals and its recommended Budget, Medium Term Financial Plan and Capital Programme on 24 January 2017. Further new expenditure pressures (particularly from demand led services in Children's Services) required additional savings of £16m over the period up to 2020/21, taking the total savings to £377m.

Council agreed the Budget for 2017/18, Medium Term Financial Plan to 2020/21 and Capital Programme 2016/17 to 2020/21 at the budget setting meeting held on 14 February 2017. 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 Council Tax Requirement for 2017/18 of £328.1m, based on a Band D Council Tax of £1,345.59, an increase of 4.99% from the previous year. The increase comprises a 1.99% general increase and 3.00% for adult social care. This is within the referendum limits confirmed by the Local Government Minister and reflects the decision to take the 6.00% increase in the adult social care precept over two years (2017/18 and 2018/19) rather than over three years to 2019/20.

The Capital Programme, also approved on 14 February 2017 includes planned expenditure of £118.2m for 2017/18. £92.8m of the total expenditure will be funded by grants and contributions, £22.8m through prudential borrowing, £2.4m through use of capital receipts and £0.2m from revenue.

As at 31 March 2017 the County Council was contractually committed to £30.5m 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 £455m for 2017/18 (same as for 2016/17), and an operational limit (the target limit for day to day activity) of £450m (same as for 2016/17). 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 £389.5m although it will be noted from the balance sheet that this is part-funding assets valued in excess of £1.1bn. Borrowing has reduced by £8.1m compared to last year, and the County Council continues with the policy of meeting any prudential borrowing requirements from internal borrowing to reduce the cost of carry⁴.

Conclusion

The County Council remains in a substantially robust financial position as at 31 March 2017 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 remain broadly on track to deliver the required savings over the medium term.

⁴ The difference between the interest payable on borrowing on debt and the interest receivable from investing surplus cash.

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 Director of Finance
- 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 Director of Finance

The Director of Finance 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 2016/17 ('the Code of Practice').

In preparing this Statement of Accounts, the Director of Finance 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 Director of Finance 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 2017.

Signed:

Date

LORNA BAXTER
Director of Finance

EXPENDITURE AND FUNDING ANALYSIS

A description of the purpose of this analysis is included in the Narrative Report.

2015/16				Notes	2016/17		
Expenditure chargeable to the County Fund	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement			Expenditure chargeable to the County Fund	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000			£'000	£'000	£'000
112,502	33,882	146,384	Children, Education & Families		114,162	44,956	159,118
207,783	11,436	219,219	Social & Community Services		210,260	2,573	212,833
72,535	25,289	97,824	Environment & Economy		67,439	25,114	92,553
0	-26	-26	Public Health		0	-261	-261
26,349	-2,159	24,190	Corporate Services		23,119	-3,959	19,160
0	-6,156	-6,156	Other Corporate Costs		0	-11,198	-11,198
419,169	62,266	481,435	Service costs		414,980	57,225	472,205
-413,856	11,665	-402,191	Other income and expenditure not charged to services	4	-415,966	-32,108	-448,074
5,313	73,931	79,244	Surplus(-) or Deficit(+)		-986	25,117	24,131

24,297
-5,313
18,984

Opening County Fund balance at 1 April	18,984
Add surplus (+)/deficit (-) on the County Fund for the year	986
Closing County Fund Balance at 31 March	19,970

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

A description of the purpose of this statement is included in the Narrative Report.

	2015/16			Notes	2016/17		
	Gross Expenditure £'000	Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
	438,079	-291,695	146,384	7	439,107	-279,989	159,118
	261,026	-41,807	219,219	8	254,290	-41,457	212,833
	121,542	-23,718	97,824		111,493	-18,940	92,553
	28,775	-28,801	-26		31,930	-32,191	-261
	33,093	-8,903	24,190	9,10	27,507	-8,347	19,160
	-6,060	-96	-6,156		-11,124	-74	-11,198
	876,455	-395,020	481,435		853,203	-380,998	472,205
	102,475	-2,115	100,360	14	69,958	-2,095	67,863
	48,114	-8,575	39,539	15,16,17	47,315	-7,640	39,675
	0	-542,090	-542,090	19,20	0	-555,612	-555,612
	1,027,044	-947,800	79,244	5,6	970,476	-946,345	24,131
			Items that will not be reclassified to the Surplus(-) or Deficit(+) on Provision of Services:				
		-68,713	Surplus or deficit on revaluation of non-current assets	49			-31,316
		-1,857	Impairment losses on non-current assets charged to the revaluation reserve	49			1,728
		-87,495	Remeasurements of the net defined benefit liability (asset)	18			261,312
		-158,065					231,724
			Items that may be reclassified to the Surplus(-) or Deficit(+) on Provision of Services:				
		223	Surplus or deficit on revaluation of available for sale financial assets				-804
		-2,935	Other gains or losses				-742
		-2,712					-1,546
		-160,777	Other Comprehensive Income and Expenditure				230,178
		-81,533	Total Comprehensive Income and Expenditure				254,309

MOVEMENT IN RESERVES STATEMENT

A description of the purpose of this statement is included in the Narrative Report.

	Notes	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbns Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2015		24,297	111,666	16,078	49,620	201,661	-111,453	90,208
Movement in reserves during 2015/16								
Total Comprehensive Income and Expenditure		-79,244	2,935			-76,309	157,842	81,533
Adjustments between accounting basis and funding basis under statutory provisions	6	65,462		2,016	-20,750	46,728	-46,728	0
Transfers to/from earmarked reserves	44	8,469	-8,469			0	0	0
Increase (+)/Decrease (-) in Year		-5,313	-5,534	2,016	-20,750	-29,581	111,114	81,533
Balance at 31 March 2016		18,984	106,132	18,094	28,870	172,080	-339	171,741
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure		-24,131	742			-23,389	-230,920	-254,309
Adjustments between accounting basis and funding basis under statutory provisions	6	22,624		2,051	13,315	37,990	-37,990	0
Transfers to/from earmarked reserves	44	2,493	-2,493			0	0	0
Increase (+)/Decrease (-) in Year		986	-1,751	2,051	13,315	14,601	-268,910	-254,309
Balance at 31 March 2017		19,970	104,381	20,145	42,185	186,681	-269,249	-82,568

Schools' balances are held within Earmarked Reserves (see Note 44).

BALANCE SHEET

A description of the purpose of this statement is included in the Narrative Report.

As at 31 March 2016		Notes	As at 31 March 2017	
£'000			£'000	£'000
	Long Term Assets			
1,128,120	Property, Plant and Equipment	22	1,124,875	
7,441	Investment Property	23	7,223	
172	Intangible Assets	25	1,909	
87,000	Long Term Investments	33,38	75,000	
6,230	Long Term Debtors	35	6,552	
1,228,963	Total Long Term Assets			1,215,559
	Current Assets			
24	Investment Property Held for Sale	23	0	
549	Assets Held for Sale	24	696	
0	Inventories		0	
53,778	Debtors	36	64,747	
260,317	Short Term Investments	33,38	251,851	
12,786	Cash and Cash Equivalents	37	47,638	
327,454	Total Current Assets			364,932
	Current Liabilities			
-27,235	Short Term Borrowing	33,38	-47,144	
-89,447	Short Term Creditors and Revenue Receipts in Advance	39	-91,450	
-8,652	Provisions due within 1 year	40	-4,232	
-10,843	Short Term Finance liability	28,38	-15,907	
-30,703	Short Term Capital Grants Receipts in Advance	42	-24,523	
-166,880	Total Current Liabilities			-183,256
	Long Term Liabilities			
-4,601	Long Term Creditors and Revenue Receipts in Advance	39	-5,950	
-2,148	Provisions due over 1 year	40	-4,678	
-370,383	Long Term Borrowing	33,38	-342,383	
-756,952	Pension Liability	18	-1,033,469	
-24,864	Long Term Finance Liability	28,38	-23,989	
-3,461	Deferred Income	41	-3,131	
-55,387	Long Term Capital Grants Receipts in Advance	42	-66,203	
-1,217,796	Total Long Term Liabilities			-1,479,803
171,741	Net Assets			-82,568
	Financed from:			
172,080	Usable Reserves	43-46		186,681
-339	Unusable Reserves	47-52		-269,249
171,741	Total Reserves			-82,568

These financial statements were authorised for issue on 23 August 2017 and replace the unaudited financial statements certified by Lorna Baxter, Director of Finance, on 31 May 2017.

CASH FLOW STATEMENT

A description of the purpose of this statement is included in the Narrative Report.

2015/16 £'000		Notes	2016/17 £'000
79,244	Net (surplus) or deficit on the provision of services		24,131
-73,434	Adjust net surplus or deficit on the provision of services for non-cash movements	53	-70,059
44,170	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		71,411
49,980	Net cash flows from Operating Activities	54	25,483
-47,234	Investing Activities	55	-69,198
6,786	Financing Activities	56	8,863
9,532	Net increase (-) or decrease (+) in cash and cash equivalents		-34,852
22,318	Cash and cash equivalents at the beginning of the reporting period		12,786
12,786	Cash and cash equivalents at the end of the reporting period		47,638

1. Summary of Significant Accounting Policies

General

The Statement of Accounts summarises the County Council's transactions for the 2016/17 financial year and its position at the year-end 31 March 2017. It has been compiled in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the *Code*) (and the Update to the 2016/17 Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Except where specifically stated otherwise, the Statement of Accounts is prepared on a historic cost basis, 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.

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

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 2017) and the date the Statement of Accounts is authorised for issue. There are two types of event:

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

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the County Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the County Council.
- Revenue from the provision of services is recognised when the County Council can measure reliably the percentage of completion of the transaction and it is probable

that economic benefits or service potential associated with the transaction will flow to the County Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when they are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor is recorded in the Balance Sheet.

Government Grants and Contributions

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

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

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (capital monies within Capital Grants Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant directorate 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 directorate 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 and business rates income

The council tax and 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 the County Council in collecting council tax and business rates. The cash collected from council tax payers and business rates payers belongs proportionately to the district councils and the major preceptors. 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. The County Council recognises its share of council tax and 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 council tax and business rates cash received from the Collection Fund in the year.

Employee Benefits**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. Where material, an accrual is made for the cost of holiday entitlements 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 directorate 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 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, 2006, 2015 and modified 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 directorate 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 Other Corporate 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 Other Corporate 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.

Trading Activities

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

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

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

Property, Plant and Equipment

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

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

Assets are initially measured at cost, comprising:

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

- Infrastructure, community assets and assets under construction – depreciated historic cost
- Other Property, Plant and Equipment assets (excluding surplus assets) – current value, determined as the amount that would be paid for the asset in its existing use
- Surplus assets – fair value (at highest and best use), determined as the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date

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

Where non-property assets have short useful lives or low values (or both), depreciated historic cost basis is used as a proxy for current 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 as shown below. Material changes to asset valuations are adjusted in the interim periods.

	Date of Last Revaluation	Date of Next Revaluation
Secondary and special schools	2014/15	2019/20
Primary, nursery, junior and infant schools	2015/16	2020/21
Social care premises, libraries, museums and adult learning premises	2016/17	2021/22
Fire & Rescue Service and Community Safety premises, staff housing, central offices and highways depots	2012/13	2017/18
Other educational premises (including children's, youth and sports centres), surplus assets and other properties not revalued within the past 5 years	2013/14	2018/19

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

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 directorate.

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 directorate in the Comprehensive Income and Expenditure Statement

Assets are assessed each year as to whether there is an indication of impairment. Where indications exist and the recoverable amount of the asset is materially lower than the

carrying amount, an impairment loss is recognised for the shortfall. Where impairment losses are identified they are accounted for in the same way as decreases in valuations.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant directorate, 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

Services, 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 from the disposal of assets 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 (at highest and best use), being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. Investment properties are not depreciated and are revalued annually according to market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains and losses on disposal are posted to Other Operating Expenditure. The gains and losses are reversed out of the County Fund Balance to the Capital Adjustment Account (or Capital Receipts Unapplied for disposal receipts over £10,000) in the Movement in Reserves Statement so that they do not impact on Council Tax.

Heritage Assets

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

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

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

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

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

Intangible Assets: Software Licenses

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

The County Council policy is to capitalise software licenses for major applications. For this purpose an application is a major application where the initial cost exceeds £20,000. Intangible assets are measured at cost. The cost is amortised and charged to the relevant directorate 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 directorate 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

(See also the accounting policy on debt redemption.)

Leases

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

(See also the accounting policy on debt redemption.)

Where the County Council is the lessee, operating lease rentals are charged to the relevant directorate 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 directorate 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). For the County Council there are no material differences between the fair value and the nominal value of such loans and no adjustments are made on initial recognition of these loans.

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

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

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

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

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

NOTES TO THE CORE FINANCIAL STATEMENTS

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the County Council can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset

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 basis of fair value and the inputs to the measurement techniques is the same as for Available-for-sale assets.

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

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are written-down to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase takes place as part of a restructuring exercise that involves the modification or exchange of existing loans, the premium or discount adjusts the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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.

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 directorate in the Comprehensive Income and Expenditure Statement. When payments are eventually made they are charged directly to the provision.

Insurance

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 57, there are no significant unfunded risks.

Contingent liabilities and contingent assets

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.

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

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 directorate. The reserve is then appropriated back into the County Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Group Accounts

The County Council is required to prepare group accounts where it has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality. For 2016/17 the County Council did not have any such interests and therefore prepared these accounts only as a single entity rather than as group accounts.

The County Council participates in a number of joint 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.

Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the Schools Standards and Framework Act 1998, as amended) lie with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the group accounts). Therefore the transactions, cash flows and balances of the schools maintained by the County Council are recognised in its financial statements as if they were transactions, cash flows and balances of the County Council. Revenue expenditure and income for the maintained schools is included within the Children, Education & Families directorate in the Comprehensive Income and Expenditure Statement.

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 are held as usable earmarked reserves and are committed to be spent on schools.

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 directorates in the Comprehensive Income and Expenditure Statement.

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.

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:

- The County Council has made an assessment of the balance sheet treatment of schools' non-current assets in accordance with IAS 16 Property, Plant and Equipment and IAS17 Leases. Where assets are owned by the Council and used by maintained schools, the economic benefits and service potential of the asset is considered to be within the control of the Council and therefore the assets are recognised on the Council's balance sheet. Where they are owned by trustees and used by maintained schools (in most cases Voluntary Aided and Voluntary Controlled schools) the Council has assessed that the trustees permit the assets to

NOTES TO THE CORE FINANCIAL STATEMENTS

be used for voluntary education and have not reassigned rights to the assets to the school or governing body. Therefore the assets are not recognised on the Council's balance sheet. In some cases school sites are part owned by the Council and part by trustees. These assets are treated in line with the above. In accordance with the Schools Standards and Framework Act 1998, ownership of playing fields rests with the Council and these are therefore recognised on the Council's balance sheet (subject to de-minimis valuations). The property valuers, Capita, are informed of changes to the ownership of Council assets by the Council's Legal Services department, and any adjustments to the value of assets as a consequence are reflected in the Council's balance sheet.

- 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 based on an assessment in accordance with IAS17 Leases and IAS16 Property, Plant and Equipment. 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 2017.
- An assessment under IFRIC 12 Service Concession Arrangements concluded that the County Council controls 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. This includes the new Chilterns Court Care Centre which came into operation during 2016/17. 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 £33.332m as at 31 March 2017) 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 in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (section 34), 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 26 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 (OxLEP). OxLEP became a company Limited by Guarantee (Not for Profit) in April 2015. It is a business led organisation that works for all of its stakeholders in business, academia and local authorities. The Board of 18 members is led by a private sector Chairman and Deputy Chairman, supported by the Oxfordshire Growth Board Chairman; a Joint Committee which brings together Local Authority partners in a collective decision making structure. The Leader of the County Council is a member of the OxLEP Board. The Business representation comes from across all sectors and all sizes of business. It exists to drive the economic growth of Oxfordshire and the creation of Jobs for our communities. In accounting for OxLEP it has been assessed that the County Council is acting as the principal in accordance with IAS 18 Revenue and OxLEP's transactions have been

included in the County Council's accounts. OxLEP received £8.370m of Growing Places Fund in 2011/12 to spend on capital projects to address infrastructure needs, with any funds not used for this purpose to be returned to the Department of Communities and Local Government. The remaining £1.750m has been recognised as a capital grant receipt in advance as at 31 March 2017 as there is an obligation to return the funds if it is not spent on capital projects on behalf of the LEP. The Council also received £27.440m Local Growth Fund in 2016/17 on behalf of the LEP, which was applied to capital expenditure during the year.

- Based on an assessment in accordance with IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements, and taking into account materiality, the County Council has concluded that it does not have control or joint control of any other entities and therefore has no subsidiaries or joint ventures. It does not have significant influence over any other organisations through voting power or otherwise and therefore has no associates. There is therefore no requirement to prepare group financial statements for 2016/17. The County Council is party to some joint operations with other local authorities/health bodies and accounts for these as part of its single entity financial statements.
- The Oxfordshire Clinical Commissioning Group (OCCG) is the Accountable Body for Oxfordshire's allocation of the Better Care Fund and will be held to account by NHS England for the appropriate use of the resources locally. The Better Care Fund allocation received by OCCG forms part of its contribution to the Older People and Equipment Pooled Budget hosted by the County Council (see Note 8). Based on an assessment in accordance with IFRS 11 Joint Arrangements and IAS 18 Revenue (in relation to principal and agent transactions), the Pooled Budget is considered to be a joint operation. The £21m of expenditure supported by the Better Care Fund is considered to relate to the interests of the OCCG (as the Accountable Body) in the joint operation and is accounted for as expenditure within the OCCG's accounts, and does not form part of the adult social care expenditure reported within the County Council's accounts.
- In accordance with IAS 32 Financial Instruments: Presentation, the County Council determines the short term/long term categorisation of borrowing by reference to the earliest date on which the lender can require payment. The right to increase the interest rate payable without limit, as in a 'Lender Option, Borrower Option' (LOBO) loan, is treated as a right to require repayment. Consequently, LOBOs are classified as short-term where option dates are due within 12 months of the balance sheet date.

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 2017 for which there is significant risk of material adjustment in the forthcoming year are as follows:

Property, Plant and Equipment

As at 31 March 2017 the County Council had £578.055m of operational 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 £0.385m for every year that useful lives had to be reduced.

Debtors

As at 31 March 2017 the County Council had a balance for current debtors of £75.679m and had estimated an impairment allowance for doubtful debts of £10.932m. The impairment allowance comprises £2.918m for the County Council's own debts based on the age and type of each debt and £8.014m 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 £0.292m to be set aside as an allowance by the County Council and £0.801m from the Collection Funds.

Provisions

As at 31 March 2017 the County Council made a provision of £5.404m 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 £0.540m effect on the provision required.

Pensions Liability

Estimation of the net liability to pay pensions (£1,033.469m as at 31 March 2017) 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 18. The County Council uses a firm of actuaries, Barnett Waddingham Public Sector Consulting, to provide expert advice about the assumptions to be applied. The discount rate used is based on corporate bond yields that reflect the duration of the employer's liabilities. Corporate bond yields have reduced markedly over 2016/17, leading to a significant increase in the deficit disclosed as at 31 March 2017.

The effects on the net pension 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 2016/17, the County Council's actuaries advised that the net pension liability had decreased by £157.297m as a result of the return on plan assets and increased by £449.053m attributable to updating of the assumptions relating to pensions liabilities.

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

4. Adjustments in the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to the net expenditure chargeable to the County Fund to arrive at the amounts reported in the Comprehensive Income and Expenditure Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Children, Education & Families	42,230	-744	3,470	44,956
Social & Community Services	2,679	2,433	-2,539	2,573
Environment & Economy	24,749	468	-103	25,114
Public Health	18	19	-298	-261
Corporate Services	1,328	429	-5,716	-3,959
Other corporate costs	-391	-10,655	-152	-11,198
Service costs	70,613	-8,050	-5,338	57,225
Other income and expenditure not charged to services	-62,624	23,254	7,262	-32,108
Surplus (-) or Deficit (+)	7,989	15,204	1,924	25,117

2015/16	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Children, Education & Families	29,752	2,495	1,635	33,882
Social & Community Services	8,613	4,663	-1,840	11,436
Environment & Economy	23,195	816	1,278	25,289
Public Health	-3,963	27	3,910	-26
Corporate Services	325	1,006	-3,490	-2,159
Other corporate costs	698	-8,523	1,669	-6,156
Service costs	58,620	484	3,162	62,266
Other income and expenditure not charged to services	-13,261	21,960	2,966	11,665
Surplus (-) or Deficit (+)	45,359	22,444	6,128	73,931

Note 1 - Adjustments for Capital Funding and Expenditure Purposes

Service lines have been adjusted to:

- add in depreciation, amortisation, impairment and revaluation gains/losses and capital expenditure on third party assets which is not recognised on the County Council's balance sheet.
- remove capital expenditure funded from revenue and finance lease/service concession principal repayments which are not chargeable to service expenditure under generally accepted accounting practice.
- transfer expenditure and income for the disposal of assets to 'Other income and expenditure not charged to services'.

Other income and expenditure not charged to services has been adjusted to:

- add in income on disposal of assets and the amounts written off those assets, the movement in the fair value of investment property and capital grants and contributions

receivable in the year without conditions or for which conditions were satisfied during the year.

- remove the statutory charge for capital financing i.e. Minimum Revenue Provision which is not chargeable under generally accepted accounting practices.

Note 2 - Net change for the removal of pension contributions and the addition of pension (IAS19) related expenditure and income

Service lines have been adjusted to remove employer pension contributions made by the County Council in accordance with statute and replace with current service costs, past service costs/curtailments and settlements.

Other income and expenditure not charged to services has been adjusted to add in the net interest on the defined benefit liability and adjust for the fire-fighters pension fund top-up grant.

Note 3 - Other Differences

Service lines have been adjusted to:

- add in expenditure for staff holiday entitlement.
- remove transfers to/from earmarked reserves which did not form part of service expenditure under generally accepted accounting practice.
- transfer expenditure and income for trading operations and financing costs to, and other corporate service costs/income from, the 'Other income and expenditure not charged to services' line.
- remove expenditure recharged from one service to another within the County Council

Other income and expenditure not charged to services has been adjusted to:

- add in the difference between the amount received under statutory regulations for Council Tax and Business Rates notified when the budget was set and the income recognised under generally accepted accounting practices. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- remove corporate transfers to/from earmarked reserves which are not recognised as expenditure under generally accepted accounting practice.

5. Analysis of income and expenditure by nature

This note provides an analysis of the income and expenditure that comprises the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17	£'000
Fees, charges & other service income	-64,708
Government grants and contributions	-533,032
Interest and investment income	-3,857
Income from council tax and non-domestic rates	-342,653
Proceeds from the disposal of non-current assets	-2,095
Total Income	-946,345
Employee expenses	329,488
Other service expenses	496,989
Depreciation, amortisation, impairments and revaluations	28,224
Interest payable and similar charges	20,165
Net interest expense on the pension defined liability	25,652
Costs from the disposal of non-current assets	69,958
Total Expenditure	970,476
Surplus (-) or deficit (+) on the provision of services	24,131

2015/16	£'000
Fees, charges & other service income	-64,955
Government grants and contributions	-552,710
Interest and investment income	-3,417
Income from council tax and non-domestic rates	-324,603
Proceeds from the disposal of non-current assets	-2,115
Total Income	-947,800
Employee benefit expenses	348,336
Other service expenses	509,471
Depreciation, amortisation, impairments and revaluations	19,890
Interest payable and similar charges	21,187
Net interest expense on the pension defined liability	25,685
Costs from the disposal of non-current assets	102,475
Total Expenditure	1,027,044
Surplus (-) or deficit (+) on the provision of services	79,244

6. 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

2016/17	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contribns Unapplied £'000	Unusable Reserves £'000
Adjustments to Revenue Resources					
Pension costs transferred to (or from) the Pensions Reserve	15,205				-15,205
Financial instruments transferred to the Financial Instrument Adjustment Account	-1				1
Council Tax and Business Rates transferred to the Collection Fund Adjustment Account	-1,839				1,839
Holiday pay transferred to the Accumulated Absences Account	826				-826
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure to the Capital Adjustment Account	142,807				-142,807
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds to the Capital Receipts Unapplied Reserve	-1,856		1,856		
Statutory provision for the repayment of debt transferred to the Capital Adjustment Account	-16,694				16,694
Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	-828				828
Capital grants and contributions applied transferred to the Capital Adjustment Account	-97,465			-4,216	101,681
Capital grants and contributions receivable not applied to finance capital expenditure	-17,531			17,531	
Donated assets fair value less consideration transferred to the Capital Adjustment Account	0				0
Adjustments to Capital Resources					
Repayment of loans			195		-195
Total	22,624	0	2,051	13,315	-37,990

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contribns Unapplied £'000	Unusable Reserves £'000
Adjustments to Revenue Resources					
Pension costs transferred to (or from) the Pensions Reserve	22,444				-22,444
Financial instruments transferred to the Financial Instrument Adjustment Account	-20				20
Council Tax and Business Rates transferred to the Collection Fund Adjustment Account	-394				394
Holiday pay transferred to the Accumulated Absences Account	-1,985				1,985
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure to the Capital Adjustment Account	170,462				-170,462
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds to the Capital Receipts Unapplied Reserve	-1,966		1,966		
Statutory provision for the repayment of debt transferred to the Capital Adjustment Account	-17,163				17,163
Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	-8,115				8,115
Capital grants and contributions applied transferred to the Capital Adjustment Account	-90,298			-27,729	118,027
Capital grants and contributions receivable not applied to finance capital expenditure	-6,979			6,979	
Donated assets fair value less consideration transferred to the Capital Adjustment Account	-524				524
Adjustments to Capital Resources					
Repayment of loans			50		-50
Total	65,462	0	2,016	-20,750	-46,728

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2016/17 (with comparative figures for 2015/16) are as follows:

2015/16				2016/17		
Central Expenditure	ISB	Total		Central Expenditure	ISB	Total
£'000	£'000	£'000		£'000	£'000	£'000
		430,187	Final DSG before academy recoupment			438,055
		-183,545	Less academy figure recouped for the year			-201,396
		246,642	Total DSG after academy recoupment			236,659
		11,135	Brought forward from previous year			8,770
		-3,026	Less carry forward to next year agreed in advance			-8,551
57,410	197,341	254,751	Agreed initial budgeted distribution	45,225	191,653	236,878
		0	In year adjustments		-2,218	-2,218
57,410	197,341	254,751	Final budget distribution	45,225	189,435	234,660
-51,666		-51,666	Less actual central expenditure	-46,324		-46,324
	-197,341	-197,341	Less actual ISB deployed to schools		-189,435	-189,435
		0	County Council contribution			0
5,744	0	8,770	Carry forward to next year	-1,099	0	7,452

2015/16 figures have been restated to move early years budget delegated to nursery schools from central expenditure to ISB, to align what is included in the ISB for this note with government returns such as the S251 statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The County Council is party to a number of pooled budget arrangements for adult social care and health services. Details of the arrangements in place for 2016/17 are provided in the table below, together with comparative data for 2015/16.

2016/17	Purpose	Lead	Gross income £000	Gross Expenditure £000	Authority's Contribution £000
<u>Pooled budgets with Oxfordshire Clinical Commissioning Group (OCCG)</u>					
Older People & Equipment	Commissioning service provision for residential, nursing and continuing care for older people, and equipment	County Council	201,857	201,857	72,856
Physical Disabilities	Commissioning service provision for home, residential, nursing and continuing care for people with physical disabilities	County Council	21,184	21,184	11,994
Learning Disabilities	Commissioning both care and support and residential/supported living placements for people with learning disabilities	County Council	83,416	83,416	69,957
Mental Health Commissioning	Commissioning mental health services	OCCG	54,327	55,507	9,118
<u>Pooled budget with Oxford Health NHS Foundation Trust (OHFT)</u>					
Mental Health Provider	Providing mental health services	OHFT	11,215	11,215	2,390
Total			371,999	373,179	166,315

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16	Purpose	Lead	Gross income £000	Gross Expenditure £000	Authority's Contribution £000
<u>Pooled budgets with Oxfordshire Clinical Commissioning Group (OCCG)</u> Older People & Equipment	Commissioning service provision for residential, nursing and continuing care for older people, and equipment	County Council	190,436	190,436	72,225
Physical Disabilities	Commissioning service provision for home, residential, nursing and continuing care for people with physical disabilities	County Council	20,216	20,216	12,552
Learning Disabilities	Commissioning both care and support and residential/supported living placements for people with learning disabilities	County Council	81,734	81,734	68,910
Mental Health Commissioning	Commissioning mental health services	OCCG	53,901	54,244	9,574
<u>Pooled budget with Oxford Health NHS Foundation Trust (OHFT)</u> Mental Health Provider	Providing mental health services	OHFT	11,110	11,110	2,414
Total			357,397	357,740	165,675

9. Members' Allowances

Allowances & expenses	2015/16 £'000	2016/17 £'000
Allowances	853	886
Travel & Subsistence	34	31
Total	887	917

There were no changes to the rates of basic and special responsibility allowances in 2016/17.

10. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2015/16 £'000	2016/17 £'000
Code of Practice Work	110	110
Statutory Inspection	0	0
Certification of Grant Claims and Returns	0	35
Other Related Costs	15	5
Total	125	150

There was no statutory inspection work in 2015/16 or 2016/17.

11. Senior Officers' Remuneration

The Accounts and Audit Regulations 2015 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 2015 regulations, the figures exclude senior employees whose remuneration is disclosed separately.

Band (£)	Number of Employees					
	School	Non-School	Total	School	Non-School	Total
	2015/16	2015/16	2015/16	2016/17	2016/17	2016/17
50,000-54,999	68	101	169	65	110	175
55,000-59,999	48	59	107	46	48	94
60,000-64,999	36	44	80	35	33	68
65,000-69,999	18	9	27	19	12	31
70,000-74,999	7	12	19	7	14	21
75,000-79,999	6	20	26	5	27	32
80,000-84,999	5	7	12	3	4	7
85,000-89,999	1	1	2	2	4	6
90,000-94,999	2	1	3	2	1	3
95,000-99,999	0	2	2	0	1	1
100,000-104,999	0	2	2	0	2	2
105,000-109,999	0	0	0	0	1	1

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

2016/17 Post Holder Information	Salary (Including Fees & Allowances)	Expense Allowances	Compensation for Loss of Employment	Other Emoluments	Total Remuneration Excluding Pension Contributions 2016/17	Employers Pension Contribution	Total Remuneration Including Pension Contributions 2016/17
	£	£	£	£	£	£	£
Chief Executive - Peter Clark	175,000				175,000	34,825	209,825
Strategic Director for People - Jonathan McWilliam	181,038				181,038	21,972	203,010
Director for Children, Education & Families (to Jan 2017)	123,110		73,866		196,976	24,499	221,475
Director for Children's Services (from Dec 2016)	41,667				41,667	8,688	50,355
Deputy Director Children's Social Care (to Nov 2016)	69,407				69,407	13,416	82,823
Deputy Director Children's Social Care & Early Intervention	94,781				94,781	18,861	113,642
Interim Deputy Director Corporate Parenting & Safeguarding (from Jan 2017)	18,322				18,322	3,646	21,968
Director for Social & Community Services (to Dec 2016)	104,013				104,013	20,699	124,712
Director for Adult Services (from Dec 2016)	41,667				41,667	8,740	50,407
Deputy Director Joint Commissioning (to Nov 2016)	67,556				67,556	12,995	80,551
Deputy Director for Adult Social Care	101,126				101,126	20,124	121,250
Interim Deputy Director for Joint Commissioning (from Jan 2017)	22,903				22,903	4,557	27,460
Deputy Director for Public Health	104,409				104,409	14,931	119,340
Strategic Director for Communities (from July 2016)	96,896				96,896	19,282	116,178
Director for Environment & Economy (to June 2016)	33,350		80,000		113,350	6,636	119,986
Deputy Director for Strategy and Infrastructure Planning (to June 2016)	25,281				25,281	5,031	30,312
Deputy Director for Commercial & Delivery (to Aug 2016)	36,337				36,337	6,924	43,261
Director for Planning and Place (from July 2016)	55,709				55,709	11,086	66,795
Director for Property & Investment (from March 2017)	7,634				7,634	1,519	9,153
Chief Fire Officer	137,821				137,821	29,019	166,840
Deputy Chief Fire Officer*	105,075			1,246	106,321	22,801	129,122

NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17 Continued Post Holder Information	Salary (Including Fees & Allowances)	Expense Allowances	Compensation for Loss of Employment	Other Emoluments	Total Remuneration Excluding Pension Contributions 2016/17	Employers Pension Contribution	Total Remuneration Including Pension Contributions 2016/17
	£	£	£	£	£	£	£
Director of Finance	120,534			4	120,538	23,925	144,463
Director of Human Resources	122,412				122,412	24,299	146,711
Director of Law & Governance	104,674				104,674	20,830	125,504
Assistance Chief Executive	95,253				95,253	18,955	114,208
Director of Customer Experience	101,126				101,126	20,124	121,250
Total	2,187,101	0	153,866	1,250	2,342,217	418,384	2,760,601

2016/17 Continued
Post Holder Information
(*) Director of Community Safety and Chief Fire Officer from April 2017

The Director for Social & Community Services was also Director of Strategy & Transformation for the Oxfordshire Clinical Commissioning Group until the end of April 2016, with costs shared between the two parties.

Post titles are those in the new structure endorsed by Cabinet on 20 December 2016 following the Senior Management Review. The posts of a number of senior officers were re-designated in the restructure, however pay details have not been split between before and after the restructure to avoid confusion.

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16 Post Holder Information	Salary (Including Fees & Allowances)	Expense Allowances	Compensation for Loss of Employment	Other Emoluments	Total Remuneration Excluding Pension Contributions 2015/16	Employers Pension Contribution	Total Remuneration Including Pension Contributions 2015/16
	£	£	£	£	£	£	£
Chief Executive - Joanna Simons (to Sept 2015)	97,144		250,000		347,144	19,310	366,454
Head of Paid Service - Peter Clark (from Oct 2015)	75,600				75,600	15,044	90,644
Monitoring Officer and Head of Law & Governance (to Sept 2015)	60,600				60,600	12,059	72,659
Chief Finance Officer	116,664				116,664	23,114	139,778
Chief Human Resources Officer	121,200				121,200	24,119	145,319
Chief Legal Officer (from Oct 2015)	50,063				50,063	9,962	60,025
Head of Policy	84,588				84,588	16,789	101,377
Director for Children, Education & Families	146,978				146,978	29,107	176,085
Deputy Director Children's Social Care	100,546				100,546	19,925	120,471
Deputy Director for Corporate Parenting & Safeguarding (from Sept 2015)	52,544				52,544	10,456	63,000
Director for Environment & Economy	132,543				132,543	26,284	158,827
Deputy Director for Commercial & Delivery	100,787				100,787	19,925	120,712
Deputy Director for Strategy & Infrastructure Planning	101,297				101,297	19,925	121,222
Deputy Director for Oxfordshire Customer Services	100,125				100,125	19,925	120,050
Director for Adult Social Services*	136,334				136,334	27,130	163,464
Deputy Director - Joint Commissioning	93,868				93,868	18,675	112,543
Deputy Director for Adult Social Care	101,051				101,051	19,925	120,976
Chief Fire Officer	132,405				132,405	28,732	161,137
Deputy Chief Fire Officer	104,052			1,878	105,930	22,579	128,509
Director for Public Health - Jonathan McWilliam	179,973				179,973	21,820	201,793
Deputy Director for Public Health	103,680				103,680	14,783	118,463
Total	2,192,042	0	250,000	1,878	2,443,920	419,588	2,863,508

(*) Joint with Oxfordshire Clinical Commissioning Group (OCCG). Half of the salary and other employee costs shown in the table were paid by OCCG.

12. 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.

	Exit packages 2016/17					
Band (£)	Compulsory		Other		Total	
	No.	£'000	No.	£'000	No.	£'000
0 - 19,999	164	970	44	181	208	1,151
20,000 - 39,999	30	783	4	92	34	875
40,000 - 59,999	5	233	1	53	6	286
60,000 - 79,999	0	0	1	74	1	74
80,000 - 99,999	0	0	0	0	0	0
100,000 - 149,999	1	104	1	120	2	224
150,000 - 199,999	0	0	0	0	0	0
200,000 - 249,999	0	0	0	0	0	0
250,000 - 299,999	0	0	0	0	0	0
Total	200	2,090	51	520	251	2,610
Add new provisions created						114
Less amounts provided for in previous year						-1,812
Add unused amount of previous year's provision						-420
Adjust for differences between payments and accruals						-622
Total cost of exit packages in the Comprehensive Income and Expenditure Statement						-130

NOTES TO THE CORE FINANCIAL STATEMENTS

Band (£)	Exit packages 2015/16					
	Compulsory		Other		Total	
	No.	£'000	No.	£'000	No.	£'000
0 - 19,999	112	625	20	136	132	761
20,000 - 39,999	16	451	6	178	22	629
40,000 - 59,999	9	423	0	0	9	423
60,000 - 79,999	3	202	0	0	3	202
80,000 - 99,999	1	87	0	0	1	87
100,000 - 149,999	1	119	0	0	1	119
150,000 - 199,999	1	152	0	0	1	152
200,000 - 249,999	0	0	0	0	0	0
250,000 - 299,999	0	0	1	250	1	250
Total	143	2,059	27	564	170	2,623
Add new provisions created						1,812
Less amounts provided for in previous year						-82
Add unused amount of previous year's provision						0
Adjust for differences between payments and accruals						-1,530
Total cost of exit packages in the Comprehensive Income and Expenditure Statement						2,823

The £0.250m exit package shown in the above table relates to the former Chief Executive – see Note 11.

13. 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 2015/16.

	2015/16		2016/17	
	Plant, vehicles & equipment	Land and buildings	Plant, vehicles & equipment	Land and buildings
	£'000	£'000	£'000	£'000
Minimum lease payments charged in year	1,129	2,552	1,566	2,370
Contingent rents charged in year	392	160	425	133
Sublease payments received in year	0	-86	0	-66
Future minimum lease payments:				
Within 1 year	926	2,355	1,454	1,785
Within 2nd - 5th years	1,561	5,387	1,832	4,959
6th year and beyond	0	3,781	2	3,108
Total commitments	2,487	11,523	3,288	9,852
Total future sublease payments receivable	0	-58	0	-86

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015/16. The County Council leases out property under operating leases for the provision of accommodation for services, such as Homes for Older People, pre-schools and waste re-cycling centres.

	2015/16		2016/17	
	Plant, vehicles & equipment	Land and buildings	Plant, vehicles & equipment	Land and buildings
	£'000	£'000	£'000	£'000
Minimum lease payments receivable in year	0	1,627	0	1,679
Contingent rents receivable in year	0	650	0	688
Future minimum lease payments receivable:				
Within 1 year	0	1,308	0	1,202
Within 2nd - 5th years	0	3,329	0	3,378
6th year and beyond	0	22,598	0	22,158
Total receivable	0	27,235	0	26,738

Contingent rents include backdated rent increases.

14. 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.

	2015/16 £'000	2016/17 £'000
Capital receipts	-2,010	-1,898
Disposal costs charged against capital receipts	44	42
Net capital receipts	-1,966	-1,856
Other receipts	-149	-239
	-2,115	-2,095
Carrying value of non-current assets derecognised	102,384	69,888
Disposal costs charged to the County Fund	91	70
	102,475	69,958
Other Operating Expenditure	100,360	67,863
Adjustments between accounting basis and funding basis	-100,418	-68,032
Net charge to County Fund	-58	-169

15. 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:

	2015/16 £'000	2016/17 £'000
Surplus/deficit on trading operations	215	740
Interest payable and similar charges	21,187	20,165
Interest receivable and similar income	-3,417	-3,857
Income and expenditure in relation to investment properties and changes in their fair value	-406	-489
Net pensions interest expense	25,685	25,652
Net fire-fighters Pension Fund Top-Up Grant	-3,725	-2,536
Total Financing and Investment Income & Expenditure	39,539	39,675

16. Trading Operations

The County Council operates trading accounts for a number of services within the authority. Details of their financial performance during 2016/17 are as follows:

2015/16		2016/17		
Surplus (-) / Deficit (+) £'000	Trading Operation	Turnover £'000	Expenditure £'000	Surplus (-) / Deficit (+) £'000
-74	Legal Services Provision of legal support to services within the authority	4,192	4,540	348
253	Learning Disabilities Day Services (Internal) Provision of day services to learning disability clients	3,999	4,371	372
36	Shared Lives Provision of services to supported adults and their carers	1,912	1,932	20
215	Total	10,103	10,843	740

17. 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

NOTES TO THE CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows:

	2016/17				
	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	19,507				19,507
Reductions in fair value					0
Impairment losses		658			658
Fee expense			124		124
Total expense in Surplus or Deficit on the Provision of Services	19,507	658	124	0	20,289
Interest income		-2,302			-2,302
Interest income accrued on impaired financial assets					0
Increases in fair value					0
Gains on derecognition			-1,555		-1,555
Fee income					0
Total income in Surplus or Deficit on the Provision of Services	0	-2,302	-1,555	0	-3,857
Gains/losses on revaluation			-1,256		-1,256
Amounts recycled to the Surplus or Deficit on the Provision of Services			452		452
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure			-804		-804
Net gain(-)/loss for the year	19,507	-1,644	-2,235	0	15,628

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative figures for 2015/16 are as follows:

	2015/16				
	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	19,824				19,824
Reductions in fair value					0
Impairment losses		1,363			1,363
Fee expense		14	83		97
Total expense in Surplus or Deficit on the Provision of Services	19,824	1,377	83	0	21,284
Interest income		-2,296			-2,296
Interest income accrued on impaired financial assets					0
Increases in fair value					0
Gains on derecognition			-1,121		-1,121
Fee income					0
Total income in Surplus or Deficit on the Provision of Services	0	-2,296	-1,121	0	-3,417
Gains/losses on revaluation			-23		-23
Amounts recycled to the Surplus or Deficit on the Provision of Services			246		246
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure			223		223
Net gain(-)/loss for the year	19,824	-919	-815	0	18,090

18. 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. Only a small number of Public Health staff that transferred from the NHS when the service became a County Council function in April 2013 participate in the NHS Pension Scheme and this is therefore excluded from the disclosures below.

The Local Government Pension Scheme (LGPS)

This is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (as amended) and provides benefits based on final salary and length of service on retirement (for benefits accrued up to 31 March 2014) and career average revalued salary (for benefits accrued from 1 April 2014).

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 124 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 actuarial valuation at 31 March 2013 set the contribution rates for the period 1 April 2014 to 31 March 2017. The latest actuarial valuation of the Fund was carried out as at 31 March 2016 and 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 2017/18 are £27.953m for funded benefits (£28.469m in 2016/17). £1.485m of LGPS unfunded benefits are expected to be paid to beneficiaries in 2017/18 (£1.450m in 2016/17). For 2016/17 the estimated duration of the County Council's liabilities is 19 years for funded benefits and 10 years for unfunded benefits (18 years and 10 years respectively for 2015/16).

The County Council currently participates in the Oxfordshire County Council pool with 40 other employers with admissions agreements in order to share experience of risks they are exposed to in the Fund. At the 2016 valuation, the deficit on the whole pool was calculated

and allocated to each employer, along with the costs of future benefits of the combined membership of the pool, such that all employers within the pool shared the same overall contribution rate. The next re-allocation will be carried out at the 2019 valuation, should the employer remain in 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 £0.394m for 2016/17 (£1.650m for 2015/16). 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 £11.551m (£10.905m for 2015/16).

The fire-fighters Pension Schemes

There are five separate schemes relating to fire-fighters pensions – the 1992 scheme, the 2006 scheme, the 2015 scheme, the Retained Modified 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 Firefighters' Pension Scheme Regulations 2014 and Fire Pension Orders 1992 and 2006 and provide benefits based on final salary and length of service on retirement, other than the 2015 scheme which provides benefits accrued from 1 April 2015 based on career average revalued salaries.

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, 2006, 2015 and the Retained Modified 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 120 to 123. Employer contributions are set every four years as a result of the combined actuarial valuation of the fire-fighters' pension schemes required by the Home Office 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 actuarial valuation as at 31 March 2016 is in progress.

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.

For ease of presentation the figures for all the fire-fighters schemes have been combined within the tables in this note. Most of the firefighters defined benefits liabilities relate to the 2015 scheme.

The total of contributions (including government top-up grant) and injury/ill health retirement benefit payments expected to be made by the County Council in 2017/18 is £4.794m (£5.681m in 2016/17). The estimated duration of the County Council's combined liabilities for

the fire-fighters' scheme for 2016/17 is 22 years (22 years for 2015/16).

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 2014 and provides benefits based on final salary and length of service (for benefits accrued up to 31 March 2015) and career average revalued salary (for benefits accrued from 1 April 2015). 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 2016/17 the County Council paid £13.663m in employer contributions to the Teachers' Pension Scheme (2015/16 £13.902m) – the amount has reduced because of schools converting to academy trusts. This represents about 0.3% of the total contributions to the Teachers' Pension Scheme by all participating employers. The employer contribution rate for 2016/17 was 16.48% (In 2015/16 14.1% to August 2015 and 16.48% from September 2015). As at 31 March 2017 there was £0.003m prepaid to the Teachers' Pension Scheme in respect of accrued pensions contributions (£1.823m owing in 2015/16). The total contributions expected to be made by the County Council to the Teachers' Pension Scheme in 2017/18 are £12.851m (£11.985m in 2016/17).

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 £3.660m in 2017/18 (£3.770m in 2016/17). The estimated duration of the County Council's liabilities for teachers added years benefits for 2016/17 is 9 years (9 years for 2015/16).

There are no curtailments or settlements to report relating to teachers added years.

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 (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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement								
<u>Cost of Services</u>								
Current service cost	41,192	34,529	4,442	3,602	0	0	45,634	38,131
Past service costs	1,936	158	731	144	0	0	2,667	302
(Gain)/loss from settlements	-10,905	-11,551	0	0	0	0	-10,905	-11,551
Administration Expenses	545	591	0	0	0	0	545	591
	32,768	23,727	5,173	3,746	0	0	37,941	27,473
<u>Financing and Investment Income & Expenditure</u>								
Net Interest expense	17,690	17,289	6,835	7,249	1,160	1,114	25,685	25,652
Government Top-Up Grant/Surplus payable to Government	0	0	-3,725	-2,536	0	0	-3,725	-2,536
<u>Surplus/Deficit on the Provision of Services</u>	50,458	41,016	8,283	8,459	1,160	1,114	59,901	50,589
<u>Other Comprehensive Income and Expenditure</u>								
Return on plan assets	29,849	-157,297	0	0	0	0	29,849	-157,297
Actuarial gains (-) and losses (+) from demographic assumptions	0	-8,370	0	18,079	0	-751	0	8,958
Actuarial gains (-) and losses (+) from financial assumptions	-99,708	374,937	-17,131	59,418	-1,709	5,740	-118,548	440,095
Experience gains (-) and losses (+)	167	36,441	613	64	424	2,878	1,204	39,383
Other actuarial gains (-) and losses (+)	0	-69,827	0	0	0	0	0	-69,827
Total retirement benefits charged to the Comprehensive Income and Expenditure Statement	-19,234	216,900	-8,235	86,020	-125	8,981	-27,594	311,901
Movement in Reserves Statement								
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits in accordance with the Code	-18,864	-11,265	-6,130	-6,407	2,550	2,467	-22,444	-15,205
Actual amount charged against the County Fund Balance for pensions in the year	31,594	29,751	2,153	2,052	3,710	3,581	37,457	35,384

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.

	2015/16 £'000	2016/17 £'000
Present value liabilities:		
Local Government Pension Scheme (funded benefits)	1,390,984	1,823,299
Local Government Pension Scheme (unfunded benefits)	19,604	21,373
Fire-fighters' Pension Schemes	192,883	276,851
Teachers' Added Years	48,665	54,065
Total present value liabilities	1,652,136	2,175,588
Fair value of assets in the Local Government Pension Scheme	895,184	1,142,119
Net liabilities in the scheme:		
Local Government Pension Scheme (funded)	495,800	681,180
Local Government Pension Scheme (unfunded)	19,604	21,373
Fire-fighters' Pension Schemes	192,883	276,851
Teachers' Added Years	48,665	54,065
Total Net Liabilities	756,952	1,033,469

The total net liability of £1,033.469m (2015/16 £756.952m) 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, such that the total liabilities outweigh the assets by £82.568m. It should be noted however that the pension liability valuation in accordance with accounting requirements is only a snapshot in time and will likely fluctuate year on year. 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 Schemes 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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	1,452,291	1,390,984	21,095	19,604	203,271	192,883	52,500	48,665	1,729,157	1,652,136
Current service cost	41,192	34,529	0	0	4,442	3,602	0	0	45,634	38,131
Interest expense	46,851	48,864	510	510	6,835	7,249	1,160	1,114	55,356	57,737
Contributions by scheme participants	9,449	12,549	0	0	1,623	1,395	0	0	11,072	13,944
Actuarial gains and losses - demographic assumptions	0	-7,963	0	-407	0	18,079	0	-751	0	8,958
Actuarial gains and losses - financial assumptions	-98,966	372,736	-742	2,201	-17,131	59,418	-1,709	5,740	-118,548	440,095
Experience gains and losses	0	35,523	167	918	613	64	424	2,878	1,204	39,383
Other actuarial gains and losses	0	0	0	0	0	0	0	0	0	0
Benefits paid	-40,274	-41,981	-1,426	-1,453	-3,776	-3,447	-3,710	-3,581	-49,186	-50,462
Past service costs	1,936	158	0	0	731	144	0	0	2,667	302
(Gain)/loss from settlements	-21,495	-22,100	0	0	0	0	0	0	-21,495	-22,100
Fire-fighters pension scheme top-up grant	0	0	0	0	-3,725	-2,536	0	0	-3,725	-2,536
Closing balance at 31 March	1,390,984	1,823,299	19,604	21,373	192,883	276,851	48,665	54,065	1,652,136	2,175,588

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 2016 for the Local Government Pension Scheme and 31 March 2013 for the Fire-fighters Pension Schemes.

The Fire-fighters' Pension Schemes 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

A reconciliation of the fair value of assets in the Local Government Pension Scheme is as follows:

Assets	2015/16 £'000	2016/17 £'000
Opening balance at 1 April	907,154	895,184
Interest income	29,671	32,085
Return on plan assets	-29,849	157,297
Other actuarial gains and losses	0	69,827
Administration expenses	-545	-591
Employer contributions	30,168	28,298
Contributions by scheme participants	9,449	12,549
Benefits paid	-40,274	-41,981
Settlements received/(paid)	-10,590	-10,549
Closing balance at 31 March	895,184	1,142,119

The assets in the Local Government Pension Scheme consist of the following categories:

Assets	At 31 March 2016			At 31 March 2017		
	£'000	£'000	%	£'000	£'000	%
<u>Equities</u>						
UK investments - quoted	164,729	572,971	18%	231,829	766,293	21%
UK investments - unquoted	128,918		14%	147,320		13%
Overseas investments - quoted	94,898		11%	129,048		11%
Overseas investments - unquoted	184,426		21%	258,096		23%
<u>Gilts (quoted)</u>		118,711			123,864	
UK fixed interest government securities	48,199		5%	44,318		4%
Overseas fixed interest govt securities	24,099		3%	26,136		3%
UK index-linked government securities	46,413		5%	53,410		5%
<u>Other bonds (quoted)</u>		31,504			37,738	
UK corporate bonds	27,904		3%	36,594		3%
Overseas corporate bonds	3,600		1%	1,144		0%
<u>Other quoted assets</u>						
Cash		26,787	3%		51,027	4%
<u>Other unquoted assets</u>						
Property		71,160	8%		74,165	6%
Limited Liability Partnerships		35,289	4%		38,508	3%
Hedge Funds		0	0%		0	0%
Diversified Growth Fund		39,299	4%		51,241	4%
Total		895,721	100%		1,142,836	100%

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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Longevity assumptions: Base Table*	S1PA with a 95% multiplier	S2PA with a 90% multiplier	S1PA with a 95% multiplier	S2PA with a 90% multiplier	S1PA Heavy with allowance for medium cohort projection	S1NA with a 110% multiplier	S1PA with a 95% multiplier	S2PA with a 90% multiplier
Men:								
Rate of improvement	1.50%	1.50%	1.50%	1.50%	1.00%	1.50%	1.50%	1.50%
Longevity from 65 (currently aged 65) (yrs)	23.3	23.4	23.3	23.4	19.5	21.7	23.3	23.4
Longevity from 65 (currently aged 45) (yrs)	25.6	25.6	25.6	25.6	21.4	23.8	25.6	25.6
Women:								
Rate of improvement	1.50%	1.50%	1.50%	1.50%	1.00%	1.50%	1.50%	1.50%
Longevity from 65 (currently aged 65) (yrs)	25.8	25.5	25.8	25.5	23.5	24.2	25.8	25.5
Longevity from 65 (currently aged 45) (yrs)	28.1	27.8	28.1	27.8	25.3	26.5	28.1	27.8
Financial Assumptions:								
Retail Price Index (RPI) increases	3.2%	3.6%	2.6%	3.1%	3.4%	3.6%	2.5%	3.1%
Consumer Price Index (CPI) increases	2.3%	2.7%	1.7%	2.2%	2.5%	2.7%	1.6%	2.2%
Rate of increase in salaries	4.1%	4.2%	n/a	n/a	4.7%	4.9%	n/a	n/a
Rate of increase in pensions and deferred pensions	2.3%	2.7%	1.7%	2.2%	2.5%	2.7%	1.6%	2.2%
Rate for discounting scheme liabilities	3.6%	2.7%	2.7%	2.0%	3.8%	2.8%	2.5%	1.8%

*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.
- The proportion of the membership that had taken up the option to pay 50% of contributions for 50% of benefits at the previous valuation date will remain the same.

For the Fire-fighters Scheme:

- Members will exchange half of their commutable pension for cash at retirement
- Members will retire at the earliest age they are 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	-33,772	34,443	-200	203	-5,861	5,993	-460	465
Change in Projected Service Cost	-1,432	1,467	-	-	-257	267	-	-
0.1% adjustment to pension increase:								
Change in Present Value of Scheme Liabilities	30,368	-29,795	202	-200	3,562	-3,495	463	-459
Change in Projected Service Cost	1,466	-1,433	-	-	206	-197	-	-
0.1% adjustment to long term salary increase:								
Change in Present Value of Scheme Liabilities	4,041	-4,009	0	0	2,431	-2,378	0	0
Change in Projected Service Cost	0	0	-	-	61	-60	-	-
1 year adjustment to mortality age rating assumption:								
Change in Present Value of Scheme Liabilities	68,285	-65,742	984	-940	10,663	-10,256	2,381	-2,276
Change in Projected Service Cost	1,916	-1,858	-	-	225	-217	-	-

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

	2015/16 £'000	2016/17 £'000
Balance as at 1 April	-822,003	-756,952
Net charge made for retirement benefits in accordance with IAS19	-22,444	-15,205
Remeasurements of the net defined liability	87,495	-261,312
Balance as at 31 March	-756,952	-1,033,469

19. 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:

	2015/16 £'000	2016/17 £'000
Council Tax income	295,737	312,618
Non-domestic rates	28,866	30,035
Non-ringfenced government grants	119,629	97,517
Capital grants and contributions	97,858	115,442
Total Taxation and Non-Specific Grant Income	542,090	555,612

Under the Business Rates Retention Scheme the County Council receives a 10% share of the business rates collected by the Oxfordshire district councils.

20. Grant Income

The County Council recognised the following grants in the Comprehensive Income and Expenditure Statement. The grant issuing bodies are shown in parenthesis, with an explanation of the abbreviations provided below the tables.

NOTES TO THE CORE FINANCIAL STATEMENTS

Credited to Taxation and Non Specific Grant Income:

	2015/16 £'000	2016/17 £'000
Revenue Support Grant (DCLG)	62,305	39,331
Business Rates Top-Up Grant (DCLG)	37,085	37,394
Education Services Grant (DfE)	5,302	4,629
Transition Grant (DCLG)		4,454
New Homes Bonus (DCLG)	3,379	4,130
Independent Living Fund Grant (DoH)	3,004	3,803
Section 31 Grant - Business Rates and Other Reliefs (DCLG)	1,864	1,506
Care Act New Burdens Grant (DoH)	3,368	
Other revenue grants	3,322	2,270
Capital grants	66,422	73,571
Developer contributions	29,313	41,726
Other capital contributions	1,599	145
Donated assets	524	
Total	217,487	212,959

Credited to Services:

	2015/16 £'000	2016/17 £'000
Dedicated Schools Grant (DfE)	246,642	234,441
Public Health Grant (DoH)	28,536	32,126
Pupil Premium Grant (DfE)	9,818	9,064
Universal Infant Free School Meals (DfE)	5,071	5,018
Sixth Form Funding (DfE)	3,422	2,395
Asylum Seekers (HO)	1,481	1,556
PE & Sports Grant (DfE)	1,659	1,545
Adult Learning (EFA)	2,286	
Local Sustainable Transport Fund Resource Grant (DfT)	1,035	
Other grants	6,733	5,964
Total	306,683	292,109

DCLG Department for Communities and Local Government

DfE Department for Education

DoH Department of Health

HO Home Office

EFA Education Funding Agency

DfT Department for Transport

21. 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 which are set out in Note 20.

Members of the County Council have direct control over the County Council's financial and operating policies. The Chief Executive and strategic directors who are members of the County Leadership Team, 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. A senior officer of the County Council is a non-executive board member of The Low Carbon Hub. The Low Carbon Hub has worked in partnership with Oxford City Council and the County Council to secure £0.349m European Regional Development Funding to support the delivery of solar panels for schools. The Low Carbon Hub was also commissioned to carry out a study for the County Council. The senior officer had no involvement in commissioning the study. The County Council incurred costs of £0.249m in 2016/17 for two interim directors contracted through Penna Plc. One councillor is a trustee of the charity running Vale House dementia care home which received payment of £1.369m from the County Council in 2016/17. The councillor receives no remuneration for the trusteeship and had no involvement in the award of the contract. There are no other related party transactions to disclose between the County Council and members, strategic directors, 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 2017, the County Council made employer contributions totalling £28.343m to the Fund (£30.260m in 2015/16). The County Council charged the Fund £1.195m (£1.018m in 2015/16) for expenses incurred in administering the Fund. As at 31 March 2017 £3.245m was due to the Pension Fund and £0.128m by the Pension Fund (£3.168m and £0.069m respectively as at 31 March 2016).

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 2016/17 are as follows:

<u>Oxford City</u>	<u>South Oxfordshire</u>	<u>West Oxfordshire</u>
Jamila Azad	Kevin Bulmer	Louise Chapman
Steve Curran	Steve Harrod	Pete Handley
Jean Fooks	David Nimmo Smith	Richard Langridge
Mark Lygo		James F. Mills
Susanna Pressel		Neil Owen
Gill Sanders		
John Tanner		
<u>Cherwell</u>	<u>Vale of White Horse</u>	
Maurice Billington	Yvonne Constance OBE	
Mark Cherry	Jenny Hannaby	
Surinder Dhesi	Bob Johnston	
Timothy Hallchurch MBE	Sandy Lovatt	
Kieron Mallon		
George Reynolds		
Les Sibley		

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

2016/17	Collection Fund Transactions			Other Transactions	
District Council	Rates £'000	Rates Receipts £'000	Precepts £'000	Payments £'000	Receipts £'000
Cherwell	1,116	-6,640	-65,604	1,109	-739
Oxford City	1,370	-7,682	-57,325	2,198	-585
South Oxfordshire	1,009	-4,024	-72,226	2,654	-699
Vale of White Horse	784	-5,350	-63,773	1,944	-379
West Oxfordshire	905	-3,084	-53,823	2,132	-129
Total	5,184	-26,780	-312,751	10,037	-2,531

2015/16	Collection Fund Transactions			Other Transactions	
District Council	Rates £'000	Rates Receipts £'000	Precepts £'000	Payments £'000	Receipts £'000
Cherwell	1,113	-8,488	-60,834	1,269	641
Oxford City	1,476	-8,502	-53,993	2,218	-1,383
South Oxfordshire	982	-4,187	-68,939	1,198	-407
Vale of White Horse	755	-4,981	-60,312	1,332	-260
West Oxfordshire	859	-3,369	-51,647	1,281	-63
Total	5,185	-29,527	-295,725	7,298	-1,472

No other related parties not mentioned elsewhere in the accounts have been identified.

NOTES TO THE CORE FINANCIAL STATEMENTS

22. Movement in the value of Property, Plant and Equipment

2016/17	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
Cost or valuation as at 1 April	586,598	123,836	512,135	3,409	62,910	1,288,888	18,368
Additions	21,061	2,254	30,174		13,045	66,534	9,115
Donations							
Revaluation increases/(decreases) recognised in the Revaluation Reserve	21,517			-822		20,695	5,400
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	3,215			393		3,608	870
Derecognition - disposals	-191	-1,581				-1,772	
Derecognition - other	-68,852	-5,890				-74,742	-385
Assets reclassified to / from Held for Sale	-972					-972	
Assets reclassified to / from Investment Properties	653					653	
Assets reclassified as intangible assets					-2,070	-2,070	
Transfers	17,726	-5,323	20,547	-76	-32,874		
Other movements in cost or valuation					-16	-16	
Cost or Valuation as at 31 March	580,755	113,296	562,856	2,904	40,995	1,300,806	33,368
Depreciation and Impairment as at 1 April	-2,058	-21,570	-137,131	-9		-160,768	-449
Depreciation charge	-8,522	-7,213	-16,072	-22		-31,829	-344
Depreciation and impairment written out to the Revaluation Reserve	10,604			17		10,621	592
Depreciation and impairment written out to the Surplus/Deficit on Provision of Services	757			17		774	165

NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17 Continued	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
Impairment losses/(reversals) recognised in the Revaluation Reserve	-1,728					-1,728	
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	-444					-444	
Derecognition - disposals	1	1,319				1,320	
Derecognition - other	1,528	4,595				6,123	
Assets reclassified to / from Held for Sale							
Assets reclassified to / from Investment Properties							
Transfers	-2,838	2,838					
Other movements in depreciation and impairment							
Depreciation and impairment as at 31 March	-2,700	-20,031	-153,203	3		-175,931	-36
Net Book Value at 31 March 2016	584,540	102,266	375,004	3,400	62,910	1,128,120	17,919
Net Book Value at 31 March 2017	578,055	93,265	409,653	2,907	40,995	1,124,875	33,332

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
Cost or valuation as at 1 April	620,856	114,850	479,908	2,704	31,574	1,249,892	17,990
Additions	10,052	1,204	27,351		39,229	77,836	446
Donations	217	307				524	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	55,899			1,450		57,349	282
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	10,091			-53		10,038	96
Derecognition - disposals	-849	-1,872		-821		-3,542	
Derecognition - other	-82,394	-20,007				-102,401	-446
Assets reclassified to / from Held for Sale	-1,181			79		-1,102	
Assets reclassified to / from Investment Properties	451					451	
Assets reclassified as intangible assets							
Transfers	-26,544	29,354	4,876	50	-7,736		
Other movements in cost or valuation					-157	-157	
Cost or Valuation as at 31 March	586,598	123,836	512,135	3,409	62,910	1,288,888	18,368
Depreciation and impairment as at 1 April	-1,728	-23,904	-122,507			-148,139	-219
Depreciation charge	-8,288	-7,916	-14,624	-53		-30,881	-230
Depreciation and impairment written out to the Revaluation Reserve	14,507			3		14,510	
Depreciation and impairment written out to the Surplus/Deficit on Provision of Services	1,625			39		1,664	

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16 Continued	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
Impairment losses/(reversals) recognised in the Revaluation Reserve	-1,289					-1,289	
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	-192					-192	
Derecognition - disposals		1,623		2		1,625	
Derecognition - other	530	1,404				1,934	
Assets reclassified to / from Held for Sale							
Assets reclassified to / from Investment Properties							
Transfers	-7,223	7,223					
Other movements in depreciation and impairment							
Depreciation and impairment as at 31 March	-2,058	-21,570	-137,131	-9		-160,768	-449
Net Book Value at 31 March 2015	619,128	90,946	357,401	2,704	31,574	1,101,753	17,771
Net Book Value at 31 March 2016	584,540	102,266	375,004	3,400	62,910	1,128,120	17,919

The fair value for the surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

23. Investment Properties

	2015/16		2016/17	
	Non-Current	Current	Non-Current	Current
	£'000	£'000	£'000	£'000
Balance at 1 April	7,569	0	7,441	24
Derecognition				
Net gains (+)/losses (-) from fair value adjustments	346	1	412	-1
Assets reclassified to / from Investment Properties	-474	23	-653	0
Other changes			23	-23
Balance at 31 March	7,441	24	7,223	0

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.

Classification in the fair value hierarchy, together with additional information for property classified as level 3 within the hierarchy is provided in the table overleaf.

The fair value for the agricultural properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

The office and commercial units located in the local authority area are measured using the income approach where the expected cash flows from the properties are discounted (using a market-derived all risks discount rate) to establish the present value of the net income stream.

The authority's office and commercial units are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique used significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

NOTES TO THE CORE FINANCIAL STATEMENTS

	Fair Value Level	Fair Value at 31 March 2017 £'000	Additional information for level 3 properties			
			Valuation technique	Unobservable inputs	Range (weighted average used)	Sensitivity
Agricultural units & other level 2 assets	2	6,252				
Office units	3	297	Income approach using an all risks discount rate to assess capital value	Discount rate	8% - 11% (10%)	Significant changes in market conditions will effect the discount rate and will result in a significantly lower or higher fair value
Commercial units	3	674		Discount rate	5% - 6% (5%)	
		7,223				

The movement for investment properties categorised at level 3 in the hierarchy as follows:

	2015/16 £'000	2016/17 £'000
Balance at 1 April	887	937
Net gains (+)/losses (-) from fair value adjustments	50	11
Transfers to/from Level 3		23
Additions		0
Balance at 31 March	937	971

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuations experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

24. Movement in the value of Assets Held for Sale

2015/16 £'000		2016/17 £'000
79	Balance at 1 April	549
	Assets newly classified as held for sale:	
1,181	- Property, Plant and Equipment	972
-632	Revaluation gains/(losses)	0
	Impairment losses	
	Assets declassified as held for sale:	
-79	- Property, Plant and Equipment	0
0	Assets derecognised	-825
	Additions	
549	Balance at 31 March	696

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

25. Movement in the value of Intangible Assets

The movement in the carrying value of intangible assets for the year was as follows:

	2015/16 £'000	2016/17 £'000
Gross Carrying Value at 1 April	3,810	1,923
Additions		
Transfers from Assets Under Construction		2,070
Derecognition	-1,887	
Gross Carrying Value at 31 March	1,923	3,993
Amortisation and Impairment at 1 April	-3,392	-1,751
Amortisation for the year	-246	-333
Impairment losses		
Derecognition	1,887	
Amortisation and Impairment at 31 March	-1,751	-2,084
Net Book at 1 April	418	172
Net Book Value at 31 March	172	1,909

26. 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.

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 £2.8m 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.

27. 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. Carillion Capita 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 social care premises, libraries, museums and adult learning premises were revalued as at 1 April 2016.

28. 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, The Oxfordshire Care Partnership, relating to the provision of residential care homes and care services. The Cabinet Member for Adult Social Care represents the Council's interests as a director of the Partnership.

Provision of residential care services was originally in 19 homes across Oxfordshire under a 25 year contract with The 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 required 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. The Oxfordshire Care Partnership also operate the new Chilterns Court Care Centre built by the County Council, which was completed in 2016/17 and replaces the former care home in Henley. Under the Code, the County Council is required to recognise homes that meet tests in respect of control of services and control of the residual interest in property on its Balance Sheet. All homes under the contract are included on the County Council's Balance Sheet, with exception of one home that does not meet the control tests specified in the Code. At the end of the contract, all properties currently on the Balance Sheet revert to County Council ownership.

The council's original 25 year agreement with Oxfordshire Care Partnership will end in 2026/27, however The Oxfordshire Care Partnership will continue to operate the homes until the end of 2031/32. There is no requirement for the County Council to purchase a set number or value of beds during the years 2027/28 to 2031/32 other than the obligation of both parties to maintain existing placements as at 31 March 2027. After 2026/27 all services will be purchased as spot contracts and numbers will vary, so there will be no further payments under this service concession arrangement.

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 22).

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

	2015/16	2016/17
	£'000	£'000
Balance at 1 April	26,442	25,676
Increase in liability in the year		
Liability repaid in the year	-766	-826
Balance at 31 March	25,676	24,850

NOTES TO THE CORE FINANCIAL STATEMENTS

The service concession arrangement forms part of the finance liability recorded on the Balance Sheet, together with finance leases and forward deals on investments. A reconciliation of the service concession liability to the total finance liability is as follows:

	Long-Term		Current	
	At 31 March 2016	At 31 March 2017	At 31 March 2016	At 31 March 2017
	£'000	£'000	£'000	£'000
Service Concession Arrangement	24,850	23,961	826	889
Finance Leases	14	28	17	18
Investments - Forward Deal			10,000	15,000
Total Finance Liability	24,864	23,989	10,843	15,907

Details of payments due to be made under the service concession arrangement are as follows, with comparative figures for 2015/16 following on.

2016/17	Service Costs	Principal Repayments	Interest Costs	Lifecycle Replacement Payments	Total
	£'000	£'000	£'000	£'000	£'000
Within 1 Year	15,447	889	1,920	823	19,079
2 -5 Years	64,349	4,297	6,941	3,634	79,221
6 - 10 Years	74,278	19,664	6,532	5,422	105,896
Total	154,074	24,850	15,393	9,879	204,196

2015/16	Service Costs	Principal Repayments	Interest Costs	Lifecycle Replacement Payments	Total
	£'000	£'000	£'000	£'000	£'000
Within 1 Year	15,070	826	1,984	791	18,671
2 -5 Years	62,795	3,989	7,248	3,495	77,527
6 - 10 Years	84,372	6,977	7,070	5,214	103,633
11 -15 Years	5,537	13,884	1,076	1,171	21,668
Total	167,774	25,676	17,378	10,671	221,499

29. Capital Spending

The County Council's total capital spend for 2016/17 was £111.250m. Details of the expenditure are set out in the table on the next page:

Capital Spending	£'000	£'000
Children, Education & Families		
Eynsham Assessment Centre, Lichfield	941	
Move on Home, Witney	616	
Great Western Park (Primary) 14 classrooms	5,592	
Great Western Park (Secondary)	14,463	
Bodicote, Longford Park (Primary) 10 Classrooms	4,950	
Longfields, Bicester (Primary) - Expansion to 2 form entry	1,892	
William Fletcher Phase 3 (Prim)- Expansion to 1.5 form entry	1,038	
Hill View, Banbury (Primary) - 3 form entry	837	
St Michael's, Steventon (Primary) Expansion to 1 form entry	531	
Queensway, Banbury (Primary) Expansion to 2 form entry	599	
Bicester Exemplar Eco-Development (Primary) 7 classrooms	4,332	
Hook Norton (Primary)- Expansion to 1.5 form entry	1,025	
Didcot Great Western Prk, Didcot (Primary 2) -14 classrooms	632	
Christopher Rawlins (Primary) - expansion to 1.5 form entry	511	
Schemes under £500,000	10,165	
Total Children, Education & Families		48,124
Social & Community Services		
Chilterns Court Care Centre	8,447	
Better Care Fund - Disabled Facilities Grant	4,532	
Schemes under £500,000	366	
Total Social & Community Services		13,345
Environment & Economy Transport		
Kennington Railway Bridge	818	
A34 Chilton Interchange - junction improvements	5,518	
Harwell Link Road, Section 1 (B4493 to A417)	2,724	
Harwell Link Road, Section 2 (Hagbourne Hill)	1,239	
Featherbed Lane & Steventon Lights	594	
Wolvercote Roundabout	2,367	
Cuttesslowe Roundabout	2,214	
Eastern Arc Phase 1 Access to Headington	1,650	
Milton Interchange	1,849	
Drainage	1,297	
Edge Strengthening	2,576	
Oxford riverside routes to city centre	530	
Carriageway Structural Maintenance 16/17	1,931	
Skid Resistance Schemes 16/17	888	
Surface Dressing 16/17	1,213	
Surface Dressing Pre-Patching 16/17	548	
Structural Patching 16/17	3,401	
Schemes under £500,000	8,312	
Total Environment & Economy Transport		39,669

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Spending	£'000	£'000
Environment & Economy Other		
Desktop ICT Refresh	1,225	
Schemes under £500,000	330	
Total Environment & Economy Other		1,555
Corporate Services		
Local Growth Fund - Centre for Tech, Innovation & Skills	2,298	
Local Growth Fund - Centre for Applied Superconductivity	3,431	
Local Growth Fund Adv Engineering & Tech Skills Centre	676	
Local Growth Fund - Didcot Station Car Park Expn	638	
Schemes under £500,000	1,247	
Total Corporate Services		8,290
Sub Total Capital Programme		110,983
Capitalised Purchase of Vehicles / Equipment		212
Capitalised Loans		55
Sub Total		267
Total		111,250

Summary of capital expenditure

Capital expenditure by asset class is as follows:

	2015/16 £'000	2016/17 £'000
Property, Plant and Equipment	77,836	66,534
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute	48,175	45,107
Capital loans	758	55
Repayment of capital grants and contributions	0	0
	126,769	111,696
Less assets acquired under service concession arrangements	0	0
Less assets transferred from capital prepayment account	-446	-386
Less assets acquired under finance leases	0	-60
Total capital expenditure	126,323	111,250

30. Capital Financing

The capital expenditure has been financed from the following sources:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2015/16 £'000	2016/17 £'000
Prudential and other unsupported borrowing	24	8,729
Grants & Contributions	118,027	101,681
Revenue	8,272	844
Total	126,323	111,254

31. 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:

	2015/16 £'000	2016/17 £'000
Capital Financing Requirement as at 1 April	406,295	389,758
New unsupported borrowing	24	8,729
Assets acquired under service concession arrangements	0	0
Assets acquired under finance leases	0	60
Service concession arrangements - lifecycle prepayments	761	791
Residual interest - asset accumulation prepayments	43	43
Loan repayments and other adjustments	-202	11
Reduction in underlying need to borrow arising from derecognition of finance leases	0	-8
Minimum Revenue Provision for the year	-17,163	-16,694
Increase (+)/decrease (-) in Capital Financing Requirement	-16,537	-7,068
Capital Financing Requirement as at 31 March	389,758	382,690

32. Capital Commitments

As at 31 March 2017 the Council was contractually committed to £30.503m (£64.548m as at 31 March 2016) on the following schemes:

	2016/17 £'000	
Children, Education & Families		
Great Western Park (Secondary)	955	
Christopher Rawlins (Primary)	1,770	
Schemes under £500,000	1,708	
		4,433
Social & Community Services		
Schemes under £500,000	884	
		884
Environment & Economy		
Harwell Link Road	5,379	
Routine Pre Patching	553	
Drainage (Challenge Fund)	1,338	
Surface Dressing 17/18	1,144	
Surface Dressing pre-patching 17/18	800	
Structural Patching 17/18	2,500	
Better Broadband (OxOnline)	7,104	
Schemes under £500,000	6,032	
		24,850
Corporate Services		
Schemes under £500,000	336	
		336
TOTAL		30,503

As at 31 March 2017 there were no commitments relating to investment property or intangible assets.

33. Financial Instrument Carrying Values

Financial assets comprise long-term and short-term investments, long-term and short-term debtors (excluding statutory debtors and capital prepayments) and cash & cash equivalents. Financial liabilities comprise long-term and short-term borrowing, creditors (excluding statutory creditors), finance leases, the finance liability element of service concession arrangements and forward deals on investments. The Code specifies the categorisation of these assets (see pages 34 – 36 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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Long-Term		Current	
	At 31 March 2016	At 31 March 2017	At 31 March 2016	At 31 March 2017
	£'000	£'000	£'000	£'000
Loans and receivables	90,338	78,211	215,192	220,790
Available-for-sale financial assets	0	0	87,140	109,950
Financial assets at fair value through profit and loss	0	0	0	0
Total Financial Assets	90,338	78,211	302,332	330,740
Financial liabilities at amortised cost	395,247	366,372	111,844	132,299
Total Financial Liabilities	395,247	366,372	111,844	132,299

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 £6.349m of loans and receivables as at 31 March 2017 secured on property (£8.254m at 31 March 2016). Of this, £1.165m was new in 2016/17 (£2.709m in 2015/16). 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 2017, 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:

	2015/16 £'000	2016/17 £'000
Balance as at 1 April	4,944	4,864
Nominal value of new loans granted	118	55
Fair value adjustment on initial recognition		
Loans repaid during the year	-37	-101
Impairment losses recognised		-50
Interest credited to the Surplus/Deficit on Provision of Services		
Other changes	-161	-286
Balance as at 31 March	4,864	4,482

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 entered into prior to the national mandatory

scheme introduced from 1 April 2015. The nominal value of the soft loans as at 31 March 2016 was £4.482m (£4.864m at 31 March 2016).

34. Financial Instrument Fair Values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2017, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of finance lease liabilities and of service concession liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the rate for new PWLB borrowing.
- No early repayment or impairment is recognised for any financial instrument, other than short-term debtors.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Liabilities	Fair Value Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		At 31 March 2016 £'000	At 31 March 2016 £'000	At 31 March 2017 £'000	At 31 March 2017 £'000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB*	2	338,607	411,766	320,427	427,812
Long-term LOBO/money market loans*	2	35,464	53,095	25,278	42,862
Finance lease payables and service concession liabilities	3	24,864	34,952	23,989	34,089
Total		398,935	499,813	369,694	504,763
Liabilities for which fair value is not disclosed **		108,156		128,977	
Total Financial Liabilities		507,091		498,671	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		73,766		69,248	
Short-term borrowing		27,235		47,144	
Short-term finance liabilities		10,843		15,907	
Long-term borrowing		370,383		342,383	
Long-term finance liabilities		24,864		23,989	
Total Financial Liabilities		507,091		498,671	

* For the purpose of fair value comparison accrued interest in relation to long term PWLB & LOBO/money market loans has been included in the long term balance sheet total.

**The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Assets	Fair Value Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		At 31 March 2016 £'000	At 31 March 2016 £'000	At 31 March 2017 £'000	At 31 March 2017 £'000
<i>Financial assets held at fair value:</i>					
Money market funds	1	14,658		53,622	
Bond, equity and property funds	1	72,482		56,328	
<i>Financial assets held at amortised cost:</i>					
Long-term loans to local authorities*	2	87,392	87,716	75,462	76,541
Long-term debtors	3	3,338	3,361	3,211	3,278
Total		177,870	178,217	188,623	189,769
Assets for which fair value is not disclosed **		214,800		220,328	
Total Financial Assets		392,670		408,951	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		3,338		3,211	
Long-term investments		87,000		75,000	
Short-term debtors		29,229		31,251	
Short-term investments		260,317		251,851	
Cash and cash equivalents		12,786		47,638	
Total Financial Assets		392,670		408,951	

*For the purpose of fair value comparison accrued interest on long term investments has been classified as long term in the balance sheet total.

**The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

A comparison of the fair values calculated for all loans and receivables and financial liabilities carried at amortised costs is as follows:

	At 31 March 2016		At 31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and receivables	305,530	306,269	299,001	300,609
Financial Liabilities	507,091	607,969	498,671	633,740

35. Long Term Debtors

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	At 31 March 2016 £'000	At 31 March 2017 £'000
Key Worker Loans	271	271
Car Loans to Employees	17	22
Chronically Sick & Disabled Persons Act – loans	2,030	2,003
Children's Act: loans to foster carers	579	510
Loan to school trustees	350	350
Oxfordshire Local Enterprise Partnership loans	69	40
Other	22	15
	3,338	3,211
Capital Prepayment Account	2,892	3,341
Total	6,230	6,552

Key Worker loans, Chronically Sick & Disabled Persons Act loans and Children's Act loans to foster carers 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 (£0.386m was transferred in 2016/17). 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.

36. Debtors

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

	At 31 March 2016 £'000	At 31 March 2017 £'000
Government Departments	9,106	14,160
Other Local Authorities	12,881	21,528
Health Authorities	2,671	2,861
Public Corporations and Trading funds	0	0
Payments in Advance	5,357	4,670
Sundry	34,243	32,460
	64,258	75,679
Less Impairment Allowance Account	-10,480	-10,932
	53,778	64,747

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

NOTES TO THE CORE FINANCIAL STATEMENTS

impairment are short-term debtors 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:

2015/16 £'000		2016/17 £'000
-8,740	Balance at 1 April	-10,480
0	Decrease in allowance	136
-1740	Increase in allowance	-588
-10,480	Balance at 31 March	-10,932

37. Cash and Cash Equivalents

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

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

	At 31 March 2016 £'000	At 31 March 2017 £'000
Cash at bank and in hand	-1,880	-6,076
Call Accounts	8	92
Money Market Funds	14,658	53,622
Total	12,786	47,638

38. 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 BBB-, 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-, or other Government bodies (e.g. other Local Authorities).

The following table summarises the nominal value (excluding accrued interest) of the Council's investment portfolio at 31 March 2017, and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment. The table includes money market funds and call accounts classed as cash & cash equivalents at 31 March 2017.

NOTES TO THE CORE FINANCIAL STATEMENTS

Counterparty	Credit rating criteria met when investment placed?	Credit rating criteria met on 31 March 2017?	Balance invested as at 31 March 2017						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			15,000				15,000
Banks non-UK: Canada	Yes	Yes			10,000	15,000			25,000
Netherlands	Yes	Yes			5,000	5,000			10,000
Singapore	Yes	Yes		5,000	5,000				10,000
Total Banks			0	5,000	35,000	20,000	0	0	60,000
Local Authorities and Police Authorities	Yes	Yes	3,000	5,000	39,000	58,000	52,000	23,000	180,000
Building Societies - UK	Yes	Yes							-
Notice Accounts	Yes	Yes	29,800						29,800
Short dated Bond Funds	Yes	Yes	19,482						19,482
Bond Funds	Yes	Yes	17,347						17,347
Property Funds	Yes	Yes	19,498						19,498
Money Market Funds	Yes	Yes	53,622						53,622
Call Accounts	Yes	Yes	92						92
Total			142,841	10,000	74,000	78,000	52,000	23,000	379,841

NOTES TO THE CORE FINANCIAL STATEMENTS

The above analysis shows that all deposits outstanding as at 31 March 2017 met the County Council's credit rating criteria at that date.

Within the £75.679m short-term debtors included in loans and receivables, £28.740m were past due at 31 March 2017 (£20.043m at 31 March 2016). The past due amount can be analysed by age as follows:

	At 31 March 2016 £'000	At 31 March 2017 £'000
Less than 1 month	5,302	14,398
Between 1 and 3 months	5,068	3,756
Between 3 and 6 months	2,620	2,275
Between 6 months and 1 year	2,633	2,271
Between 1 and 3 years	3,317	4,634
Over 3 years	1,103	1,406
Total	20,043	28,740

None of these past-due short-term debtors have been individually impaired. An impairment allowance of £2.918m has been provided for past due debtors that are financial instruments based on past and current experience (£2.637m at 31 March 2016). This is the County Council's estimate of maximum exposure to uncollectability. £2.487m of the debtor impairment allowance is based on collective assessments of debtors with similar characteristics. Individual impairment allowances have been provided for monies owed from a home support provider that went into liquidation (£0.288m) and for overdue library fines (£0.143m). Debt collection rates have stabilised following the initial period of transition to the new arrangements with the Hampshire County Council Integrated Business Centre, however the current estimate of uncollectability remains higher 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.

The key worker, CSDP Act and Children's Act loans are secured on property. Details of this collateral are provided in Note 33.

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 2016 £'000		At 31 March 2017			
		Fixed Rate Borrowing £'000	Variable Rate Borrowing £'000	Other Finance Liabilities £'000	Total £'000
38,078	Less than 1 year	21,291	25,853	15,907	63,051
28,900	Between 1 and 2 years	24,000	5,000	986	29,986
36,287	Between 2 and 5 years	20,000	15,000	3,339	38,339
57,026	Between 5 and 10 years	60,000	0	19,664	79,664
273,034	More than 10 years	218,383	0	0	218,383
433,325		343,674	45,853	39,896	429,423

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. For example, use of Lender's Option Borrowers Option (LOBO) loans is restricted to 20% of the debt portfolio.

In response to the current low interest rate environment, the Council sets fixed and variable rate interest rate exposure limits through its Treasury Management Strategy. These are designed to ensure that the Authority is not exposed to interest rate rises which could adversely impact on the revenue budget.

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2015/16 £'000	2016/17 £'000
Increase in interest payable on new borrowings	0	0
Increase in interest receivable on variable and structured investments	0	0
Increase in interest receivable on fixed rate investments	-1,531	-853
Increase in the gain arising from the revaluation of available for sale assets	-681	-553
Impact on Comprehensive Income & Expenditure Statement	-2,212	-1,406

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

	2015/16 £'000	2016/17 £'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	1,112	511
Decrease in the gain arising from the revaluation of available for sale assets	681	553
Impact on Comprehensive Income & Expenditure Statement	1,793	1,064

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. Negative return is applicable to available for sale assets.

Price Risk

The County Council does not generally invest in equity shares but does have investments in externally managed pooled funds which may invest in 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.

39. 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 2016 £'000	At 31 March 2017 £'000
Receipts in Advance		
Government Departments	376	1,208
Other Local Authorities	682	932
Health Authorities	259	182
Public Corporations and Trading Funds	0	0
Sundry	4,149	4,960
	5,466	7,282
Creditors		
Government Departments	8,451	10,053
Other Local Authorities	8,337	6,229
Health Authorities	3,367	2,522
Public Corporations and Trading Funds	11	7
Sundry	63,815	65,357
	83,981	84,168
Short Term Creditors and RIA	89,447	91,450
Long Term Receipts in Advance	4,601	5,950
	94,048	97,400

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.

40. 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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at 31 March 2016	Reclass- ification between short and long term	Additional provisions made in 2016/17	Amounts used in 2016/17	Unused amounts reversed in 2016/17	Balance at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000
Provision due within 1 year						
Insurance	2,887	-79	1,574	-1,026	-2,630	726
Pooled Budgets	321		623	-490	-18	436
Redundancy	1,662		114	-1,354	-308	114
MMI Scheme of Arrangement	433			-12	-241	180
Business Rates	3,174				-398	2,776
Joint Use	175				-175	0
	8,652	-79	2,311	-2,882	-3,770	4,232
Provision due after 1 year						
Insurance	1,948	79	3,541	-320	-570	4,678
Redundancy	200			-88	-112	0
	2,148	79	3,541	-408	-682	4,678
Total	10,800	0	5,852	-3,290	-4,452	8,910

	Balance at 31 March 2015	Reclass- ification between short and long term	Additional provisions made in 2015/16	Amounts used in 2015/16	Unused amounts reversed in 2015/16	Balance at 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000
Provision due within 1 year						
Insurance	647	1,802	1,843	-872	-533	2,887
Pooled Budgets	684			-363		321
Redundancy	126		1,612	-76		1,662
MMI Scheme of Arrangement	20		726	-313		433
Business Rates	3,004		207		-37	3,174
Joint Use	175					175
	4,656	1,802	4,388	-1,624	-570	8,652
Provision due after 1 year						
Insurance	7,470	-1,802	1,548	-2,815	-2,453	1,948
Redundancy	200		200			200
	7,470	-1,802	1,748	-2,815	-2,453	2,148
Total	12,126	0	6,136	-4,439	-3,023	10,800

Details of the provisions held at 31 March 2017 are as follows:

- Insurance claims are 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.
- 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 Pooled Budget arrangement.
- The redundancy provisions reflect the estimated liability for redundancy costs following the Daytime Support review in Adult Social Care.
- 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. A levy of 15% has been paid since 2012, and this was increased to 25% in 2016. A provision of £0.179m has been allocated as per the actuary's report of April 2017.
- 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.

41. Deferred Income

The deferred income balance of £3.131m at 31 March 2017 (£3.461m at 31 March 2016) 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.

42. 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 2016/17, split between short term and long term is as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17	Capital Grants	Developer Contributions	Other Contributions	Total
	£'000	£'000	£'000	£'000
Short term:				
Balance as at 1 April 2016	8,563	22,140	0	30,703
Received/refunded during the year	2,328	7,853	1,343	11,524
Transferred to the Comprehensive Income and Expenditure Statement during the year	-6,591	-29,170	0	-35,761
Transfer between short and long term	0	18,057	0	18,057
Balance at 31 March 2017	4,300	18,880	1,343	24,523
Long term:				
Balance as at 1 April 2016	0	55,322	65	55,387
Received/refunded during the year	0	28,711	0	28,711
Transferred to the Comprehensive Income and Expenditure Statement during the year	0	162	0	162
Transfer between short and long term	0	-18,057	0	-18,057
Balance at 31 March 2017	0	66,138	65	66,203
Total at 31 March 2017	4,300	85,018	1,408	90,726

The balance at 31 March 2017 includes £1.750m Growing Places Fund grant held on behalf of the Oxfordshire Local Enterprise Partnership (OxLEP), for which the County Council is the accountable body (£5.431m at 31 March 2016).

The comparative amounts for 2015/16 are given in the following table:

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16	Capital Grants	Developer Contributions	Other Contributions	Total
	£'000	£'000	£'000	£'000
Short term:				
Balance as at 1 April 2015	17,417	14,343	0	31,760
Received/refunded during the year	26,013	5,530	1,335	32,878
Transferred to the Comprehensive Income and Expenditure Statement during the year	-36,947	-24,956	-1,335	-63,238
Reclassification between short and long term	2,080	27,223	0	29,303
Balance at 31 March 2016	8,563	22,140	0	30,703
Long term:				
Balance as at 1 April 2015	2,080	37,484	65	39,629
Received/refunded during the year	0	44,856	0	44,856
Transferred to the Comprehensive Income and Expenditure Statement during the year	0	205	0	205
Reclassification between short and long term	-2,080	-27,223	0	-29,303
Balance at 31 March 2016	0	55,322	65	55,387
Total at 31 March 2016	8,563	77,462	65	86,090

43. County Fund Balance

The balance on the County Fund at 31 March 2017 was £19.970m (£18.984m at 31 March 2016) as shown in the Movement in Reserves Statement on page 20.

NOTES TO THE CORE FINANCIAL STATEMENTS

44. Earmarked Reserves

	Balance at 1 April 2015 £'000	In-year movement 2015/16 £'000	Balance at 31 March 2016 £'000	In-year movement 2016/17 £'000	Balance at 31 March 2017 £'000
Local Management of Schools	21,982	-1,335	20,647	-2,363	18,284
Other Schools Reserves	-63	100	37	52	89
Vehicle and Equipment Reserve	2,375	748	3,123	209	3,332
Grants and Contribution Reserve	18,725	-4,158	14,567	115	14,682
ICT Projects	634	-361	273	-75	198
Government Initiatives	1,085	-220	865	-447	418
CE&F Commercial Services	501	-167	334	-44	290
CE&F School Intervention Fund	450	60	510	0	510
CE&F Foster Carer Loans	220	20	240	-33	207
CE&F Academies Conversion Support	470	-361	109	0	109
CE&F Early Intervention Service Reserve	28	-25	3	77	80
CE&F Thriving Families	1,761	-7	1,754	-1,000	754
CE&F Children's Social Care	726	-641	85	-85	0
CE&F National Citizenship Service			0	621	621
S&CS Older People Pooled Budget Reserve	2,866	-1,205	1,661	-366	1,295
S&CS Physical Disabilities Pooled Budget Reserve	544	0	544	-272	272
S&CS Learning Disabilities Pooled Budget Reserve	95	-13	82	-16	66
S&CS Fire Control	40	319	359	0	359
S&CS Fire & Rescue & Emergency Planning Reserves	129	57	186	-20	166
S&CS Community Safety Reserves	156	0	156	0	156
S&CS Deprivation of Liberty Safeguards			0	700	700
EE Highways and Transport Reserve	37	0	37	0	37
EE On Street Car Parking	1,445	434	1,879	911	2,790
EE SALIX Repayments	376	-289	87	-11	76
EE Dix Pit Engineering Works & WRC Development	730	-515	215	294	509
EE Waste Management	380	0	380	488	868

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at 1 April 2015 £'000	In-year movement 2015/16 £'000	Balance at 31 March 2016 £'000	In-year movement 2016/17 £'000	Balance at 31 March 2017 £'000
EE Property Disposal Costs	235	32	267	57	324
EE Skills Reward	7	-7	0	0	0
EE Developer Funding (Revenue)	475	60	535	64	599
EE Joint Use	814	-544	270	47	317
EE Catering Investment Fund	1,118	-702	416	444	860
EE Asset Rationalisation	237	-45	192	2,406	2,598
EE Minerals and Waste Project	46	77	123	0	123
EE Oxfordshire - Buckinghamshire partnership	398	-398	0	0	0
EE LABGI Reserve	198	1	199	0	199
EE Oxford Western Conveyance Reserve	350	400	750	-650	100
EE Communities Investment Reserve			0	1,683	1,683
EE Other Reserves	89	0	89	-12	77
CS OCS Development Reserves	262	-200	62	0	62
CS Cultural Services Reserve	1,029	-89	940	-151	789
CS Coroner's Service	40	0	40	52	92
CS Council Elections	232	255	487	231	718
CS Registration Service	404	0	404	60	464
Insurance Reserve	4,516	2,570	7,086	994	8,080
Carry Forward Reserve	196	-196	0	0	0
Capital Reserve	23,335	423	23,758	-70	23,688
Business Rates Reserve	2,541	-2,047	494	-377	117
Budget Reserve	8,806	-95	8,711	-7,506	1,205
Efficiency Reserve	1,748	1,128	2,876	-368	2,508
Transition/Transformation Reserve			0	2,122	2,122
Prudential Borrowing Reserve	8,898	1,402	10,300	488	10,788
Total Earmarked Reserves	111,666	-5,534	106,132	-1,751	104,381

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

NOTES TO THE CORE FINANCIAL STATEMENTS

reserves are committed to be spent on schools.

The following table provides an analysis of school surplus and deficits:

	Balance at 31 March 2016		Balance at 31 March 2017	
	No. of schools	Balance £'000	No. of schools	Balance £'000
Primary Schools				
Schools in surplus	163	12,697	155	11,679
Schools in deficit	14	-495	16	-546
Secondary Schools				
Schools in surplus	3	857	0	0
Schools in deficit	3	-1,071	3	-1,587
Special Schools				
Schools in surplus	7	928	5	1,048
Schools in deficit	2	-78	4	-161
Sub-Total Revenue	192	12,838	183	10,433
Closed Schools, Schools Contingency & Schools Forum		7,809		7,851
Total		20,647		18,284

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. £7.452m of the balance at 31 March 2017 relates to the Dedicated Schools Grant.

ICT Projects Reserve

This reserve has been set up to fund the cost of ICT projects.

Government Initiatives Reserve

This reserve is 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 for Hill End Outdoor Education Centre are also held in the reserve.

CE&F School Intervention Fund Reserve

This reserve is for school improvement projects in line with the Education Strategy.

CE&F Foster Carer Loans

This reserve holds funds to meet potential write-off costs for loans made under the Children's Act.

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 Early Intervention Service Reserve

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 National Citizenship Service

The reserve holds funding for the 3-year programme.

S&CS Older People, Physical Disabilities and Learning Disabilities Pooled Budget Reserves

These reserves hold the County Council's element of previous 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 Oxfordshire, Berkshire and 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 held for maintenance works at the Gypsy & Traveller sites. The other reserves are to be used for costs of complex investigations, e.g. expert witnesses.

S&CS Deprivation of Liberty Safeguards (DOLS)

The reserve holds funding to avoid pressure on the DOLS budget over the medium term.

EE Highways and Transport Reserve

To be used to fund bridge investigation work.

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 SALIX Energy Schemes Reserve

This reserve is ring-fenced to energy saving schemes in the future.

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 used to fund job clubs.

EE Developer Funding (Revenue) Reserve

This reserve is used to meet the costs of monitoring and administering Section 106 agreements.

E&E Joint Use Reserve

This reserve is being used fund joint-use sports agreements with the district councils as the remaining agreements come to an end.

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 acts as an investment fund 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 Oxfordshire - Buckinghamshire Partnership Reserve

This reserve was set up to ring-fence funding for the Oxfordshire & Buckinghamshire Partnership graduate teacher training programme. The partnership ceased in 2015/16 and

the reserve was used to meet cessation costs and returned to the funding body where necessary.

EE LABGI Reserve

This reserve contains funding that has been allocated to support the Oxfordshire Local Enterprise Partnership (OxLEP).

EE Oxford Western Conveyance Reserve

This reserve holds funding for the flood relief scheme.

EE Communities Investment Reserve

This reserve holds one-off investment funding for projects that span more than one year.

EE Other Reserves

This reserve combines some small Environment & Economy reserves, including the Ascott Park Historical Trail reserve.

CS OCS Development Reserves

This reserve will be used to fund projects which contribute to the business strategy.

CS Cultural Services Reserves

This reserve combines some small Cultural Services reserves and includes ICT/Digitisation projects, donations and Library Strategy.

CS Coroner's Service

This reserve will be used to support one – off projects in the Coroner's Service, including replacement of the Coroner's Data Management System.

CS Elections Reserve

This reserve has been established to meet the cost of County Council Elections.

CS Registration Service

This reserve is for the refurbishment of registrar's buildings and facilities, and for replacing the Registration Service Certificate Production System.

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, Arthur J Gallagher, 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 2017.

The actuaries projected the standard claims arising in future years in respect of the period up to 31 March 2017 at £1.845m. 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

NOTES TO THE CORE FINANCIAL STATEMENTS

assessed at £2.723m. The sum of £0.937m has been included in the reserves to cover MMI clawback noted as a contingent liability.

	At 31 March 2016 £'000	At 31 March 2017 £'000
Standard claims likely to be received as at 31 March	2,590	1,845
Additional IBNR/Latent claims as assessed by Actuarial review	1,886	1,786
MMI clawback as assessed by actuarial review	508	937
Risk management	2,102	3,512
Total	7,086	8,080

Carry Forward Reserve

This reserve allows for the carry forward of budgets between financial years in accordance with the County Council's budget management arrangements, subject to Cabinet approval.

Capital Reserve

This reserve has been established for the purpose of financing capital expenditure in future years.

Business Rates Reserve

This reserve is being used to smooth out any volatility in the business rates collected by the District Councils on behalf of the County Council.

Budget Reserve

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.

Transition/Transformation Reserve

This reserve was established as part of the 2016/17 budget process to utilise one-off grant funding from the Government to fund the Council's Fit for the Future transformation programme.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

45. Useable Capital Receipts

	2015/16 £'000	2016/17 £'000
Balance as at 1 April	16,078	18,094
Net receipts from sale of assets	1,966	1,856
Net receipts from repayment of loans	50	195
Receipts applied to finance capital expenditure	0	0
Balance as at 31 March	18,094	20,145

This reserve has been established for the purpose of financing capital expenditure in future years. Unutilised capital receipts at 31 March 2017 have been earmarked for future schemes.

An analysis of the net capital receipts from the sale of assets is set out in the following table:

	£'000
Shakespeare House, Clapcot Way, Wallingford	931
Other receipts from sale of assets under £500,000	925
Total	1,856

46. 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.

	2015/16 £'000	2015/17 £'000
Balance as at 1 April	49,620	28,870
Applied during the year	-27,729	-4,216
Recognised as income but not applied during the year	6,979	17,531
Balance as at 31 March	28,870	42,185

47. Unusable Reserves

A breakdown of reserves within the unusable reserves category on the Balance Sheet is set out in the following table.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at 31 March 2016 £'000	Balance at 31 March 2017 £'000
Available-for-Sale Financial Instruments Reserve	1,458	2,262
Pensions Reserve	-756,952	-1,033,469
Revaluation Reserve	142,005	158,413
Capital Adjustment Account	610,734	600,115
Financial Instruments Adjustment Account	-242	-241
Collection Fund Adjustment Account	4,987	6,826
Accumulated Absences Account	-2,329	-3,155
Total	-339	-269,249

Movements on the Pensions Reserve are set out in the Retirement Benefits Note 18.

48. Available for Sale Reserve

The Available for Sale Reserve holds gains/losses arising from the movement in fair value of assets held within the available for sale financial assets category.

2015/16 £'000		2016/17 £'000
1,681	Balance as at 1 April	1,458
23	Increase in value of available for sale financial assets	1,566
0	Decrease in value of available for sale financial assets	-310
-246	Amounts recycled back to the CIES	-452
1,458	Balance as at 31 March	2,262

49. 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

2015/16 £'000			2016/17 £'000	
	97,020	Balance as at 1 April		142,005
57,349		Revaluation of assets	20,695	
-1,289		Impairment of assets	-1,728	
12,653		Write back of accumulated depreciation on revaluations	10,602	
1,857		Write back of accumulated impairment on revaluations	19	
	70,570	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		29,588
-2,397		Difference between fair value depreciation and historical cost depreciation	-2,814	
-23,188		Accumulated gains on assets sold or scrapped	-10,366	
	-25,585	Amounts written off to the Capital Adjustment Account		-13,180
	142,005	Balance as at 31 March		158,413

50. 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

2015/16 £'000			2016/17 £'000	
	611,832	Balance as at 1 April		610,734
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
-30,881		Charges for depreciation for non-current assets	-31,829	
-192		Charges for impairment for non-current assets	-444	
11,702		Revaluation losses/subsequent gains on Property, Plant and Equipment	4,382	
-246		Amortisation of Intangible Assets	-333	
-48,175		Revenue expenditure funded from capital under statute	-45,107	
-102,384		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on derecognition	-69,071	
0		Removal of finance liability on derecognition of assets held under finance leases	8	
	-170,176	Adjusting amounts written out of the Revaluation Reserve:		-142,394
2,397		Difference between fair value depreciation and historical cost depreciation	2,814	
23,188		Accumulated gains on assets sold or scrapped	9,916	
	25,585			12,730
	467,241	Net written out amount of the cost of non-current assets consumed in the year		481,070
		Capital financing applied in the year:		
90,447		Capital grants and contributions credited to the CIES that have been applied to capital financing	97,966	
27,580		Application of grants to capital financing from the Capital Grants Unapplied account	3,715	
		Reversal of grants and contributions applied in previous years		
17,163		Statutory provision for the financing of capital investment charged against the County Fund balance	16,694	
8,272		Capital expenditure charged against the County Fund balance	844	
-157		Reversal of revenue applied to capital financing in previous years	-16	
	143,305			119,203
	346	Movements in the market value of Investment Properties debited or credited to the CIES		412
		Amounts of Investment Properties written off on disposal or sale as part of the gain/loss on derecognition		
	524	Movement in the Donated Asset Account credited to the CIES		
	-632	Revaluation losses/subsequent gains on Assets held for Sale		
		Impairment losses on Assets held for Sale		
		Accumulated gains on Assets held for Sale sold or scrapped		450
		Amounts of Assets held for Sale written off on disposal or sale as part of the gain/loss on derecognition		-825
	-50	Repayment of loans treated as capital receipts		-195
	610,734	Balance as at 31 March		600,115

NOTES TO THE CORE FINANCIAL STATEMENTS

51. 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:

2015/16 £'000		2016/17 £'000
4,593	Balance as at 1 April	4,987
-670	Decrease in Council Tax and Business Rate surpluses/increases in deficits	-118
1,064	Increases in Council Tax and Business Rate surpluses/reductions in deficits	1,957
394	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	1,839
4,987	Balance at 31 March	6,826

52. 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 balance at 31 March 2017 relates to teachers' accumulated holiday pay, no accruals have been made for non-teaching staff in 2016/17 as the amounts involved are not considered to be material to the accounts. The balance for teachers' accumulated holiday pay has increased because of the Easter 2017 holiday all falling in the 2017/18 financial year.

2015/16 £'000		2016/17 £'000	
-4,314	Balance at 1 April		-2,329
4,314	Settlement or cancellation of previous year's accrual	2,329	
-2,329	Amount accrued at the end of the current year	-3,155	
1,985	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute		-826
-2,329	Balance at 31 March		-3,155

NOTES TO THE CORE FINANCIAL STATEMENTS

53. 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:

	2015/16 £'000	2016/17 £'000
Depreciation/amortisation of fixed assets	-31,127	-32,162
Impairment charges/revaluation losses	10,878	3,938
Retirement benefit adjustments	-22,444	-15,205
Debt write-offs and Impairment allowances	-1,363	-658
Other financial instrument adjustments	266	454
Provisions set aside in the year	-1,609	1,148
Deferred income released	335	330
Movement in value of investment properties	347	412
Carrying amount of non-current asset sold	-102,384	-69,888
Transfers from Capital Grants Receipts in Advance	63,033	35,599
Previous years' capitalised spend written-off	-157	-16
Donated assets	524	0
Increase/decrease(-) in inventories	-55	0
Increase/decrease(-) in debtors	-1,993	11,314
Increase(-)/decrease in creditors	12,315	-5,325
Total adjustments for non-cash movements	-73,434	-70,059

54. Cash Flow Statement – Operating Activities

The cash flows for operating activities are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16 £'000		2016/17 £'000	
350,070	Cash outflows	340,914	
518,305	Cash paid to and on behalf of employees	494,708	
868,375	Other operating costs		835,622
	Cash inflows		
-295,725	Council Tax receipts	-312,751	
-29,527	Non-domestic rate income	-26,780	
-62,305	Revenue Support Grant	-39,331	
-37,085	Business Rates Top-Up Grant	-37,394	
-349,195	Other government grants and contributions	-341,869	
-61,436	Other cash received for goods and services	-67,896	
-835,273			-826,021
	Cash outflows		
19,993	Interest paid	17,614	
-1	Interest element of finance lease rental payments	1,985	
19,992			19,599
	Cash Inflows		
-3,114	Interest received		-3,717
49,980	Total operating activities		25,483

Payments on behalf of employees have reduced primarily due to the conversion of schools to academies.

55. Cash Flow Statement – Investing Activities

The following table provides a breakdown of the items within the Investing Activities line of the Cash Flow Statement.

	2015/16 £'000	2016/17 £'000
Purchase of property, plant and equipment, investment property and intangible assets	72,728	68,151
Purchase of short-term and long-term investments	312,895	211,041
Other payments for investing activities	1,562	889
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-1,966	-1,856
Capital grants	-119,938	-109,790
Proceeds from short-term and long-term investments	-312,266	-237,452
Other receipts from investing activities	-249	-181
Total investing activities	-47,234	-69,198

56. Cash Flow Statement – Financing Activities

A breakdown of the items within the Financing Activities line in the Cash Flow Statement is as follows:

	2015/16 £'000	2016/17 £'000
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	786	863
Repayments of short- and long-term borrowing	6,000	8,000
Other payments for financing activities	0	0
Total financing activities	6,786	8,863

57. Contingent Liabilities and Assets

Construction of Children's Homes

The County Council is seeking £0.9m in liquidated damages from a contractor for delays in the construction of new children's homes.

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. The current levy of 25% has been paid against settled claims, therefore as at 31 March 2017 the Council has a potential liability of £3.032m remaining on previously settled claims, plus the value of any outstanding and future claims. On Actuarial advice a further 25% of the total known liability has been secured against future clawback over the longer term.

Nettlebed School Site

The County Council sold the site some years ago and held the proceeds of sale free from any trust under the School Sites Acts. A claim has now been issued (23 March 2017) from the purported beneficiaries of those sale proceeds. Counsel's Advice had been received prior to the issue of proceedings that the Council's use of the funds for further education purposes was legitimate. The claim for the proceeds of sale could be in the region of £1.35m. Proceedings were threatened some years ago but never materialised. We are currently drafting our defence to the claim and will seek to resist repayment of the monies.

58. Material Post Balance Sheet Events

Events after the balance sheet date have been considered up until 23 August 2017, when the accounts were authorised for issue.

Eleven schools converted to academy status since 31 March 2017, only six of which are recognised on the County Council's balance sheet. The value of Property, Plant and Equipment that is expected to transfer to the academy trusts during 2017/18 relating to these schools is £18.233m.

59. 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 2017/18 (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 (2016/17).

The 2017/18 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 2017. The new or revised financial standards are:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration (for pension funds)

The likely impact of these changes is reported in the Oxfordshire Pension Fund financial statements at Note 29.

In addition to the changes to financial standards outlined above, CIPFA/LASAAC has introduced specific principles based reporting requirements for narrative reporting into the 2017/18 Code. The format and content of the Director of Finance's Narrative Report is likely to change in future years to meet these new requirements.

The change to the basis of measuring highways assets that had been included in the 2016/17 Code and deferred until 2017/18 in the 2016/17 Code Update has now been withdrawn altogether. Highways assets will continue to be recognised at historical cost.

60. Authorisation of the Accounts

The Statement of Accounts was authorised for issue by Lorna Baxter, Director of Finance on 23 August 2017.

FIRE-FIGHTERS' PENSION FUND ACCOUNTS: FUND ACCOUNT

Fund Account for the year ended 31 March

Fund Account	2015/16 £'000	2016/17 £'000
-		
Contributions Receivable		
From employer		
- normal	-1,698	-1,615
- early retirements	0	0
Other (ill health retirement contribution)	-54	-54
From members	-1,624	-1,419
	-3,376	-3,088
Transfers in	0	-21
Benefits Payable		
Pensions	4,899	4,972
Commutations and lump sum retirement benefits	1,811	609
Lump sum death benefits	24	0
Other (ill health lump sums)	102	0
	6,836	5,581
Payments to and on account of leavers		
Individual transfers out to other schemes	82	0
	82	0
Miscellaneous		
Annual Allowance Charge	71	0
Interest Payments	112	0
Refunds due to employee contribution holiday (including interest)	0	64
	183	64
Net amount payable/receivable for the year before top-up grant receivable/amount payable to sponsoring department	3,725	2,536
Top-up grant receivable	-3,725	-2,536
Net amount payable/receivable for the year	0	0

FIRE-FIGHTERS' PENSION FUND ACCOUNTS: NET ASSETS STATEMENT

Net Assets Statement	2015/16 £'000	2016/17 £'000
Net Current Assets and Liabilities		
Contributions due from employer	18	0
Pension top-up grant receivable from sponsoring department	1,073	0
Other Current Assets	12	0
Pension top-up grant payable to sponsoring department	0	-492
Other current liabilities (other than liabilities to pay pensions and other benefits in the future)	-8	-11
Cash balance	-1,095	503
Total	0	0

1. Basis of Preparation

The fund reflects the financial arrangements relating to the 1992, 2006, 2015 and Retained Modified Firefighters Pension Schemes and the refund payments arising from the employee contribution holiday provision.

The financial arrangements for the Firefighters Pension Scheme 1992 were made in exercise of the power conferred by section 26 of the Fire Services Act 1947, for the Firefighters Pension Scheme 2006 and the Firefighters Pension Scheme 2015 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 firefighters but not pension credit members, of the 1992, 2006, 2015 and Retained Modified Firefighters' 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 firefighters but not pension credit members of the 1992, 2006, 2015 and Retained Modified Firefighters' Pension Schemes towards their future pension liability into their pension funds.

The Retained Modified Scheme is open to those individual employed as retained Firefighters between 1 July 2000 to 5 April 2006. These could be current firefighters, firefighters who left the service, or who left the service and are in receipt of a pension or in receipt of ill health retirement benefits. The scheme allows the fire fighters eligible to join the scheme to pay for historic contributions either as a lump sum, periodical contributions or by commuted lump sum.

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 2016/17.

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 (Home Office) 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

NOTES TO THE FIRE-FIGHTERS' PENSION FUND ACCOUNTS

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 2017.

	1992 Scheme	2006 Scheme	2015 Scheme
Contributors	53	23	461
Pensioners	304	35	2
Preserved Pensions	39	332	51

Note: The 2006 Scheme membership data includes those in the Fire Fighters Retained Modified Pension Scheme 2006.

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 18 to the core financial statements.

9. Employee contribution holiday payments

The Government has introduced an employee contributions holiday for 1992 Scheme members who accrue the maximum 30 years' pensionable service prior to age 50. The majority of 1992 Firefighters' Pension Scheme members found eligible for refund payments under the employee contribution holiday provision from 1 December 2006 to 29 September 2016 have been refunded their contributions along with interest in 2016/17 and the remaining payments are expected to be made in 2017/18.

THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS: FUND ACCOUNT

Fund Account for the Year Ended 31 March 2017			
	Notes	2016 £'000	2017 £'000
Contributions and Benefits			
Contributions Receivable	6	-87,895	-87,845
Transfers from Other Schemes	7	-4,325	-6,535
Other Income	8	-390	-336
Income Sub Total		-92,610	-94,716
Benefits Payable	9	77,044	77,879
Payments to and on Account of Leavers	10	4,947	11,711
Management Expenses	11	8,751	9,203
Other Expenses		0	0
Expenditure Sub Total		90,742	98,793
Net (Additions)/Withdrawals From Dealings With Members		-1,868	4,077
Returns on Investments			
Investment Income	12	-26,869	-29,128
Commission Recapture		-2	-2
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	31,791	-390,036
Less Taxes on Income	12	138	258
Net returns on Investments		5,058	-418,908
Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		3,190	-414,831
Opening Net Assets of the Scheme		1,845,479	1,842,289
Closing Net Assets of the Scheme		1,842,289	2,257,120

THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS: NET ASSETS

Net Assets as at 31 March 2017			
	Notes	2016 £'000	2017 £'000
Investment Assets			
Bonds	16b	185,882	202,883
Equities	16b	621,770	780,002
Pooled Investments	16b	818,097	1,031,626
Pooled Property Investments	16b	142,259	144,421
Derivative Contracts	16c	758	522
Cash Deposits	16d	6,113	8,027
Other Investment Balances	16d	8,760	10,404
Investment Liabilities			
Derivative Contracts	16c	-1,295	-441
Other Investment Balances	16d	-3,467	-3,266
Total Investments		1,778,877	2,174,178
Assets and Liabilities			
Current Assets	17	55,706	77,612
Current Liabilities	18	-3,021	-3,404
Net Current Assets		52,685	74,208
Long-Term Assets	19	10,727	8,734
Net Assets of the scheme available to fund benefits at year end		1,842,289	2,257,120

Note 1 – Description of the fund

This description of the fund is a summary only. Further details are available in the Fund's 2016/17 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. 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 2016.

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:

	As at 31 March 2016	As at 31 March 2017
Number of Contributory Employees in Scheme		
Oxfordshire County Council	11,674	9,369
Other Scheduled Bodies	10,885	9,599
Admitted Bodies	1,047	829
	23,606	19,797
Number of Pensioners and Dependants		
Oxfordshire County Council	8,214	8,478
Other Scheduled Bodies	4,949	5,167
Admitted Bodies	819	867
	13,982	14,512
Deferred Pensioners		
Oxfordshire County Council	14,161	17,277
Other Scheduled Bodies	7,002	10,053
Admitted Bodies	928	1,180
	22,091	28,510

For 2016/17 unprocessed leavers have been classified as Deferred Pensioners rather than Contributory Employees.

Three Scheduled Bodies, all of which are Academies, two Resolution Bodies, plus fifteen Admitted Bodies, joined the scheme in 2016/17. In addition two admitted bodies left the scheme and two scheduled bodies formed a multi-academy trust in 2016/17. 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 or were small.

Funding

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The contribution from employees is prescribed by statute, and for the year ending 31 March 2017 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 2016 and determined the contribution rates to take effect from 1 April 2017. Employer contribution rates currently range from 10.1% 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.

	Service Pre 1 April 2008	Service Post 31 March 2008
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 2016/17.

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 158.

Note 3 – Summary of Significant Accounting Policies

Investments

- Investments are shown in the accounts at market value, which has been determined as follows:

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

- (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 2017.
- (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 2017.
- (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 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.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 2017.

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.

Listed Private Equity

9. The fund holds a number of investments in listed private equity companies. These are included 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. 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.

Management Fees

10. Management fees have been accounted for based on the latest guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA). Fees have been accounted for where the pension fund has a direct contractual obligation to pay them. This means where fees are deducted in a pooled fund they have been accounted for, but in a fund of funds the fees for the underlying funds are not included only those the pension fund pays to the fund of funds manager. This is a change from how management fees were previously accounted for where only fees that were invoiced to the fund were included.

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 2017 was £74.995m (£69.374m at 31 March 2016). All of the unquoted private equity investments at 31 March 2017 are included within the pooled investments category in the net assets statement.

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 £3,596m. 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 £74.995m. There is a risk these investments are under, or overstated in the accounts.

Note 6 – Contributions

	2015/16 £'000	2016/17 £'000
Employers		
Normal	-46,230	-47,561
Augmentation	0	0
Deficit Funding	-18,254	-17,620
Costs of Early Retirement	-2,047	-967
	-66,531	-66,148
Members		
Normal	-21,010	-21,429
Additional *	-354	-268
	-21,364	-21,697
Total	-87,895	-87,845

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.

*Local Government Scheme Additional Employees contributions are invested within the Fund, unlike AVCs which are held separately, as disclosed in Note 23.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

	Employer Contributions		Members Contributions	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
Oxfordshire County Council	-30,260	-28,343	-9,441	-9,139
Scheduled Bodies	-32,520	-34,209	-10,659	-11,339
Resolution Bodies	-745	-772	-225	-231
Community Admission Bodies	-1,639	-1,551	-583	-541
Transferee Admission Bodies	-1,367	-1,273	-456	-447
Total	-66,531	-66,148	-21,364	-21,697

Note 7 – Transfers In

	2015/16 £'000	2016/17 £'000
Individual Transfers In from other schemes	-4,325	-6,535
Total	-4,325	-6,535

Note 8 – Other Income

Other Income for 2016/17 of £0.336m includes £0.311m reflecting 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.

Note 9 – Benefits

	2015/16 £'000	2016/17 £'000
Pensions Payable	62,029	64,091
Lump Sums – Retirement Grants	13,715	11,361
Lump Sums – Death Grants	1,300	2,427
Total	77,044	77,879

	Pensions Payable		Lump Sums	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
Oxfordshire County Council	31,084	32,169	7,848	6,158
Scheduled Bodies	27,155	27,910	5,807	6,450
Resolution Bodies	504	528	222	138
Community Admission Bodies	2,909	3,034	924	628
Transferee Admission Bodies	377	450	214	414
Total	62,029	64,091	15,015	13,788

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 10 – Payment to and on account of leavers

	2015/16 £'000	2016/17 £'000
Refunds of Contributions	160	297
Payments for members joining state scheme	-18	-32
Group Transfers Out to other schemes	153	6,484
Individual Transfers Out to other schemes	4,652	4,962
Total	4,947	11,711

Note 11 – Management Expenses

	2015/16 £'000	2016/17 £'000
Administrative Costs	1,293	1,223
Investment Management Expenses	7,069	7,374
Oversight & Governance Costs	389	606
Total	8,751	9,203

A further breakdown of investment management expenses is provided in Note 13.

Note 12 – Investment Income

	2015/16 £'000	2016/17 £'000
Bonds	-3,398	-3,271
Equity Dividends	-19,959	-21,726
Pooled Property Investments	-2,855	-3,096
Pooled Investments – Unit Trusts & Other Managed Funds	-385	-770
Interest on Cash Deposits	-191	-215
Other – Securities Lending	-81	-46
Other – Underwriting Commission	0	-4
	-26,869	-29,128
Irrecoverable Withholding Tax - Equities	138	258
Total	-26,731	-28,870

Note 13 – Investment Management Expenses

	2015/16 £'000	2016/17 £'000
Management Fees	7,007	7,306
Custody Fees	62	68
Total	7,069	7,374

Investment Manager & Custody Fees are generally calculated on a fixed scale basis with applicable rates applied to the market value of the assets managed. See Note 3 for details of the accounting treatment of management fees for 2016/17.

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 £0.046m in 2016/17 (2015/16 £0.081m). This is included within investment income in the Pension Fund Accounts. At 31 March 2017 £18.975m of stock was on loan, for which the fund held £19.436m 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) are the key management personnel involved with the Pension Fund. During 2016/17, 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 £0.108m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2015/16 £'000	2016/17 £'000
Short Term Benefits*	49	99
Long Term/Post Retirement Benefits	8	9
Total	57	108

* 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 2017, employer contributions to the Pension Fund from the County Council were £28.343m (2015/16 £30.260m). At 31 March 2017 there were receivables in respect of contributions due from the County Council of £3.245m (2015/16 £3.168m) and payables due to the County Council of £0.128m (2015/16 £0.069m) for support services.

The County Council was reimbursed £1.195m (2015/16 £1.018m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 16 – Investments

	Value at 31 March 2016 £'000	Value at 31 March 2017 £'000
Investment Assets		
Bonds	185,882	202,883
Equities	621,770	780,002
Pooled Investments	818,097	1,031,626
Pooled Property Investments	142,259	144,421
Derivatives:		
- Forward Currency Contracts	758	522
Cash Deposits	6,113	8,027
Investment Income Due	4,702	4,303
Amounts Receivable for Sales	4,058	6,101
Total Investment Assets	1,783,639	2,177,885
Investment Liabilities		
Derivatives:		
- Forward Currency Contracts	-1,295	-441
Management Expenses Due	-976	-1,446
Amounts Payable for Purchases	-2,491	-1,820
Total Investment Liabilities	-4,762	-3,707
Net Investment Assets	1,778,877	2,174,178

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 16a – Reconciliation of Movements in Investments and Derivatives

	Value at 1 April 2016	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	185,882	252,654	-262,388	26,735			202,883
Equities	621,770	137,835	-140,795	161,192			780,002
Pooled Investments	818,097	24,708	-15,065	203,886			1,031,626
Pooled Property Investments	142,259	10,596	-12,909	4,475			144,421
<u>Derivative Contracts</u>							
FX	-537	615,454	-607,105	-7,731			81
<u>Other Investment Balances</u>							
Cash Deposits	6,113	32,346	-23,805	1,479	-8,106		8,027
Amounts Receivable for							
Sales of Investments	4,058					2,043	6,101
Investment Income Due	4,702					-399	4,303
Amounts Payable for							
Purchases of Investments	-3,467					201	-3,266
Total	1,778,877	1,073,593	-1,062,067	390,036	-8,106	1,845	2,174,178

Included within the above purchases and sales figures are transaction costs of £0.451m. 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.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

	Value at 1 April 2015	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	179,881	329,833	-329,398	5,566			185,882
Equities	643,335	120,766	-106,010	-36,321			621,770
Pooled Investments	839,010	7,869	-14,399	-14,383			818,097
Pooled Property Investments	111,462	23,387	-9,748	17,158			142,259
<u>Derivative Contracts</u>							
FX	1,205	1,112,306	-1,110,020	-4,028			-537
<u>Other Investment Balances</u>							
Cash Deposits	7,332	15,096	-14,719	217	-1,813		6,113
Amounts Receivable for Sales of Investments	3,090					968	4,058
Investment Income Due	3,918					784	4,702
Amounts Payable for Purchases of Investments	-4,249					782	-3,467
Total	1,784,984	1,609,257	-1,584,294	-31,791	-1,813	2,534	1,778,877

Note 16b – Analysis of Investments (Excluding Derivative Contracts)

Bonds

	2015/16 £'000	2016/17 £'000
UK Public Sector	49,510	52,848
UK Other	-	-
Overseas Public Sector	43,710	45,331
UK Public Sector Index Linked	92,662	104,704
Total	185,882	202,883

Equity Investments

	2015/16 £'000	2016/17 £'000
UK listed equities	430,437	523,881
Overseas Listed Equities:		
North America	132,225	168,498
Japan	17,777	11,630
Europe	36,670	49,646
Pacific Basin	-	3,138
Emerging Markets	4,661	23,209
Total	621,770	780,002

Pooled Investment Vehicles

	2015/16 £'000	2016/17 £'000
UK Registered Managed Funds – Property	26,019	26,118
Non UK Registered Managed Funds – Property	19,449	20,609
UK Registered Managed Funds – Other	428,705	530,889
Non UK Registered Managed Funds – Other	148,384	175,378
UK Registered Property Unit Trusts	84,741	77,074
Non UK Registered Property Unit Trusts	12,050	20,620
Non UK Registered Unit Linked Insurance Fund	241,008	325,359
Total	960,356	1,176,047

Total Investments (excluding derivative contracts)

	2015/16 £'000	2016/17 £'000
	1,768,008	2,158,932

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.

Forward Foreign Exchange (FX)

The scheme had open FX contracts at the year-end as follows:

Contract	Settlement Date	Currency Bought	Currency Sold	Asset value At year end £'000	Liability value at year end £'000	Net Forward currency Contracts £'000
		'000	'000			
Forward OTC	1 month	1,510 EUR	1,286 GBP	7		
Forward OTC	2 month	19,892 GBP	23,400EUR		-143	
Forward OTC	2 month	6,088 GBP	867,000 JPY		-139	
Forward OTC	2 month	11,046 GBP	13,800 USD	22		
Forward OTC	2 month	18,526GBP	30,400 AUD	14		
Forward OTC	2 month	2,000 EUR	1,708 GBP	4		
Forward OTC	2 month	3,640 EUR	3,129 GBP		-13	
Forward OTC	5 months	20,518 GBP	23,415 EUR	408		
Forward OTC	2 month	2,606 GBP	3,190 USD	58		
Forward OTC	1 month	8,000 USD	6,472 GBP		-80	
Forward OTC	5 months	356 GBP	410 EUR	4		
Forward OTC	1 month	2,090EUR	1,814 GBP		-25	
Forward OTC	1 month	6,436 GBP	8,100 USD		-36	
Forward OTC	1 month	622 USD	69,089JPY	5	-3	
Forward OTC	1 month	591 USD	66,072 JPY		-2	
Forward Currency Contracts at 31 March 2017				522	-441	81
Prior Year Comparative						
Forward Currency contracts at 31 March 2016				758	-1,295	-537

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 16d – Other Investment Balances

	2015/16 £'000	2016/17 £'000
<u>Receivables</u>		
Sale of Investments	4,058	6,100
Dividend & Interest Accrued	4,662	4,246
Inland Revenue	34	54
Other	6	4
	8,760	10,404
<u>Payables</u>		
Purchase of Investments	-2,491	-1,820
Management Fees	-963	-1,431
Custodian Fees	-13	-15
	-3,467	-3,266
Total	5,293	7,138

Cash Deposits

	2015/16 £'000	2016/17 £'000
Non-Sterling Cash Deposits	6,113	8,027
Total	6,113	8,027

The following investments represent more than 5% of the net assets of the scheme

	2015/16 £'000	% of Total Fund	2016/17 £'000	% of Total Fund
UBS Life Global Equities All Countries Fund	241,008	13.08	325,359	14.41
L&G World (ex-UK) Equity Index	154,912	8.41	207,026	9.17
L&G UK FTSE100 Equity Index	146,384	7.95	181,237	8.03
L&G Core Plus Bond Fund	113,220	6.15	125,708	5.57

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 17 – Current Assets

2016/17	Central Gov't Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Receivables:						
Employer Contributions	2,973	3,506	2	0	1,041	7,522
Employee Contributions	262	1,129	1	0	397	1,789
Rechargeable Benefits	74	1,083	0	0	13	1,170
Transferred Benefits	7	485	0	0	47	539
Costs of Early Retirement	49	211	0	0	169	429
Inland Revenue	11	0	0	0	0	11
Other	68	96	0	0	72	236
Cash Balances					65,916	65,916
Total	3,444	6,510	3	0	67,655	77,612

2015/16	Central Gov't Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Receivables:						
Employer Contributions	2,884	3,438	16	0	977	7,315
Employee Contributions	243	1,097	5	0	361	1,706
Rechargeable Benefits	104	101	0	0	16	221
Transferred Benefits	0	150	0	0	16	166
Costs of Early Retirement	42	216	0	0	230	488
Inland Revenue	117					117
Other	30	954	0	0	96	1,080
Cash Balances					44,613	44,613
Total	3,420	5,956	21	0	46,309	55,706

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 18 – Current Liabilities

2016/17	Central Government Bodies £'000	Local Authorities £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Transferred Benefits	-39	-252	0	-58	-349
Benefits Payable	0	-22	0	-1,326	-1,348
Inland Revenue	-1,119	0	0	0	-1,119
Costs of Early Retirement	-391	0	0	0	-391
Staff Costs	0	-70	0	0	-70
Consultancy	0	-5	0	-29	-34
Other	-1	-36	-10	-46	-93
Total	-1,550	-385	-10	-1,459	-3,404

2015/16	Central Government Bodies £'000	Local Authorities £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Transferred Benefits	-80	0	0	-525	-605
Benefits Payable	-22	0	0	-937	-959
Inland Revenue	-885	0	0	0	-885
Costs of Early Retirement	-391	0	0	0	-391
Staff Costs	0	-67	0	-2	-69
Consultancy	0	-13	0	-22	-35
Other	-4	-24	-9	-40	-77
Total	-1,382	-104	-9	-1,526	-3,021

Note 19 – Long-Term Assets

2016/17	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Employer Contributions	8,103	0	0	0	20	8,123
Costs of Early Retirement	65	299	0	0	247	611
Total	8,168	299	0	0	267	8,734

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

2015/16	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Employer Contributions	9,977				24	10,001
Costs of Early Retirement	67	427	0	0	232	726
Total	10,044	427	0	0	256	10,727

Long-Term assets for 2016/17 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 £2,056.941m as at 31 March 2017. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager:

Fund Manager	31/03/2016		31/03/2017	
	Market Value £'000	%	Market Value £'000	%
Baillie Gifford	338,290	20.16	411,258	19.99
Legal & General	602,360	35.90	722,543	35.13
UBS	356,440	21.24	444,117	21.59
Wellington	216,560	12.91	287,234	13.97
Insight	79,010	4.71	100,383	4.88
Adams Street Partners	34,376	2.05	41,395	2.01
Partners Group	50,914	3.03	50,011	2.43
Total	1,677,950	100.00	2,056,941	100.00

Note 21 – Top 5 Holdings

Value of the Fund's Top Five Holdings at 31 March 2017	£'000	% of Fund
Electra Private Equity	47,178	2.09
HG Capital Trust	30,402	1.35
British American Tobacco	26,303	1.17
Royal Dutch Shell	24,560	1.09
Ashtead Group	16,802	0.74

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

	Market Value 31 March 2016 £'000	Market Value 31 March 2017 £'000
Prudential	13,881	14,220

AVC contributions of £1.557m were paid directly to Prudential during the year. (2015/16 - £1.392m).

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. In 2013/14 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 seven years, though the maximum payment has been calculated as approximately £0.140m plus pensions increase.

As at 31 March 2017 the fund had outstanding capital commitments (investments) totalling £35.878m (31 March 2016 - £39.511m). 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 – Investment Strategy Statement

Oxfordshire County Council Pension Fund has an Investment Strategy Statement. 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 webpage.

Note 26 - Actuarial Present Value of Promised Retirement Benefits

	2016 £'000	2017 £'000
Present Value of Funded Obligation	2,863,405	3,595,746

Present Value of Funded Obligation consists of £3,472.669m (2016 – £2,784.675m) in respect of Vested Obligation and £123.077m (2016 – £78.730m) in respect of Non-Vested Obligation. The movement from March 2016 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 £123.904m (2016 - £134.859m increase).

There has been an increase in the present value of the Funded Obligation of £608.437m (2016 - £212.197m decrease) reflecting changes in the actuarial assumptions as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- An increase in the assumed level of CPI and therefore pension increase from 2.3% to 2.7% (net effect an increase in Present Value of Funded Obligation)
- An increase in the assumed level of salary increases from 4.1% to 4.2% (net effect an increase in Present Value of Funded Obligation)
- A reduction in the discount factor from 3.6% to 2.8% (net effect an increase in Present Value of Funded Obligation).

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

	2015/16			2016/17		
	Fair Value through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000
Financial Assets						
Fixed Interest Securities	93,220			98,178		
Index Linked Securities	92,662			104,704		
Equities	621,770			780,002		
Pooled Investments	818,097			1,031,626		
Pooled Property Investments	142,259			144,421		
Derivatives	758			522		
Cash		50,726			73,943	
Other Investment Balances	8,727			10,350		
Receivables		137			181	
	1,777,493	50,863	0	2,169,803	74,124	0
Financial Liabilities						
Derivatives	-1,295			-441		
Other Investment Balances	-3,468			-3,266		
Payables			-156			-174
	-4,763	0	-156	-3,707	0	-174
Total	1,772,730	50,863	-156	2,166,096	74,124	-174

Note 27b – Net Gains and Losses on Financial Instruments

	31 March 2016 £'000	31 March 2017 £'000
Financial Assets		
Fair Value through Profit and Loss	-27,980	388,557
Loans and Receivables	217	1,479
Financial Liabilities		
Fair Value through Profit and Loss	-4,028	0
Financial Liabilities Measured at Amortised Cost	0	0
Total	-31,791	390,036

Note 27c – 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.

Level 2 includes pooled funds where the valuation is based on the bid price, where bid and offer prices are published, or the net asset value provided by the issuing fund. Within Level 2 there are also listed private equity investments where the market for the security is not deemed active; for these investments the valuation is based on the most recently available bid price 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 underlying fund investments. The valuations are obtained from the audited financial statements of the issuing funds and are adjusted for cashflows where data does not cover the full financial year for the Pension Fund. 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. These listed private equity investments are valued using the most recently available bid price in the market.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	927,044	1,136,541	106,218	2,169,803
Loans and Receivables	74,124	0	0	74,124
Total Financial Assets	1,001,168	1,136,541	106,218	2,243,927
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	-3,266	-441	0	-3,707
Financial Liabilities at Amortised Cost	-174	0	0	-174
Total Financial Liabilities	-3,440	-441	0	-3,881
Net Financial Assets	997,728	1,136,100	106,218	2,240,046

Value at 31 March 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	766,847	909,725	100,921	1,777,493
Loans and Receivables	50,863	0	0	50,863
Total Financial Assets	817,710	909,725	100,921	1,828,356
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	-3,468	-1,295	0	-4,763
Financial Liabilities at Amortised Cost	-156	0	0	-156
Total Financial Liabilities	-3,624	-1,295	0	-4,919
Net Financial Assets	814,086	908,430	100,921	1,823,437

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Reconciliation of Movement in Level 3 Financial Instruments

Level 3 Investments	UK Equities £'000	Pooled Private Equity Funds £'000	Pooled Property Funds £'000
Market Value 31 March 2016	3,008	69,374	28,539
Transfers In	0	0	0
Transfers Out	0	0	0
Purchases	500	5,787	1,870
Sales	-15,073	-14,616	-5,233
Unrealised Gains/(Losses)	13,062	11,153	3,598
Realised Gains/(Losses)	452	3,797	0
Market Value 31 March 2017	1,949	75,495	28,774

Level 3 Sensitivities

Level 3 Investments	Valuation Range +/-	Value at 31 March 2017 £'000	Valuation on Increase £'000	Valuation on Decrease £'000
UK Equities	15%	1,949	1,657	2,241
Pooled Private Equity Funds	15%	75,495	64,171	86,819
Pooled Property Funds	5%	28,774	27,335	30,213

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 triennial Fund Valuation which reviews the assets and liabilities of the Fund, and resets employer contribution rates to target a 100% Funding Level. The 2016 Valuation estimated that the current Funding Level is 90%, and set contribution rates to address the deficit over the next 22 years.
- The Investment Strategy Statement 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 Investment Strategy Statement.
- 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 Investment Strategy Statement 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, as was the case following the 2016 valuation. 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.
- The Fund's ESG Policy.

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 2016 Valuation undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.1% per annum in the discount rate would move the calculated funding level from 90% down to 88% or up to 91%. A change in the CPI assumption of 0.1% per annum would lead to a reduction in the funding level to 89% or an increase to 91%. A change to the rate of mortality improvement of 0.25% would move the funding level down to 89% or up to 91%.

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.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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.

At 31 March 2017 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2016	31 March 2017
	£'000	£'000
UK Government Gilts	49,510	52,848
UK Corporate Bonds	113,220	125,708
UK Index Linked Gilts	92,662	104,704
Overseas Government Bonds	43,710	45,331
Non-Sterling Cash Deposits	6,113	8,027
Cash Balances	44,613	65,916
Total	349,828	402,534

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 2017 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2016	Rating	Balance as at 31 March 2017
		£'000		£'000
Money Market Funds				
Standard Life	AAA	7,187	AAA	22,500
Bank Current Accounts				
Lloyds Bank Plc	A+	7,213	A+	5,069
BNP Paribas	A	36,326	A+	46,374
Total		50,726		73,943

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 2016/17 the Pension Fund received/accrued income related to dealings with members of £94.7m (2015/16 - £92.6m) and incurred expenditure related to dealings with members of £98.8m (2015/16 - £87.9m). There were further receipts/accruals of £29.1m (2015/16 - £26.9m) in respect of investment income, against which need to be set taxes of £0.3m (2015/16 - £0.1m). The net inflow was therefore £24.7m (2015/16 - £31.5m).

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 has also looked at longer-term cashflow forecasts to gain a greater understanding of when the balance of pension payments and contributions may become negative so as to consider how this may affect the Fund's investment strategy in the future.

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 continuing 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 or benefits payable in the region of 25%. Movements of this scale are deemed highly unlikely in the medium-term. The Pension Fund will seek to mitigate these risks through working with employers to understand the potential for any significant membership changes and by monitoring the fund's cashflows. The fund will also provide advice to the Government on the impact of any proposals for change, as well providing 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.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 2017	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	8,027	80	-80
Cash Balances	65,916	659	-659
Bonds	328,591	3,286	-3,286
Total Change in Assets Available	402,534	4,025	-4,025

Asset Type	Carrying Amount as at 31 March 2016	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	6,113	61	-61
Cash Balances	44,613	446	-446
Bonds	299,102	2,991	-2,991
Total Change in Assets Available	349,828	3,498	-3,498

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

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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).

The table below shows the impact a 10.0% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits.

This analysis assumes that all other variables remain constant.

Currency Exposure - Asset Type	Asset Values as at 31 March 2017	Change in Year in the Net Assets Available to Pay Benefits	
		+10.0%	-10.0%
	£'000	£'000	£'000
Overseas Equities	256,121	25,612	-25,612
Pooled Overseas Equities	532,385	53,238	-53,238
Pooled Private Equity (LLPs)	70,797	7,080	-7,080
Pooled Property	41,228	4,123	-4,123
Cash	8,027	803	-803
Total Change in Assets Available	908,558	90,856	-90,856

Currency Exposure - Asset Type	Asset Values as at 31 March 2016	Change in Year in the Net Assets Available to Pay Benefits	
		+12.9%	-12.9%
	£'000	£'000	£'000
Overseas Equities	191,333	24,634	-24,634
Pooled Overseas Equities	395,920	50,975	-50,975
Pooled Private Equity (LLPs)	65,841	8,477	-8,477
Pooled Property	31,499	4,055	-4,055
Cash	6,113	787	-787
Total Change in Assets Available	690,706	88,928	-88,928

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.

The effect of various movements in market price are presented in the table below along with the effect on total assets available to pay benefits assuming all other factors remain constant:

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Asset Type	Value as at 31 March 2017 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
UK Equities	677,488	15.0	779,110	575,864
Pooled UK Equities (Small Cap)	16,916	15.0	19,454	14,379
Global Equities	283,753	15.0	326,315	241,189
Diversified Growth Fund	100,383	5.0	105,402	95,364
Pooled Global Equities	325,360	15.0	374,163	276,556
Pooled Overseas Equities	207,026	15.0	238,080	175,972
UK Bonds	52,848	10.0	58,133	47,563
Overseas Bonds	45,331	10.0	49,864	40,798
UK Index Linked Bonds	104,704	10.0	115,174	94,234
Pooled Corporate Bonds	125,708	10.0	138,279	113,138
Pooled Private Equity (LLPs)	74,995	15.0	86,244	63,746
Pooled Property	144,420	5.0	151,642	137,200
Cash	73,943	0.0	73,943	73,943
Total Assets Available to Pay Benefits	2,232,875		2,515,803	1,949,946

Asset Type	Value as at 31 March 2016 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
UK Equities	555,048	18.4	657,288	452,808
Pooled UK Equities (Small Cap)	14,188	9.8	15,577	12,799
Global Equities	213,106	13.7	242,259	183,953
Diversified Growth Fund	79,010	4.2	82,321	75,700
Pooled Global Equities	241,008	15.8	279,022	202,994
Pooled Overseas Equities	154,912	13.3	175,500	134,324
UK Bonds	49,511	7.8	53,362	45,659
Overseas Bonds	43,710	8.2	47,285	40,134
UK Index Linked Bonds	92,662	13.1	104,838	80,486
Pooled Corporate Bonds	113,221	5.6	119,512	106,929
Pooled Private Equity (LLPs)	69,374	9.8	76,166	62,583
Pooled Property	142,259	1.9	145,031	139,487
Cash	50,726	0.0	50,726	50,726
Total Assets Available to Pay Benefits	1,818,735	12.7	2,048,887	1,588,582

Note 29 – Accounting Standards Issued But Not Yet Adopted

The Pension Fund is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. For the purposes of this disclosure, the standards introduced by the 2017/18 Code that are relevant to the Pension Fund are:

- Amendment to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of investment concentration.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

The Pension Fund has adopted the latest voluntary guidance from CIPFA on the reporting of management costs which also covers transaction costs. Therefore, the Pension Fund already broadly meets the new requirements for reporting of transaction costs. There may be some minor changes to the format for the disclosure of transaction costs as a result of the new requirements.

The amendment to the reporting of investment concentration removes the requirement to report any single investment that represents over 5% of a class or type of security. The requirement to report any single investment exceeding 5% of the net assets available to pay benefits remains.

Neither of the above amendments is anticipated to have a material impact on the values reported in the Pension Fund's financial statements.

Actuarial Valuation

The contribution rates within the 2016/17 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 2017 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	757
West Oxfordshire District Council	14.4	-
Cherwell District Council	13.7	1,595
Oxford City Council	20.6	-
Vale of White Horse District Council	13.1	708
Oxford Brookes University	14.1	1,631

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 value¹ 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:

THE 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.

¹The smoothed market value is the six month average of the market value straddling the valuation date.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORDSHIRE COUNTY COUNCIL

Independent auditor's report to the members of Oxfordshire County Council

Opinion on the Authority and firefighters' pension fund financial statements

We have audited the financial statements and the firefighters' pension fund financial statements of Oxfordshire County Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Notes 1 to 64,
- The firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 9.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Oxfordshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities set out on page 17, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORDSHIRE COUNTY COUNCIL

from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's and the firefighters' pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Oxfordshire County Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORDSHIRE COUNTY COUNCIL

Conclusion on Oxfordshire County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Oxfordshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Oxfordshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Oxfordshire County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Oxfordshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
OXFORDSHIRE COUNTY COUNCIL**

Pension Fund financial statements

On [date] we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2017 included within the Statement of Accounts. *Include this cross-reference only if pension fund opinion is not signed and issued on the same date and within same document as the Authority's financial statements.*

Certificate

We certify that we have completed the audit of the accounts of Oxfordshire County Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Paul King
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
XX September 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORDSHIRE COUNTY COUNCIL

Independent auditor's report to the members of Oxfordshire County Council

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Oxfordshire County Council in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Responsibilities of the Director of Finance set out on page 17, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORDSHIRE COUNTY COUNCIL

Opinion on financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Oxfordshire County Council Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Melissa Hargreaves (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Manchester
xx September 2017

The maintenance and integrity of the Oxfordshire County Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual Governance Statement 2016/17

INTRODUCTION

1. This is Oxfordshire County Council's Annual Governance Statement for 2016/17. It provides:
 - An *opinion* on the Council's governance arrangements from the Council's senior managers and the leader of the Council
 - A review of the *effectiveness* of the Council's governance arrangements
 - A review of the *action plan* from last year's statement
 - An *action plan* for 2017/18
 - An *annex* summarising our governance framework
2. The Statement will be published on the Council's website and will also form part of the Council's Statement of Accounts. The Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015.
3. 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 2016/17 can also be found on our public website at: <http://www.oxfordshire.gov.uk/cms/content/oxfordshire-fire-and-rescue-service-performance>

STATEMENT OF OPINION

It is our opinion that the Council's governance arrangements in 2016/17 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2017/18.

SIGNATURES

Signed on behalf of Oxfordshire County Council:

.....	Date	Date

Peter Clark		Lorna Baxter	
Chief Executive		Director of Finance	
.....	Date	Date

Councillor Ian Hudspeth		Nicholas Graham	
Leader of the Council		Monitoring Officer	

APRIL 2017

SIGNIFICANT GOVERNANCE ISSUES

Progress in 2016/17

4. This is a review of the progress during 2016/17 on the priorities for that year:

Actions that were planned for 2016/17	Timescale, Responsible Officer, Monitoring Body	Progress	Status
Staff supporting, managing and maintaining ICT systems and supplier relationships. Review to be carried out to identify how the systems are being managed and the effectiveness of the controls.	31 December 2016 Caroline Parker (ICT Information Services Manager) and Mike King, ICT Service Transformation Manager Corporate Governance Assurance Group (CGAG).	A review is being undertaken as part of the Business Efficiencies workstream within the Transformation Programme to identify staff, contracts and expenditure outside the control of ICT with the intention to consolidate within ICT. Updated timescale to 30 September 2017.	In progress (risk reduced)
Data reporting and information governance by third party partners and suppliers of services Review to be carried out to verify that our data is being secured, maintained and reported in accordance with agreed service responsibilities.	31 October 2016 Caroline Parker (ICT Information Services Manager) CGAG	The suppliers of the priority 1 systems have been contacted and provided their data governance standards; these are being reviewed and actioned in line with item 3 below. Updated timescale to 31 March 2018.	In progress (risk reduced)
Data quality, duplication and storage De-duplication of data collection and storage prior to migration of data ahead of decommissioning of Data Centre; to include verification that commissioned/partnership	31 October 2016 Caroline Parker (ICT Information Services Manager) CGAG	The Managing Information Effectively proposal was approved at CCMT subject to some revision of timescales for data retention. This will be implemented as part of the Master Data Management initiative within the Transformation	In progress (risk reduced)

ANNUAL GOVERNANCE STATEMENT

Actions that were planned for 2016/17	Timescale, Responsible Officer, Monitoring Body	Progress	Status
services follow Council's data storage policies		Programme. Updated timescale to 31 March 2018.	
<p>Financial Control Improvement Plan</p> <p>Improve the clarity of financial roles, procedures and data issues and the oversight of financial controls – through implementation of a Financial Control Improvement Plan developed in consultation with stakeholders, partners, with the Financial Leadership Team.</p>	<p>31 March 2017 Ian Dyson, Assistant Chief Finance Officer CGAG</p>	<p>The Financial Control Improvement Plan has been incorporated into the Transformation Programme, under the Business Efficiencies workstream. Whilst the principles and key themes of the original plan remain, a strategic approach is being adopted in prioritising the improvements. Regular updates have been reported to the Audit Working Group and the Audit and Governance Committee.</p> <p>The key control improvements set out in the original plan have been completed, with the exception of the following: Financial guidance, procedures and regulations are still being updated and should be completed by the end of May 2017; the automation of the bulk data upload procedure is on-going, implementation of the first automation is still at testing stage, but is due for completion end of April 2017.</p>	<p>In progress (risk reduced)</p>

ANNUAL GOVERNANCE STATEMENT

Actions that were planned for 2016/17	Timescale, Responsible Officer, Monitoring Body	Progress	Status
<p>Commercial Services Board (CSB)</p> <p>To strengthen/extend the role and effectiveness of the CSB (including the quality assurance/management information) through the action plans of the Gateway Review Panel, the Commercial Gateway Process and the work of the dedicated Corporate Procurement Lead.</p>	<p>31 March 2017 Ian Dyson, Assistant Chief Finance Officer</p> <p>CGAG</p>	<p>The development of the Commercial Services Board continues. The Gateway Review process is well established and has added value to the governance process; the Corporate Procurement Lead is providing the support to the Board, which is focussed on the implementation of the recently purchased contract management system. This system and the management information that will be available from it is fundamental to the future operation of the Board.</p>	<p>In Progress</p>
<p>Transformation</p> <p>Organisational transformation necessary during 2016/17 to meet the Council's plans, priorities and challenges (including any changes to senior management structures), will put sound governance at the core – including effective consultation, and legal and constitutional compliance.</p>	<p>31 March 2017 Graham Shaw, Director of Customer Experience</p> <p>CGAG</p>	<p>A Board has been established to oversee the full transformation programme, chaired by the Director of Finance and with Cabinet representation which now meets monthly to ensure progress. The programme has been launched to ensure the Council is “Fit for the Future” with a working investment budget. Three work streams are now operational covering Digital Enablement, Business Efficiency and the Back Office, and the Property Portfolio. In addition, a dedicated Programme of work for Childrens Services will</p>	<p>Completed</p>

ANNUAL GOVERNANCE STATEMENT

Actions that were planned for 2016/17	Timescale, Responsible Officer, Monitoring Body	Progress	Status
		<p>run alongside the 3 work streams. Each work stream has a Senior Management sponsor and dedicated resources and project plans. These plans feature a specific requirement for highlighting the governance implications of each strand. Regular briefings are being provided to Audit & Governance Committee. Monthly updates are now provided to the Council Leadership Team and from April 2017 to Cabinet.</p> <p>Additionally, the Corporate Governance Assurance Group will be monitoring the efficacy of those processes for recognising and addressing the governance issues.</p>	
<p>Health & Safety – repairs and maintenance (R&M) in schools To support schools (community, voluntary controlled, special and maintained nurseries) in the deployment of their delegated funding for R&M. To ensure compliance through the provision of information, training and effective monitoring procedures. Additional action will include schools completing a building</p>	<p>Paul Lundy, County Health and Safety Manager</p> <p>CGAG</p>	<p>To gain greater assurance that schools are meeting their delegated responsibilities, Property and Facilities have instigated an ongoing programme of premises visits to monitor compliance and performance and to inspect repairs and maintenance items.</p> <p>Carillion continue to offer compliance services to schools although only a small number of schools</p>	Completed

ANNUAL GOVERNANCE STATEMENT

Actions that were planned for 2016/17	Timescale, Responsible Officer, Monitoring Body	Progress	Status
<p>maintenance annual return which will be collated as part of the schools H&S Monitoring visit and used to monitor statutory compliance. Completed returns will be feedback to Property and Facilities for review and action.</p>		<p>buy back since the majority appear to prefer to use their own local contractors.</p> <p>The Council continues to offer a traded H&S service to schools which includes monitoring of H&S management.</p> <p>In addition schools can access training including Health and Safety for Managers, Asbestos Awareness, Legionella Awareness etc.</p>	
<p>Corporate Security</p> <p>Implement actions to ensure the ongoing security of the Council's buildings, principally those with public access.</p>	<p>31 March 2017</p> <p>Alexandra Bailey, Director: Property, Assets & Investments.</p> <p>CGAG</p>	<p>Good organisational security as a whole comprises personal, physical and information security. Personal security is maintained within Human Resources and strong vetting and recruitment procedures. Information security is maintained within Information Governance. This action primarily focused on achieving sustainable governance arrangements for overseeing physical security, as applied to our Council buildings and in particular our public-facing environment, including access and perimeter security.</p> <p>The key governance outcome has been to secure corporate oversight of the Council's</p>	<p>Completed</p>

ANNUAL GOVERNANCE STATEMENT

Actions that were planned for 2016/17	Timescale, Responsible Officer, Monitoring Body	Progress	Status
		<p>corporate security – entailing the development, into 2017/18, of a set of actions to improve/maintain security. This oversight also allows effective link-up with other strands of security such as data and information technology.</p> <p>A Corporate Security lead has been established as part of the senior management team. This is Alexandra Bailey, Director: Property, Assets & Investments.</p>	

Action Plan for 2017/18

5. This is an Action Plan of particular governance priorities that the Council will address during 2017/18.

ANNUAL GOVERNANCE STATEMENT

	Action now planned for 2017/18	Timescale for Completion	Responsible Officer	Monitoring Body
1	<p>Business Continuity (BC): Risk relating to key contractor/partner provision (supply chain management), especially where “BAU” already significantly impacts our resource/capacity:</p> <p>supply disrupted protracted recovery provider failure / withdrawal</p> <p>Proposed action: Where key partners / contracts e.g. IBC, Carillion, Skanska may suffer business disruption, promote further work to identify OCC vulnerability and mitigations. Seek BC exercise with key partners around supply disruption, i.e. fuel supply</p>	December 2017	<p>Business Continuity & Resilience Officer</p> <p>Assistant Chief Fire Officer (as Chair of Business Continuity Steering Group)</p>	CGAG

ANNUAL GOVERNANCE STATEMENT

	Action now planned for 2017/18	Timescale for Completion	Responsible Officer	Monitoring Body
2	<p>Business Continuity: Risks relating to organisational structure change:</p> <ul style="list-style-type: none"> • Senior Management Review • subsequent service reorganisation • agile working. <p>Proposed action: Following the Senior Management Review: a) refresh continuity priorities and vulnerabilities with key service continuity requirements i.e. through BIA b) provide training and exercise in major incident response for significant disruption (e.g. loss of site), managing agile pros/cons c) through senior management engagement ensure BC in subsequent reorganisation at service and team levels, including adaptation to agile.</p>	<p>December 2017 = key service prioritisation, strategic training and exercising</p> <p>March 2018 = embedding business continuity</p>	<p>Business Continuity & Resilience Officer</p> <p>& Assistant Chief Fire Officer (as Chair of Business Continuity Steering Group)</p>	CGAG
3.	<p>Corporate Security Implement a programme of actions to integrate and strengthen corporate security of the Council's buildings and essential infrastructure</p>	March 2018	Director of Property and Investment	CGAG
4	<p>Finance Develop, implement and operate a robust debt management strategy, providing clarity over the standards and process for the effective collection of income.</p>	31 December 2017	Assistant Chief Finance Officer	Finance Leadership Team

ANNUAL GOVERNANCE STATEMENT

	Action now planned for 2017/18	Timescale for Completion	Responsible Officer	Monitoring Body
5	Mental Health Address the governance issues arising from the Internal Audit of Mental Health undertaken as part of the 2016/17 Internal Audit plan.	30 September 2017	Seona Douglas, Deputy Director, Adult Social Care.	Adult Social Care Leadership Team
6	Capital Programme Address the governance issues arising from the Internal Audit of the Capital Programme undertaken as part of the 2016/17 Internal Audit Plan.	30 September 2017	Bev Hindle, Strategic Director of Communities / Lorna Baxter, Director of Finance	CGAG
7	Target Operating Model To develop a supporting governance framework in the context of delivering the Better Oxfordshire proposal.	30 September 2017	Maggie Scott, Assistant Chief Executive & Nick Graham, Director of Law and Governance	Council Leadership Team (CLT)

REVIEWING OUR EFFECTIVENESS

6. We have reviewed our overall effectiveness. Key points are that:
- We have made significant progress on implementing our Action Plan for 2016/17 as noted above;
 - Our decision taking processes are clear;
 - Key management roles have continued to be defined and to operate as part of the council's leadership team - Head of Paid Service, Chief Finance Officer, Monitoring Officer and Chief Internal Auditor;
 - A senior management review has been completed , achieving a County Leadership Team that can better deliver good governance for the council's direction of travel and challenges;
 - The council operates within a budget that included a low council tax increase, and delivers year on year savings despite significant financial pressures.
 - Financial management systems and processes are subject to regular review and actions taken where areas for improvement are identified to ensure good value for money is achieved.
 - We monitored key governance issues through a system of Corporate Lead Officers reporting into a Corporate Governance Assurance Group of senior officers and to the council's Audit & Governance Committee,
 - 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.
7. Thus we consider that our governance arrangements are in sound shape given the pressures, scale of change and uncertainty about funding and future structures. The continuing and new plans to improve our governance in 2017/18 will now be our main focus for the year ahead.

Measuring and Managing Service Performance

8. Oxfordshire County Council has used a 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.
9. Accountability for performance runs from the individual to corporate level through directorate leadership teams and then on to the County Council Leadership Team (CLT). Public reports are made to Performance Scrutiny Committee and Cabinet. Performance Scrutiny Committee met 10 times in 2016/17 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.

Compliance, Risks and Complaints & Whistleblowing

Compliance

10. Oxfordshire County Council has used a range of measures to ensure compliance with established policies, procedures, laws and regulations including:
 - Notification of changes in the law, regulations and practice to directorates by Legal Officers;
 - Training carried out by Legal Officers and external experts;
 - The drawing up and circulation of guidance and advice on key procedures, policies and practices;
 - Proactive monitoring of compliance by relevant key officers including the Chief Finance Officer, the Monitoring Officer and the Chief Internal Auditor;
 - A Corporate Governance Strategy for Law and Governance ; 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.
11. Guidance and advice on all our key policies and procedures have been reviewed and updated. All policies and guidance have been given visibility on the Intranet within the Corporate Governance Library as well as separate pages for Human Resources and Finance, Budgets and Procurement.
12. Compliance with our policies was monitored by the relevant corporate lead officers. Their assessment was incorporated in the year end 'Certificate of assurance' signed off by each corporate lead officer.
13. 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. The Monitoring Officer issued a formal report in the year 2016/17 in relation to an adult social care complaint investigated by the Council and the Local Government Ombudsman. The report can be found here:
<http://mycouncil.oxfordshire.gov.uk/ieListDocuments.aspx?CId=116&MID=4814>
14. The complaint had originated in 2014/15 and the Council had proactively undertaken actions to resolve matters. This was acknowledged by the Ombudsman, at the conclusion of her investigation, who said: "I welcome the significant steps Oxfordshire council has already taken to improve its policies, procedures and staff training in this area and am pleased it has agreed to my further recommendations."

15. The Monitoring Officer undertakes a review of the County Council's annual governance arrangements. This review was formally reported to the Audit & Governance Committee.

Risks

16. 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 CLT Risk Champion during 2016/17.
17. 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.
18. A strategic risk register is in place that is owned and reviewed by CLT. Service Risk Registers were 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 CLT as part of the quarterly performance reporting process and separately to the Audit Working Group. The Strategic Risk register has been updated in 2016/17 and each risk is owned by a member of CLT. CLT reviews the risk register quarterly.
19. Risk Management in projects is required in our Corporate Project Management Framework. It includes the requirement for risk registers to be maintained as part of the project management process.

Complaints & Whistleblowing

20. Oxfordshire County Council has continued to operate formal complaints and whistleblowing procedures which has allowed 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.
21. An annual review of reports and incidents of whistleblowing was undertaken by the Monitoring Officer and reported to the Audit & Governance Committee via the report of the Audit Working Group.

Internal audit

22. 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.
23. The Monitoring Officer sought feedback on the quality and effectiveness of the Internal Audit Service from Senior Managers across the council, reporting back to the Audit and Governance Committee. The conclusion from the survey was that management find the internal audit service effective in fulfilling its role.
24. The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The annual self-assessment against the standards is completed on an annual basis and was last completed in May 2016. The areas of non-conformance highlighted for 2015/16 have now been addressed; the Internal Audit Charter is now in place and subject to annual review and approval by the Audit & Governance Committee, there is now a Quality Assurance and Improvement Programme in place and the Internal Audit Procedures Manual has now been reviewed and updated.
25. It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. This must be completed by 31 March 2018 and therefore will need to be commissioned during 2017/18. The results will be reported back to the Audit & Governance Committee.
26. The Chief Internal Auditor prepared an Annual Report on the work of Internal Audit which concludes reasonable assurance over Oxfordshire County Council's system of internal control. This demonstrates improvement from last year when the overall Chief Internal Auditor's opinion was qualified assurance over Oxfordshire County Council's system of internal control. This was due to a small number of limited assurance reports issued by Internal Audit in relation to key financial systems. Follow up work completed during 2016/17 has evidenced sufficient improvements in the financial control environment to enable the overall opinion to be reflected as such.
27. Where Internal Audit identifies areas for improvement, 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

28. 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 has been 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.

Audit & Governance Committee

29. The Chairman of our Audit & Governance Committee produced 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

30. Oxfordshire County Council has three scrutiny committees. They cover the following areas:
- Education;
 - Performance;
 - Joint Health Overview including district council and co-opted lay members

The good governance of the council has been 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.

31. 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 had 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)

32. This Group has monitored the corporate governance framework. It reviewed the Annual Governance Statement action plan, as well as monitoring and challenging the assurance framework owned by designated Corporate Leads. The Group identified and considered 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 LLP) relating to the 2016/17 Annual Governance Statement.

Key Deliverables

33. 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 Financial Monitoring and Business Strategy Delivery Reports to Cabinet which are considered by the County Council Management Team.

34. Further to these monitoring arrangements, the Chief Finance Officer and the Head of Policy meet with all Deputy Directors. They review the delivery of budget savings, 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

35. 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. For completeness Directors are also asked to set out feedback from external reviews in their annual Statement of Assurance.

ANNEX**SUMMARY OF OUR GOVERNANCE FRAMEWORK****A vision for Oxfordshire**

1. Oxfordshire County Council's ambition, as set out in the updated [2016/17 – 2019/20 Corporate Plan](#), is for a county where local residents and businesses can flourish - a Thriving Oxfordshire.
2. In 2016/17 our Corporate Plan was supported by Directorate Business Strategies which set out how the work will be delivered.

Equalities

3. 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.

Consultation and Communication

4. The council ensures it meets its statutory consultation duty by using a consistent approach to consulting service users and other stakeholders about proposed service change.
5. 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.

Decision making structures

6. 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.
7. 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.

8. 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.
9. The Constitution is reviewed annually by the Monitoring Officer with recommendations of changes being made to Full Council for consideration and adoption.
10. Oxfordshire County Council has an Audit & Governance Committee which operates in accordance with the CIPFA guidance 2013 and 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.
11. The Monitoring Officer 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.

Senior Management

12. The Chief Executive (as Head of Paid Service) is responsible for 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.
13. Our Chief Finance Officer holds the statutory role of 'Chief Financial Officer' within the Council. Our Chief Finance Officer is professionally qualified and suitably experienced.
14. 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.
15. Oxfordshire has a Chief Legal Officer 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.

Controls on Information, Projects and ICT

16. Our Information Governance Group reviews and implements corporate policies, including the new Information Governance Policy, the Data Sharing Policy and new tools and methods of work evaluated by ICT Business Delivery to improve the security of data transfer.

17. 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 reported to DLTs and to the Delivery Board, and the Head of Paid Service.

Codes of Conduct

18. 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.
19. 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.

WORKING WITH OTHERS

Schools

20. 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.
21. 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.
22. 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 including ensuring that special educational needs are met, safeguarding, and that the free entitlement to early year's education is provided by academies where applicable.

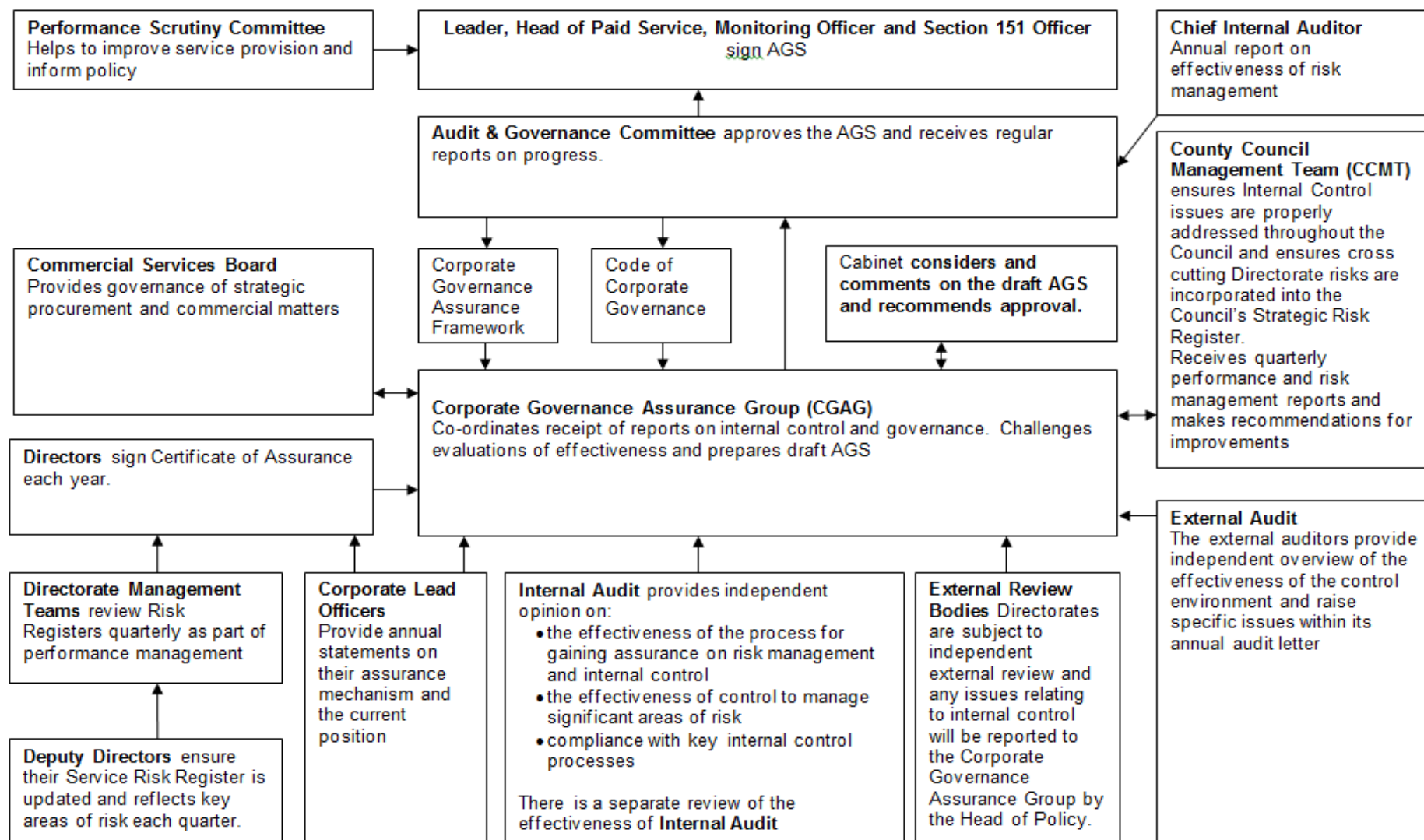
Partnerships

23. Oxfordshire County Council works together with other bodies and organisations, in a number of different partnerships governed by specific terms of reference. Overall accountability for partnership working rests with Council which is responsible for examining formal and informal feedback mechanisms. Each partnership presents an annual report and a yearly summary of the work of the partnerships set out below is discussed at the September meeting of the County Council. This is also considered by Performance Scrutiny Committee.

24. The key partnerships that Oxfordshire County Council is part of and plays a formal role in are:

- Oxfordshire Local Enterprise Partnership (OxLEP)
- Oxfordshire Skills Board
- Oxfordshire Growth Board
- Oxfordshire Local Transport Board.
- Oxfordshire Safeguarding Children Board (OSCB),
- Oxfordshire Safeguarding Adults Board
- Oxfordshire Health and Wellbeing Board
- Oxfordshire Stronger Communities Alliance
- Oxfordshire Safer Communities Partnership

Overview of Corporate Governance Assurance Framework



TRUST FUNDS

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.

		2015/16	2016/17	
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	91	1	99
	Oxford Boys	26	0	0
	Criminal Injuries Compensation Awards	21	4	21
	Other (under £10,000)	14	2	11
Corporate Services	Bequest of Property at Watlington	88	1	78
Total		240	8	209

		2015/16	2016/17	
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	0	0	0
	Other (under £10,000)	1	1	1
	Junior Citizens Trust	7	1	7
Total		8	2	8

		2015/16	2016/17	
Other Funds		Value of Fund £'000	No. of Funds	Value of Fund £'000
Children, Education & Families Social & Community Services	Thomas Gifford Charity	355	1	356
	City Lectureship Scholarship	18	1	18
	Other (under £10,000)	31	6	24
	Other (under £10,000)	9	1	9
Total		413	9	407

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.

Commutation Factor

Factor used to determine the amount of lump sum payable from the amount of annual pension commuted.

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.

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 e.g. cash.

Curtailment

Early retirement costs calculated in accordance with accounting standard IAS19.

Debtors

Amounts owed to the County Council for services carried out during the financial year but not yet received.

Deferred Income

Prepaid income credited to the Balance Sheet and amortised to the Comprehensive Income and Expenditure Statement to match the benefit of the receipts over the term of the contractual arrangement.

Depreciation

The systematic write-off of the reduction in value of a tangible fixed asset due to wear and tear, passing of time and technological changes over its economic useful life.

Derecognition

Removal of an asset or liability from the Balance Sheet.

Equity instrument

A contract such as an equity share in a company.

Fair value

Fair value is defined 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

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

GLOSSARY

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.

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

S1NA, S1PA and S2PA - mortality tables issued as part of the "S1" and "S2" series of mortality tables produced by the Continuous Mortality Investigation. The "S1" mortality tables are based on mortality experience from UK self-administered pension schemes between 2000 and 2006. The "S2" mortality tables are based on mortality experience from UK self-administered pension schemes between 2004 and 2011.

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 e.g. insurance provision for claims awaiting resolution.

Public Works Loan Board (PWLB)

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 functions transferring to another organisation. It reflects the difference between the liability transferred (calculated in accordance with accounting standard IAS19) and the assets transferred to settle the liability.

Specific Grants

Grants paid by the Government in respect of specific services.

Strategic Measures

This comprises interest on balances and capital financing charges. The former involves surplus cash from the County Fund which is either invested or used to reduce the need to borrow externally. The interest received is credited to the County Fund. Capital financing charges include the minimum revenue provision required and interest on outstanding debt, together with a general revenue contribution to finance capital spending.

Transfer Values

An amount paid or received by the Pension Fund in respect of pension rights transferred from one pension scheme to another for employees joining the County Council from another job or leaving the County Council to move to another job.

Unusable Reserves

Reserves that the County Council cannot use to provide services. These include reserves that hold unrealised gains and losses, e.g. the Revaluation Reserve, and reserves that hold timing differences between when items are recognised in the accounts in accordance with accounting policy and when they are recognised as a charge or credit to the County Fund, e.g. Financial Instruments Adjustment Account.

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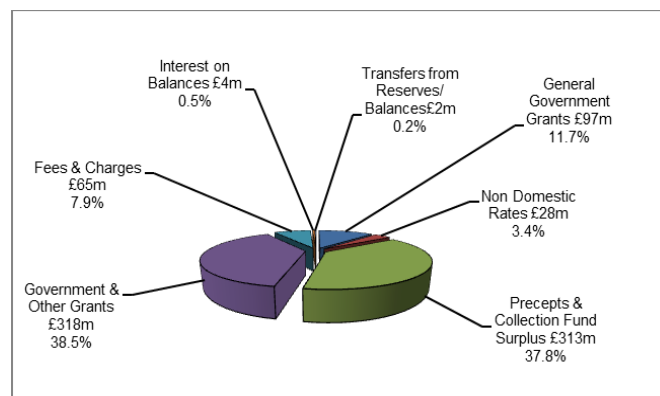
SUMMARY ACCOUNTS 2016/17

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.

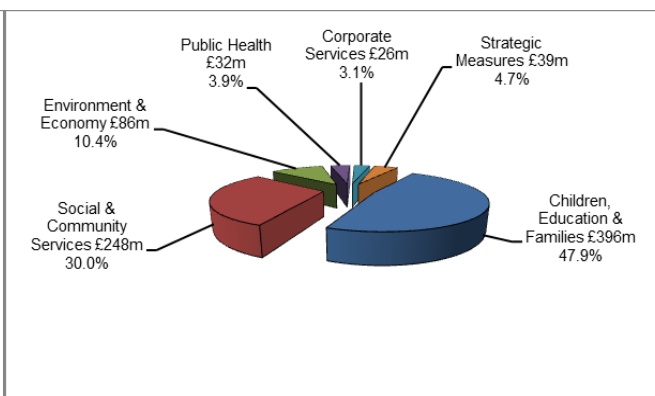
Review of 2016/17

Total Gross Expenditure: £827m

Where the money came from



What services the money was spent on



The Council set a net revenue budget for the year of £417.5m to finance day to day service provision. Actual spending for the year after transfers to earmarked reserves was £416.6m, £0.9m lower than had been budgeted and we received £0.1m more general funding during the year. The County Fund balance has increased by £1.0m from £19.0m at the beginning of the financial year to £20.0m at 31 March 2017.

Summarised Revenue Account

	Gross Expenditure £m	Income £m	Net Expenditure £m
Cost of services	853.2	-381.0	472.2
Other operating expenditure	70.0	-2.1	67.9
Financing and investment income and expenditure	47.3	-7.7	39.6
Taxation and non-specific grant income		-555.6	-555.6
Deficit on provision of services	970.5	-946.4	24.1
Adjustments between accounting & funding basis	-143.9	121.3	-22.6
Transfers from earmarked reserves		-2.5	-2.5
Total adjustments and transfers	-143.9	118.8	-25.1
Increase in County Fund balance for the year	826.6	-827.6	-1.0

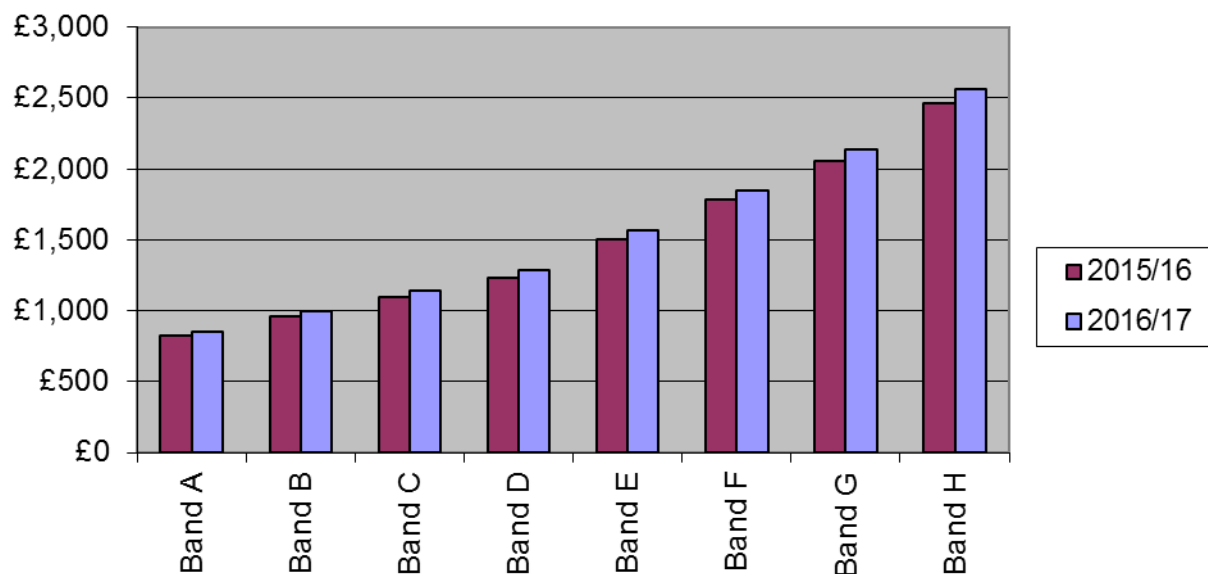
The adjustments between accounting basis and funding basis are those items that regulations require to be added to or removed from the surplus/deficit on provision of services to determine the amount chargeable against the County Fund balance (i.e. to Council Tax).

County Fund Balance

	£m
Balance at start of year (1 April 2016)	19.0
Increase in year	1.0
Balance at end of year (31 March 2017)	<u>20.0</u>

Our Council Tax Funding

The graph below shows how much Council Tax for County Council services was charged for each property band in 2015/16 and 2016/17. Band D Council Tax increased by 3.99% compared to 2015/16. 2% of the increase relates to the new Adult Social Care precept.



	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
2016/17	£854	£997	£1,139	£1,282	£1,566	£1,851	£2,136	£2,563
2015/16	£822	£959	£1,096	£1,232	£1,506	£1,780	£2,054	£2,465

Capital Investment

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

Spending...	£m	Paid for by...	£m
Children's and education services	48.1	Borrowing	8.7
Environment, roads and transport	39.7	Grants & contributions	101.7
Social, community and other services	21.6	Revenue	0.8
Properties, offices and technology	1.8		
	<u>111.2</u>		<u>111.2</u>

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

Great Western Park (Primary School)	£5.6m
Great Western Park (Secondary School)	£14.5m
Bodicote, Longford Park (Primary School)	£5.0m
Bicester Exemplar Eco-Development (Primary)	£4.3m
Chilterns Court Care Centre	£8.4m
Better Care Fund – Disabled Facilities Grant	£4.5m
A34 Chilton Interchange	£5.5m
Harwell Link Road	£4.0m
Local Growth Fund – Centre for Applied Superconductivity	£3.4m

Summarised Balance Sheet as at 31 March 2017

The balance sheet shows the Council's financial position at 31 March 2017, the end of the 2016/17 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 negative because of a large increase in the council's estimated pensions' liabilities as at 31 March 2017. This is a snapshot position and is likely to fluctuate year on year.

	£m
Net Assets	
Long-term assets	1,215.5
Cash and short-term investments	299.5
Money owed to the Council	64.7
Other short-term assets	0.7
Money owed by the Council	-97.4
Borrowing	-389.5
Pensions and other liabilities	-1,085.4
Capital grants and contributions	-90.7
Total assets less total liabilities	-82.6
Financed by	
Earmarked Reserves	104.4
Other usable reserves	82.3
Unusable reserves	-269.3
Net Assets	-82.6

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 2017 are as follows:

	£m
Schools	18.4
Capital investment	34.5
Insurance	8.1
Cash flow	1.3
Other corporate reserves	4.6
Directorate reserves	37.5
	104.4

Other Usable Reserves

The Council's other usable reserves as at 31 March 2017 are as follows:

	£m
County Fund balance	20.0
Capital investment balances	62.3
	82.3

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 2016	12.8
Cash in	1,179.0
Cash out	-1,144.2
Cash in hand at 31 March 2017	47.6

Plans for future service delivery

Sustained reductions in Government funding and restrictions on Council Tax increases have resulted in a significant squeeze on council resources in recent years, at a time when the demand for services has been increasing.

In 2016/17 the Council had already saved – or had plans to save - a total of £361m between 2010/11 and 2019/20. This included £15m of savings that were unidentified at the time of setting the 2016/17 budget. A revised Medium Term Financial Plan 2017/18 to 2019/20 and efficiency plan 2016/17 to 2019/20 was presented to Cabinet in July 2016, proposing that the £15m savings would be achieved through a new council-wide transformation programme 'Fit for the Future'. Further new expenditure pressures (particularly from demand led services in Children's Services) require additional savings of £16m over the period up to 2020/21, increasing the total savings to £377m. Plans to achieve these savings are reflected in the budget proposals, Medium Term Financial Plan to 2020/21 and Capital Programme agreed by Council in February 2017. To date £300m of savings have been achieved and £77m remain to be delivered between 2017/18 and 2020/21.

Oxfordshire County Council Pension Fund

The County Council is the administering authority for the Oxfordshire Local Government Pension Fund.

Fund Summary at 31 March 2017

	£m
Opening net assets at 1 April	1,842.3
Net income from fund members	-4.1
Net returns on investments	418.9
Closing net assets at 31 March 2017	2,257.1

Net Assets Statement at 31 March 2017

	£m
Net value of investments	2,174.2
Net money owed to the pension fund	74.2
Long Term Assets	8.7
Net assets of the pension fund at 31 March 2017	2,257.1

There were 19,797 contributing members to the fund at 31 March 2017, and 14,512 pensions were paid. Contribution rates for 2016/17 were based on the valuation of the Scheme's financial position as at 31 March 2013.

Pension Fund Annual Report

The Pension Fund annual report can be downloaded from the County Council's website at: www.oxfordshire.gov.uk.

Fire-fighters Pension Fund

Separate fire-fighters pension fund accounts are included in the County Council's Statement of Accounts. The scheme has no assets and the surplus or deficit on the pension fund account is paid to/met by central government.

Status of Accounts

The County Council's accounts are prepared in accordance with the Code of Practice on Local Authority Accounting. This summary is taken from the full Statement of Accounts published in September 2017.

What do you think?

If you have any questions or suggestions as to how we could improve these summary accounts please send these to accounts@oxfordshire.gov.uk.

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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Paul King
Director
Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1YE

Oxfordshire County Council
County Hall
New Road
OXFORD, OX1 1ND

Lorna Baxter
Resources

September 2017

-
This matter is being dealt with by Lorna Baxter
Email: lorna.baxter@oxfordshire.gov.uk

Tel: 07393 001218

Audit of Oxfordshire County Council for the 2016/17 year ended 31 March 2017

This letter of representations is provided in connection with your audit of the financial statements of Oxfordshire County Council ("the Council") for the year ended 31 March 2017. I recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Oxfordshire County Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

I understand that the purpose of your audit of the Council's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, I make the following representations, which are true to the best of my knowledge and belief, having made such inquiries as I considered necessary:

A. Financial Statements and Financial Records

1. I have fulfilled my responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. I acknowledge my responsibility for the fair presentation of the financial statements. I believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of

the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. I have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. I believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. I acknowledge my responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. I have disclosed to you the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. I have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to me that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, I have disclosed to you my knowledge of frauds or suspected frauds affecting the Council involving others where the fraud could have a material effect on the financial statements. I have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

C. Compliance with Laws and Regulations

I have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. I have provided you with:
 - Access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested for the purpose of the audit; and
 - Unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. I have made available to you all minutes of the meetings of the Council and its relevant committees and Cabinet (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 31 August 2017.
4. I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. I believe that the significant assumptions that have been used in making accounting estimates, including those measured at fair value, are reasonable.
6. I have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that the Council has given to third parties.

F. Subsequent Events

Other than schools converting to academy status described in Note 58 to the financial statements, there have been no events subsequent to the end of the reporting period which require adjustment of or disclosure in the financial statements or notes thereto.

G. Use of the Work of a Specialist

I agree with the findings of the specialists that the Council engaged to evaluate the valuation of land and buildings and investment property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. I did not give or cause any instructions to be given to the specialists with respect to the values or amounts

derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

H. Estimates

1. I believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
2. I confirm that the significant assumptions used in making accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council.
3. I confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.
4. I confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

I. Retirement benefits

On the basis of the process established by the Council and having made appropriate enquiries, I am satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with my knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Signed on behalf of Oxfordshire County Council

I confirm that this letter has been discussed and agreed by the Audit & Governance Committee on 6 September 2017.

Signed:

Name	Lorna Baxter
Position	Director of Finance

Signed:

Name	Nick Carter
Position	Chairman of the Audit & Governance Committee

Melissa Hargreaves
Executive Director
Ernst & Young
100 Barbirolli Square
Manchester
M2 3YE

Oxfordshire County Council
County Hall
New Road
OXFORD, OX1 1ND

Lorna Baxter
Resources
September 2017

-
This matter is being dealt with by Lorna Baxter
Email: lorna.baxter@oxfordshire.gov.uk

Tel: 07393 001218

Audit of Oxfordshire County Council Pension Fund for the 2016/17 year ended 31 March 2017

This representation letter is provided in connection with your audit of the financial statements of Oxfordshire County Council Pension Fund ("the Fund") for the year ended 31 March 2017. I recognise that obtaining representations from management concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2017, and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2017, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

I understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, I make the following representations, which are true to the best of my knowledge and belief, having made such inquiries as I considered necessary:

A. Financial Statements and Financial Records

1. I have fulfilled my responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. I confirm that the Fund is a Registered Pension Scheme. I am not aware of any reason why the tax status of the scheme should change.

3. I acknowledge my responsibility for the fair presentation of the financial statements. I believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and are free of material misstatements, including omissions. I have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. I believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. I acknowledge my responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. I have disclosed to you the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. I have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Fund's internal controls over financial reporting. In addition, I have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. I have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Fund.

C. Compliance with Laws and Regulations

1. I have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
2. I have reported the Pension Fund's self-referral to The Pensions Regulator in relation to a breach of regulations in respect of issuing Annual Benefit Statements. I have drawn to your attention all correspondence and notes of meetings with regulators.
3. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty.

D. Information Provided and Completeness of Information and Transactions

1. I have provided you with:
 - Access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested for the purpose of the audit; and
 - Unrestricted access to persons within the Council (on behalf of the Fund) from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. I have made available to you all minutes of the meetings of the Fund and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following dates: 23 June 2017 for the Pension Fund Committee and 5 July 2017 for the Audit & Governance Committee.
4. I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which I am aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. I believe that the significant assumptions I used in making accounting estimates, including those measured at fair value, are reasonable.
6. I have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. I have recorded and/or disclosed, as appropriate, all liabilities related litigation and

claims, both actual and contingent.

4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

There have been no events subsequent to the end of the reporting period which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. I acknowledge my responsibility for the preparation of the other information. The other information comprises The Oxfordshire Pension Fund Annual Report and Accounts 2016/17.
2. I confirm that the content contained within the other information is consistent with the financial statements.

H. Derivative Financial Instruments

1. I confirm the Fund's statement of investment principles has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The Fund's statement of investment principles was superseded by an investment strategy statement from 10 March 2017.
2. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the Fund at the year end and the terms and conditions relating thereto.
3. I have duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

I. Actuarial Valuation

The latest valuation report of the actuary (Barnett Waddingham) as at 31 March 2016 has been provided to you. To the best of my knowledge and belief I confirm that the information supplied by the Council (on behalf of the Fund) to the actuary was true and that no significant information was omitted which may have a bearing on his report.

J. Ownership of Assets

1. The Fund has satisfactory title to all assets appearing in the Net Asset Statement, and there are no liens or encumbrances on the Fund's assets, nor has any asset been pledged as collateral. All assets to which the Fund has satisfactory title appear in the Net Asset Statement.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

3. There are no formal or informal compensating balance arrangements with any of the Fund's cash and investment accounts.

K. Purchase and Sales Commitments

1. Losses arising from purchase and sales commitments have been properly recorded and adequately disclosed in the financial statements.
2. At the year end, the Fund had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Fund (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfillment of, or inability to fulfill, sales commitments, etc.).

L. Use of the Work of a Specialist

I agree with the findings of the specialists that the Fund engaged to evaluate the valuation of investments and the classification of assets under fair value levelling requirements and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. I did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates – Valuation of Investments

1. I believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. I confirm that the significant assumptions used in making the valuation of investments appropriately reflect the Council's intent and ability to carry out specific courses of action on behalf of the Fund.
3. I confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. I confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

N. Investment managers' control reports ISAE 3402

The latest reports available do not cover the whole of the 2016/17 audit year. I can confirm that I am not aware of any issues with respective fund managers that indicate a reduction in control procedures.

O. Advisory Reports

I have not commissioned advisory reports which may affect the conduct of your work in relation to the Fund's financial statements and schedule of contributions/payment schedule.

Yours faithfully,

Signed:

Name	Lorna Baxter
Position	Director of Finance

Signed:

Name	Nick Carter
Position	Chairman of the Audit & Governance Committee

Oxfordshire County Council Audit Results Report

Year ended 31 March 2017

Page 227



EY

Building a better
working world

Agenda Item 6



6 September 2017

Dear Audit and Governance Committee Members

We have substantially completed our audit of Oxfordshire County Council for the year ended 31 March 2017.

We confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 30 September 2017. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit and Governance Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Paul King
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

Contents

01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences

05 Value For Money



06 Other Reporting Issues

07 Assessment of Control Environment

08 Data Analytics

09 Appendices

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between 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 "Terms of Appointment (updated September 2015)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature..

This report is made solely to the Audit and Governance Committee, other members of the Council and management of Oxfordshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, other members of the Council and management of Oxfordshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee, other members of the Council and management of Oxfordshire County Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01

Executive Summary



Executive summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to the January 2017 meeting of the Audit and Governance Committee, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £10,270,440. We reassessed this using the actual year-end figure, which has decreased this amount to £9,704,760. The threshold for reporting unadjusted audit differences has decreased from £513,522 to £485,238. The basis of our assessment of materiality has remained consistent with prior years at 1% of gross operating expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits;
- Related party transactions; and
- Members' allowances.

Status of the audit

We have substantially completed our audit of Oxfordshire County Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, amendments may arise:

- review of the final version of the financial statements
- completion of subsequent events review
- receipt of the signed management representation letter
- completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts (WGA) submission
- completion of our work on WGA, valuations, provisions, service concessions and borrowings.



Executive Summary

Executive summary (continued)

Objections

We have received one objection to the 2016/17 Pension Fund accounts from a member of the public. The objection has been made on the grounds that in the view of the elector the Pension Fund Committee to has failed to actively manage the risk posed by the Fund's investment in fossil fuels.

We are currently assessing this objection and seeking legal advice as appropriate. We will continue to keep management informed, including the potential impact both on signing the financial statements and issuing the audit completion certificate.

We are not in a position to determine whether we will be able to issue the audit completion certificate at the same time as the audit opinion until we have assessed the impact on our responsibilities of the notice of objection.

We have also been considering the objection received to the 2015/16 statement of accounts in respect of the Council's lender Option Borrower Option (LOBO) loans, as set out in our 2015/16 Audit Results Report. We have issued our Provisional Views to the objector and the Council, and are considering the response received from the Council. We expect to issue our determination of the Objection and our Statement of Reasons by 30 September 2017.

Audit differences

To date we have not identified any unadjusted or adjusted audit differences arising from our audit above our reporting threshold.



Executive Summary

Executive summary (continued)

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Oxfordshire County Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

Page 233
There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we did not identify any significant risks.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary

Executive summary (continued)

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We will also review and report to the National Audit Office on the Council's Whole of Government Accounts return. The extent of our review is specified by the National Audit Office. We are currently concluding our work in this area and will report any matters arising to the Audit and Governance Committee.

We have no other matters to report.

Control observations

To date we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

Please refer to Appendix B for our update on Independence.



02 Areas of Audit Focus





Areas of Audit Focus

Audit issues and approach: Revenue Recognition

Revenue Recognition

What is the risk?

Risk of fraud in revenue recognition
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector this requirement is modified by Practice Note 10, issued by the Financial Reporting council, which states that auditors should also consider the risk that material misstatements may occur by manipulating expenditure recognition.

What did we do?

- We reviewed and tested revenue and expenditure recognition policies;
- We tested material revenue and expenditure streams;
- We tested the valuation of accruals and provisions;
- We tested the existence of valuation of debts and accrued income;
- We reviewed accounting estimates for evidence of management bias; and
- We reviewed and tested revenue cut-off at the period end date.

What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.



Areas of Audit Focus

Audit issues and approach: Management Override

Management override

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

We did not identify any issues from our testing of the MIRS adjustments note.

What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For local authorities, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.

In addition to the risk details outlined from our Audit Plan above, we have identified an additional risk that management could use the Movement in Reserves (MIRS) adjustments to add or remove items from the Comprehensive Income and Expenditure Statement (CIES) to alter the reserve position of the Council. Such adjustments would not change the outturn in the CIES but could inflate reserves artificially.

What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias;
- We evaluated the business rationale for any significant unusual transactions;
- Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised;
- We completed the Disclosure Checklist provided by CIPFA to ensure that the correct items are disclosed in the MIRS adjustments; and
- We identified and substantively tested movements on the Note "Adjustment between Accounting Basis and Funding Basis under Regulations" (MIRS adjustments note).



Areas of Audit Focus

Other audit issues arising



Accounting for Property, Plant and Equipment

Property, Plant and Equipment represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.

The Council engages an external expert valuer who applies a number of complex assumptions. Annually, assets are assessed to identify whether there is any indication of impairment. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- Our internal valuation expert's consideration of the work performed by the Council's valuer, Carillion Capita Symonds, including the adequacy of the scope of the work performed, professional capabilities and the results of their work. Including a review of the valuation method and assumptions used by the valuer ;
- The review and sample testing over the key asset information used by Carillion Capita Symonds in performing their valuation (for example, floor plans to support valuations based on price per square metre and application of valuation techniques on specialised assets such as schools);
- Consideration of the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review of the desktop review performed by management over assets not subject to valuation in 2016/17 to confirm that the remaining asset base is not materially misstated;
- Consideration of external evidence of assets values via reference to the specific Local Government Gerald Eve report commissioned by the NAO for auditor use. Specifically we have considered if this indicates any material variances to the asset valuations performed by Carillion Capita Symonds and the desktop review by management;
- Considered changes to useful economic lives as a result of the most recent valuation;
- Considered whether asset categories held at cost have been assessed for impairment and are materially correct; and
- Testing that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments.
- In addition our internal experts have reviewed the service concession for care homes following a request from the Council to review the accounting treatment following the provision of a new care home. We will report our findings when the review is complete which will be complete before our opinion date.

We have not yet concluded on our work on valuation's but to date have not identified any material issues in the valuations based on our work performed.



Areas of Audit Focus

Other audit issues arising (continued)



Pension Valuations and Disclosures

The Code and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £1.033 million (£756,952 million at 31 March 2016).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- Liaising with the audit engagement team of the Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Oxfordshire County Council;
- Assessing the conclusions drawn on the work and assumptions used by Barnett Waddingham (the Pension Fund actuary) by using and reviewing the work of the Consulting Actuary commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, PwC;
- A review of the report and work produced by PwC by EY Pension experts; and
- Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

At the time of writing this report we have concluded our work with the exception of receipt of the formal IAS 19 protocol reporting from the Oxfordshire Pension Fund auditor. As auditors of the Pension Fund we are aware that there are no issues arising from this.

Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. Our Pension experts have queried some of the assumptions made by Barnett Waddingham, for example the methodologies [used to derive the discount rate and RPI inflation assumptions are not robust as they do not take adequate account of the specific duration of the scheme's liabilities](#). Our experts have assessed that in the short term the application of the assumptions does not impact on the figures in the Statements of Account and we have undertaken sensitivity analysis to confirm this. However they may do in the future. Discussions are taking place between Barnett Waddingham and our experts and we will keep the Director of Finance updated on them.

No other issues have been identified in completing our work.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORDSHIRE COUNTY COUNCIL

Opinion on the Council and firefighters' pension fund financial statements

We have audited the financial statements and the firefighters' pension fund financial statements of Oxfordshire County Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Expenditure and Funding Analysis,
- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Notes 1 to 60,
- The firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 9.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Oxfordshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the *Director of Finance* and auditor

As explained more fully in the Statement of the Director of Finance Responsibilities set out on page 17, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Council financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's and the firefighters' pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Oxfordshire County Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.



Audit Report

Our opinion on the financial statements

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on Oxfordshire County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Audit Report

Our opinion on the financial statements

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Oxfordshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Oxfordshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Oxfordshire County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Oxfordshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We are concluding on an objection to the Council's accounts concerning the use of Lender Option Borrower Option (LOBO) loans on the 2015/16 Statement of Accounts. We are also considering a potential objection to the 2016/17 Pension Fund accounts. Until these issues are resolved we will not be able to issue our completion certificate.

Paul King
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
September 2017



04 Audit Differences



Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We have included all known amounts greater than £485,238 relating to Oxfordshire County Council in our summary of misstatements table below.

To date we have not identified any misstatements in the financial statements or disclosures above our reporting level.

To date we have not identified any uncorrected misstatements.



Audit Differences

Audit differences (continued)

Summary of unadjusted differences

We highlight the following misstatements in the financial statements and/or disclosures which were not corrected by management. We ask you to correct these uncorrected misstatements or give a rationale as to why they have not been corrected. This should be considered and approved by the [\[Audit Committee\]](#) and included in the Letter of Representation:



Account [Header Option 1] [Insert date] 201X (£'000)	 Comprehensive income and expenditure statement (Increase)/Decrease	 Balance sheet (Decrease)/Increase			
Account [Header Option 2] [Insert date] 201X (£'000)	Comprehensive income and expenditure statement Debit/(Credit) Current Period	Assets current Debit/(Credit)	Assets non- current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Errors:					
Judgmental differences:					
Balance sheet totals					
Income effect of uncorrected misstatements					
Cumulative effect of uncorrected misstatements before turnaround effect					
Turnaround effect. See Note 1 below.					
Cumulative effect of uncorrected misstatements, after turnaround effect					
Uncorrected disclosure differences					
Note X of the financial statements:					

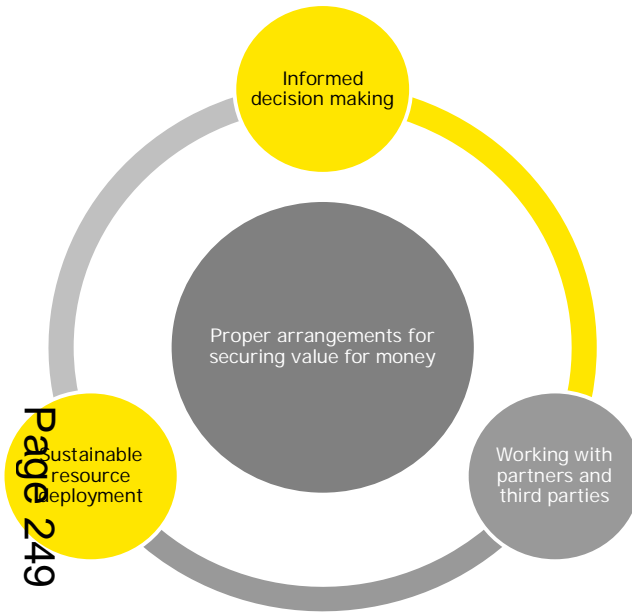
Table to be removed if no unadjusted errors identified.



05 Value for Money



Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement. We have also reviewed the Council's performance across a number of areas by reviewing key performance and budgetary reports produced by the Council. We have reviewed how the Council have managed the in-year overspend on Children's services during the year to achieve a satisfactory outturn position.

Overall conclusion



06

Other reporting issues



Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/17 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2016/17 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Audit and Governance Committee.



Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

Subject to the determination of the objection to the Council's 2015/16 Statement of Accounts and our consideration of the notice of objection to the 2016/17 Pension Fund Accounts we did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We did not identify any issues.

Page 252

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Movement in Reserves Statement;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Property, Plant and Equipment.

No significant findings have been made on any of the areas outlined above.



07

Assessment of Control Environment



Assessment of Control Environment

Assessment of control environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We are concluding on our in this area and will update you on its completion. To date we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



08

Data Analytics



Journal Entry Testing

What is the risk?

In line with ISA 240 we are required to rest the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

On what judgements are we focused?

Using our analytics tools we are able to take a risk focused approach to identify journals with a higher risk of management override.

Facts and Figures

Number of Journals Posted:
771,057

Average Number of Journals Posted per Day:
1,928

Average Number of Lines per Journal:

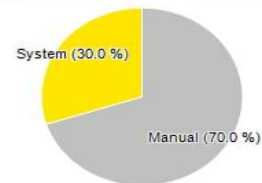
Operational Efficiencies

Manual Journals Posted at weekend:
3,092

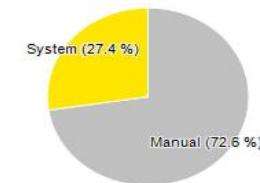
Manual journals where gross amount is < £5:
9,242

Journal lines with zero value:
0

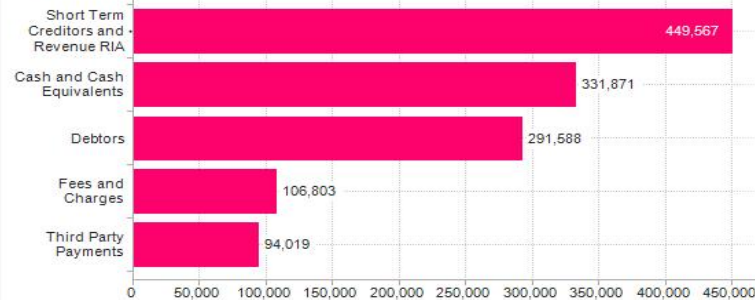
Manual v System by Volume



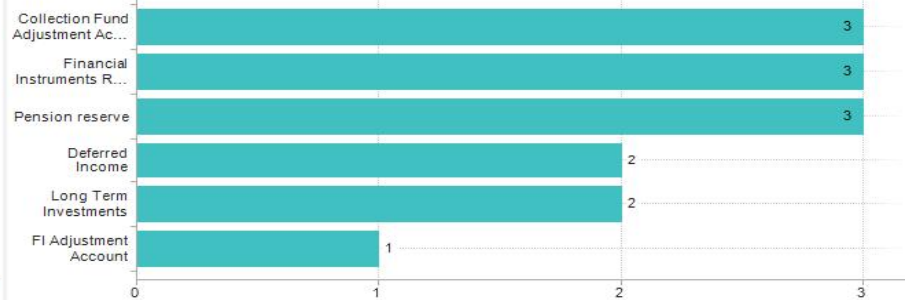
Manual v System by Value



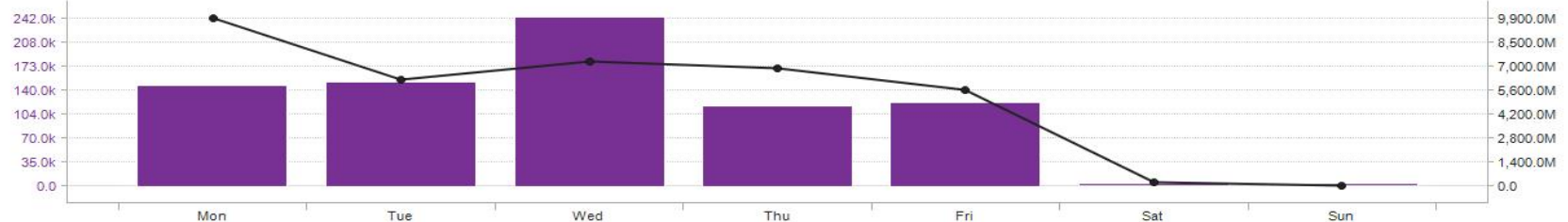
Top Five Activity Accounts



Bottom Five Activity Accounts



Days of the Week



What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09 Appendices



Appendix A

Required communications with the Audit and Governance Committee

There are certain communications that we must provide to the Audit and Governance Committees of UK clients. We have done this by:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	January 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Any significant difficulties encountered during the audit Any significant matters arising from the audit that were discussed with management Written representations we have requested Expected modifications to the audit report Any other matters significant to overseeing the financial reporting process Findings and issues around the opening balance on initial audits (delete if not an initial audit) 	September 2017 Audit Results Report
Going concern	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"> Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Oxfordshire County Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> Uncorrected misstatements and their effect on our audit opinion The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Significant corrected misstatements, in writing 	September 2017 Audit Results Report



Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Asking the Audit and Governance Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit and Governance Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the Council's related parties including, where applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report.
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the Audit and Governance Committee whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have no matters to report.
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	We have no matters to report.
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations.
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▶ Asking the Audit and Governance Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit and Governance Committee. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.



Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	September 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information on the firm's general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	<p>January 2017 Audit Plan</p> <p>September 2017 Audit Results Report</p>
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	<p>January 2017 Audit Plan</p> <p>September 2017 Audit Results Report</p>



Appendix B

Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated January 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Governance Committee on 6 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2016.

	Final fee 2016/17 £s	Planned fee 2016/17 £s	Scale fee 2016/17 £s	Final fee 2015/16 £s
Total audit fee - code work	109,958**	109,958	109,958	109,958*
Certification of claims and returns – Transport claim	0	0	0	15,150
Certification of claims and returns – Teachers Pension	0	0	0	15,000
Total	109,958	109,958	125,108	140,108

Notes:

* - there will be an additional fee for 2015/16 in respect of our consideration of the LOBO loans objection.

** - subject to our consideration of the notice of objection received in respect of the Pension Fund accounts there will be an additional fee for this work





Appendix C

Accounting and regulatory update

Progress report on implementation of new standards and regulations

In previous reports to the Audit and Governance Committee, we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

Name	Summary of key measures 	Impact on Oxfordshire County Council 
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i> <div data-bbox="91 671 136 858" data-label="Page-Footer">Page 262</div>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has taken a number of steps to prepare for early closedown including reviewing and amending closedown procedures to achieve earlier accounts production.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> • Issued a thought piece on early closedown • As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales • Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017 <p>Locally we have:</p> <ul style="list-style-type: none"> • Had regular discussions through the year on the Council's proposals to bring forward the closedown timetable • Together with the Council agreed areas for early work which have included testing of major income and expenditure streams at month 9, testing of additions and disposals of property, plant and equipment.



Appendix D

Management representation letter

Management Rep Letter

To be prepared on the entity's letterhead
Date

To:
Paul King
Director
Ernst & Young LLP
Apex Plaza,
Forbury Road
Reading RG1 1YE

Page 263

This letter of representations is provided in connection with your audit of the financial statements of Oxfordshire County Council ("the Council") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council's financial position of Oxfordshire County Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:



Appendix D

Page 264

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.

When there are unadjusted audit differences in the current year or we determine that the current year effects of correcting prior year differences are significant. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. **We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement]**

Paragraph to be removed in final version if no unadjusted differences are identified.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.



Appendix D

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 31 August 2017.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.



Appendix D

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Use of the Work of a Specialist

When the Council has used the work of a specialist, we may include the following representation:

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

H. Estimates

1We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.

2We confirm that the significant assumptions used in making accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.



Appendix D

3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Signed on behalf of Oxfordshire County Council

I confirm that this letter has been discussed and agreed by the Audit and Governance Committee on 6 September 2017.

Signed:

Director of Finance

Chairman of the Audit and Governance Committee

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ED None

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ey.com

Division(s): N/A

AUDIT and GOVERNANCE COMMITTEE – 6 September 2017

INTERNAL AUDIT 2017/18 PROGRESS REPORT

Report by the Director of Finance

INTRODUCTION

1. This report provides an update on the Internal Audit Service, including resources, completed and planned audits and an update on counter-fraud activity.

RESOURCES

2. A full update on resources was made to the Audit and Governance Committee in April 2017 as part of the Internal Audit Strategy and Plan for 2017/18. There have been no changes to resources since that update. We agreed to cover the 6 month maternity leave absence of the Principal Auditor with a seconded resource from an external firm. This placement has been arranged and will commence in September.
3. The two Auditors within our team are currently undertaking professional study, both are undertaking the IIA's Certified Internal Auditor Qualification, both have passed their second exams and are due to sit further exams in December.

2017/18 INTERNAL AUDIT PLAN - PROGRESS REPORT

4. The 2017/18 Internal Audit Plan, which was agreed at the 26 April Audit & Governance Committee, is attached as Appendix 1 to this report. This shows current progress with each audit.
5. There have currently been no amendments to the plan for 2017/18. The plan and plan progress will be reviewed with the individual directorate leadership teams during September and October.
6. There have been 6 audits concluded since the last update (provided to the April meeting of the Audit and Governance Committee); summaries of findings and current status of management actions are detailed in Appendix 2. The completed audits are as follows:

Directorate	2017/18 Audits	Opinion
ICT	Cyber Security	Amber
ICT	Disposal of ICT equipment	Amber
Adults	Payments to Residential and Home Support Providers	Amber
Corporate / ICT	Digital First Platform - Programme Governance Review	Amber
Corporate	Travel and Expenses - proactive fraud review	Green
Corporate	Procurement Cards - proactive fraud review	Amber

PERFORMANCE

7. The following performance indicators are monitored on a monthly basis.

Performance Measure	Target	% Performance Achieved for 17/18 audits (as at 21/8/17)	Comments
Elapsed time between start of the audit (opening meeting) and Exit Meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc)	100%	Previously reported year-end figures: 2016/17 60% 2015/16 58% 2014/15 52%
Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 days	100%	Previously reported year-end figures: 2016/17 94% 2015/16 96%

			2014/15 83%
Elapsed Time between issue of Draft report and issue of Final Report.	15 days	85%	Previously reported year-end figures: 2016/17 75% 2015/16 48% 2014/15 69%

The other performance indicators are:

- % of 2017/18 planned audit activity completed by 30 April 2018 - reported at year end.
- % of management actions implemented (as at 21/8/17) - 72%.
Of the remaining there are 9% of actions that are overdue and 19% of actions not yet due.

(At 26 April 2017 A& G Committee the figures reported were 72% implemented, 7% overdue and 21% not yet due)

- Extended Management Team satisfaction with internal audit work - reported at year end.

COUNTER-FRAUD UPDATE

8. The 2017/18 Counter-Fraud Plan, which was agreed at the 26 April Audit & Governance Committee, is attached as Appendix 3 to this report. This shows current progress.
9. Internal Audit are continuing to work with Adult Social Care to provide Fraud Awareness Training as part of the directorate's direct payment training. Adult Social Care has determined this to be mandatory training for all staff involved in direct payments.
10. Development of arrangements for working with the City Council Investigation Team, for Counter-Fraud continues. The arrangement is working well and they have provided excellent support to our team by undertaking several reactive fraud investigations on our behalf. This has demonstrated clear benefits of having properly trained and skilled fraud investigators and has had very successful results. Work is currently being scoped with the City Council Investigation Team for them to lead on the work required to update the fraud risk register and delivery of proactive counter-fraud activities. They continue to work on

Single Person Discount initiative, which delivered excellent results during 2016/17.

11. There have been a minor number of issues received during 2017/18, these have been referred to the relevant service area and are currently being investigated. Internal Audit will monitor and report on the outcome of these as completed.
12. Proactive work is underway in Public Health, reviewing a small number of contracts to look at whether there are any data accuracy issues and to see whether the contract monitoring is sufficient to identify any potential anomalies.
13. The pro-active reviews of purchasing cards and travel and expenses have now been completed and the final reports issued. The executive summary of the reports are included within the Appendix 2 of this report.

National Fraud Initiative (NFI)

14. A number of match reports have now been worked through and closed, however there is still further work to be done on duplicate creditor records, blue badge matches, concessionary travel and residential parking permits. £29k was identified and recovered from a duplicate creditor payment. Additionally £270k has been identified in overpayments to residential care homes, for residents that have passed away. Of that £270k, £97k was recovered as a part of the NFI exercise, the rest had already been recovered as part of the normal processes. These matches are being reviewed closer to see whether additional work is needed within care homes that have been an issue across several exercises. A small number of pension cases have also been identified, these are currently being reviewed with the Pensions Manager and further action will be taken to investigate if needed.

RECOMMENDATION

15. **The committee is RECOMMENDED to note the progress with the 17/18 Internal Audit Plan and 17/18 Counter Fraud Plan and the outcome of the completed audits.**

Sarah Cox
Chief Internal Auditor

Background papers: None.
Contact Officer: Sarah Cox : 07393 001246

APPENDIX 1 - 2017/18 INTERNAL AUDIT PLAN - PROGRESS REPORT

INTERNAL AUDIT PLAN PROGRESS 2017/18

Directorate	Audit	Planned start	Status	Conclusion
People	Safer Recruitment	Q2	Scoping	
People	Transitions - from Childrens to Adults Service	Q4		
Adults	Payments to Residential and Home Support Providers	Q1	Final Report	Amber
Adults	Client Charging (including ASC debt)	Q3		
Adults	Personal budgets including Direct Payments	Q4		
Adults	Mental Health	Q4		
Adults	Adult Mental Health Practitioner Service	Q2	Fieldwork	
Childrens	Thriving Familes - Grant Claims	Q2 & Q4	Fieldwork	
Childrens	CEF Contract Management	Q3		
Childrens	Fostering Service	Q2	Fieldwork	
Childrens	EDT	Q4		
ICT / Childrens	Childrens Social Care IT System Replacement	Q4		
Schools	Thematic Review	Q3		
Public Health	Combined Contract Management Audit / Counter Fraud Review	Q2	Fieldwork	
Communities & Resources	Capital Programme - including follow up of 16/17 audit findings	Q3		
Communities	S106	Q1	Draft Report	
Communities	Supported Transport	Q2	Fieldwork	

Communities	Research and Innovation	Q3		
Communities	Highways Contract Payment - follow up	Q3		
Finance	Pensions Administration	Q3		
Finance	Pensions Fund	Q3		
Finance	Accounts Receivable	Q4		
Finance	Payroll	Q4		
Finance	Purchasing / Procurement (including pre-paid cards)	Q3		
Finance	Feeder systems	Q2		
Finance	Insurance	Q4		
Finance / Corporate	Grant Certification	Q1- Q4	5 complete	
Finance / Corporate	Security Bonds	Q2	Scoping	
Corporate	Contract Management System	Q3		
Corporate	Programme Management Office	Q3		
Corporate / ICT	Fit for the Future - Digital First Platform	Q2- Q4	Part 1 Programme Governance Review - Final Report	Amber
HR / Corporate	Sickness management	Q1/Q2	Fieldwork	
HR / Corporate	Establishment control / HR data	Q1/Q2	Fieldwork	
HR / Corporate	Recruitment	See above		
ICT	Cyber Security	Q2	Final Report	Amber
ICT	Disposal of Equipment	Q1	Final Report	Amber
ICT	PSN compliance (Public Services Network)	Q3		

ICT	Mobile Computing	Q3	Fieldwork	
ICT	ICT backup and recovery	Q3		
ICT	ICT incident management	Q3		
ICT / Childrens	Childrens Social Care IT System Replacement	See above		

APPENDIX 2 - EXECUTIVE SUMMARIES OF COMPLETED AUDITS

ICT Disposal of Equipment 2017/18

Opinion: Amber	05 June 2017	
Total: 08	Priority 1 = 0	Priority 2 = 08
Current Status:		
Implemented	08	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

All actions have been reported as implemented since finalisation of this report.

Overall Conclusion is Amber

The previous audit of this area in 2015 identified significant risks, including potential breach of the Data Protection Act 1998, and resulted in a Red overall conclusion. It is pleasing to report that ICT have addressed many of the risks, resulting in an improved control framework. However, some risks remain as detailed below.

A corporate policy on the disposal of ICT equipment was documented following the 2015 audit but has never been published, presenting a risk that it may not be known to relevant ICT staff/teams. The policy also missed its annual review in January 2017.

All equipment identified for disposal is collected from user areas and held in a secure room until it is ready to be collected by the third-party disposal company. Details of the equipment are recorded in an inventory which was reviewed and found to be up to date. A Collection Form is used to reconcile the number of items being disposed to the number of items collected by the disposal company and is signed by both parties. However, our testing identified one form from the last six collections where the number of items collected had not been recorded. We also found that the asset register is not updated to reflect equipment that has been disposed of. For each collection, the supplier should issue a Billing Report detailing their charges before they submit their invoice. A Billing Report has not been received for any collection since October 2016, although we found that one of the collections has been invoiced and paid. Paying invoices without a Billing Report increases the risk of incorrect payments being made.

Data is wiped from hardware using a certified tool that has been approved by the National Cyber Security Centre. Where hardware cannot be made data safe, the magnetic media is degaussed and shredded. The disposal company issue an itemised inventory of the hardware they have disposed of, but there is no evidence that this is checked and reconciled to the inventory held by ICT of the equipment they sent for disposal. We also found that the disposal

company has not issued a Certificate of Data Sanitisation or Certificate of Destruction for the two most recent collections in January and February 2017. This should be followed up with them to ensure all equipment was sanitised and/or destroyed.

There is a formal contract with the third-party disposal company that covers areas such as Environmental Protection Act 1990, waste regulations, Data Protection and security. The contract was signed in January 2016 and is for a three-year period. However, a site visit of the disposal company has not been undertaken to review their operational procedures from a compliance perspective, as advised by the Information Commissioner's Office.

Cyber Security Review 2017/18

Opinion: Amber	28 June 2017	
Total: 20	Priority 1 = 0	Priority 2 = 20
Current Status:		
Implemented	06	
Due not yet actioned	01	
Partially complete	02	
Not yet Due	11	

Overall Conclusion is Amber

Cyber threats are not new, but the focus on cyber security has increased because of a number of high profile disruptive and damaging security incidents and breaches. The most recent of these is the WannaCry ransomware attack which began on Friday 12 May 2017 and within a day was reported to have infected more than 230,000 computers in over 150 countries. In the UK, the attack made headline news as it severely impacted parts of the NHS.

This review has focussed on a number of key risk areas relating to cyber security. However, it is important to note that other computer audit reviews also provide assurance in this area, including reviews planned in 2017/18.

All organisations using digital systems are vulnerable to cyber-attacks and must operate strong security controls to minimise the risk of any attack being successful. Cyber risks are included on the ICT risk register but responsibility for cyber security has not been formally assigned; this should be reviewed in light of the increased threat.

The procurement of new IT services/systems does not include a cyber security assessment to ensure suppliers/partners operate adequate controls to protect OCC systems and data from cyber risks.

There is a documented Acceptable Use Policy and ICT have processes for alerting users to the latest cyber-attacks via the Intranet and ICT Security Hub.

All users are required to undertake an e-learning course on the Acceptable Use of Information, although we found that people who have not completed it are not followed up. There is a corporate Information Security Incident Policy and all security incidents are investigated by the Information Services Team and reported to the Corporate Information Governance Group.

Anti-virus software, vulnerability scanning and system patching is in place, although there is scope to further strengthen the controls in these areas.

All new user accounts have to be authorised by a manager and network passwords are changed on a regular basis, although some exceptions have been noted and reported.

Payments to Residential & Home Support Providers 2017/18

Opinion: Amber	17 July 2017	
Total: 11	Priority 1 = 01	Priority 2 = 10
Current Status:		
Implemented	01	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	10	

Overall Conclusion is Amber

OCC paid £21m for home support and £124m¹ for residential in 2016/17 (this includes health funded care packages). The home support payments are mostly paid from actual visit data from the Electronic Time Management System (ETMS) whereas residential payments are paid based upon planned care packages.

It is acknowledged that Management are already aware of a number of issues that are highlighted in the report and are already taking action primarily through the Business Efficiencies System Improvement group (BESI) which is tasked with the oversight of improving some of the payments to provider processes and the availability of robust management information. For example, the checks undertaken by the Care Service Administrators (CSAs) between the planned versus actual home support care delivered is currently under review and therefore was not tested during this audit, likewise the BDU Interface for uploading payments to SAP is due to be replaced by a direct interface between Controcc and SAP.

A: Payment Accuracy

Delays in authorising Support Plans can result in delays to payment to providers and sample testing undertaken during the audit identified that these

¹ The residential care homes figure includes health funded care package payments processed by OCC, eg FNC and CHC packages

delays had impacted on payments made. Delays are monitored via a weekly report sent to managers, however given the high volume of overdue Support Plan tasks on the report, it is clear that a significant issue remains with late or non-completion of Support Plans. There was also a lack of clarity amongst ASC staff regarding when the Funding Authorisation Form (FAF) should be used, particularly in relation to home support placements when a Referral for Domiciliary Care Form has already been completed.

Ideally, all payments to residential and home support providers should be made via ContrOCC to ensure transparency and linkages to the service user records. However, SAP reports show that in 2016/17, Purchase Orders were used to pay £2.5m of home support payments (including Extra Care Housing) and £782k to residential providers. Whilst this includes some payments to providers that currently would not be expected to go through ContrOCC, for example to pay for services or contracts not relating to an individual's care, there are still payments relating to service users' care, made by purchase order. This has resulted in a small number of duplicate payments which have recently been identified. However, the key issue is the efficiency and consistency of processes; this is already recognised by management, with the subsequent introduction of a payments policy and further work being led by BESI to investigate these payments further with a view to reducing these.

Extra Care Housing payments are made up of core payments and payments for visits. Unlike other home support providers, ECH do not use ETMS to record actual visits, therefore payment amounts are made based upon care packages, which may or may not be accurate. This also applies to external day care services. This is being reviewed further by BESI.

Deletion or date amendments to CPLIs have to be processed by ICT at the request of social care or finance teams. There is a risk of payment errors where a CPLI is deleted or amended without a correct CPLI being in place, which has occurred in some recent cases. As a result, ICT are now required to alert the Payments team of any CPLI amendments or deletions that will have a material impact upon payments (over £10k or from more than 3 months ago). This process has only recently been implemented, and is being overseen by BESI, so no targeted testing was undertaken. There is ongoing work to review the whole system administration and where these tasks will be managed in the future.

Home Support

The pick-up rate amongst the H2LAH providers reduced significantly during 2016/17 and was much lower than the budgeted volumes than the advance payments had been calculated upon, leading to these payments being too high. In the last 4 months these payments have been reduced accordingly, the previous overpayments clawed back and advance payment amounts are now reviewed and updated more regularly. Whilst this issue has now been rectified, one provider has subsequently gone into administration prior to being able to reclaim the advance payments, resulting in a reported impairment of £335k in the 2016/17 accounts and a claim has now been submitted to the Liquidator. (Note that £212k relates to payments made under

the contract and £123k related to additional direct and opportunity costs of arranging alternative service provision). Contract Management have implemented a strengthened monitoring of advance payments against actuals, and are working more closely with Finance colleagues. Providers are able to request to change from advance payments to a payment in arrears arrangement, and communications have been sent out to this effect; some care providers have now elected to take this option. There are also improvements being implemented whereby the financial stability of the main providers is monitored more closely.

Residential

Residential payments are paid based upon care package. There are controls which help mitigate the risk of paying for a service user no longer resident. Whilst the audit has identified weaknesses in the application of these controls, it should be noted that the evidence provided via the NFI (National Fraud Initiative) data match has identified only a very small percentage of overpayments has occurred where death of a service user is not notified by the providers. (Early figures from the current exercise show 48 potential overpayments, totalling £270k, with half of these appearing to be where the home has not notified OCC, or notified OCC some-time after the death of the service user.)

Whilst each overpayment is investigated in full and the monies recovered, in comparison to the amounts paid annually to residential providers, the amounts are not material and do not suggest a large scale issue regarding the accuracy of payments made. This has therefore been considered by management and proportionate action has been agreed when considering the operation of current controls.

B: Overpayments

ContrOCC, in accordance with the contracts, automatically adds 7 days onto residential care package end dates where 'deceased' is selected as the reason for deactivation. From checking a sample of 5 care packages where the end date was later than the date of death, in 2 cases the service user died in respite, however in the other 3 cases the end date was entered too late, resulting in overpayments (two of which had previously been identified and corrected, the third had not been identified prior to the audit and resulted in an overpayment of £700). There is currently no cross checking between dates of death in LAS to care package end dates for deceased service users, which would identify where the incorrect end date had been entered.

In one case in the residential payments sample, a reduction in funding had been agreed in 2014 but this had not been processed as a new Annex 2 was not completed, resulting in an additional £8k being paid for the service user's care, since the date the care package should have been reduced. This individual case is now being reviewed by ASC.

C: Follow Up

Out of the 10 actions agreed at the 2015/16 audit, two are still recorded as open, these are allowing the Placement Officers to authorise Annex 2s (this has not yet been implemented in full, as block contracts are now been authorised as part of a trial but the process will not be put in place for spot contracts until after this has been completed) and to strengthen the 6-monthly remittance quality control process to ensure all residential providers submit their current residents lists (this process has stopped, as reported above).

Of the 8 actions reported as implemented 4 have been fully implemented; 4 not re-tested in this audit.

Travel & Expenses Review 2017/18

There are no management actions for this audit

Overall Conclusion is Green

Data analytics were carried out on all travel and expense claims submitted in 2016/17. Sampling was then targeted to samples of employees of those with high claims, those that were 50% greater than the previous year, those that had a monthly claim 50% higher than average claim, claims made against a cost centre without a nominated manager and claims made whilst on sick leave/annual leave. Each employee was asked to provide justification for the mileage incurred and receipts for expenses claimed for the month requested.

Improvements have been noted since the last review, and whilst there are still issues with information that management can see within the IBC system, there was no evidence found of any claims that appeared to be deliberately falsified.

All individuals sampled could support the need for the expenses and could provide justification for the journeys undertaken. Positive assurance (based on the sample tested) can be provided that there were fewer issues with claims noted during this review than the previous one. Only very minor issues were found with mileage claims, which were corrected by the individuals during the review (two over-claims of 30 miles and 10 miles, respectively). There were also two instances whereby individuals had not kept receipts to support expense claims; however they could demonstrate that the expenses were legitimate.

The visibility of management information within IBC is still an issue and has not been resolved since the previous review. Management are still unable to view staff members that have submitted expense only claims. This has been acknowledged by the IBC and is part of their change programme to rectify.

The Fit for the Future Programme Board is due to have oversight of Council-wide travel and expenses management information, which will give greater

visibility and challenge over spending. Quarterly reports are also planned to be presented to CLT to provide strategic information.

8 management actions were agreed in the previous audit, of those 8; 1 is referred to above re strategic oversight of Council-wide information and is currently being implemented. 3 have been implemented in full, 2 have been superseded and a further 2, whilst not implemented, are included as part of the IBC's improvement change programme and therefore a fix is planned.

Digital First Platform - Programme Governance Review 2017/18

Opinion: Amber	26 July 2017	
Total: 08	Priority 1 = 0	Priority 2 = 08
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	08	

Overall Conclusion is Amber

Digital First is one of three workstreams in the Fit for the Future transformation programme and is designed to build and implement digital solutions to help services improve and automate their business processes. The Digital Platform is a key component of the Digital First workstream and provides a set of common tools that can be used by customers to transact with the council e.g. apply, report, pay, book etc.

Digital First forms part of OCC's Digital Strategy 2016-2020 which was developed in response to a corporate objective of going digital by default. The Digital Strategy was approved by CCMT in July 2016.

At the time of the audit the Digital First workstream comprised of five projects, although this was being reviewed. A PMO function was created in April 2017 and they have developed a process for approving and prioritising projects within the Fit for the Future programme.

There is a programme structure in place that includes a monthly Digital Workstream Board and fortnightly Digital Management Support Team. An Implementation Sponsors Working Group has also recently been established and is responsible for managing the interdependencies between the different Fit for the Future workstreams. We have identified that the terms of reference for the Digital Workstream Board needs to be reviewed and that there are no terms of reference for the Digital Management Support Team. The responsibilities of key roles, such as the Workstream Sponsor and Programme Manager, should also be further defined. A Communications and Engagement Plan has been approved and a resource has recently been identified to help implement it.

A programme level risk log and issues log is maintained and Highlight Reports are used for reporting to the Fit for the Future Transformation Board, Digital First Board and Digital Management Support Team. However, a review of the risk log found that risks are not being correctly rated as they are currently based on their impact alone and without any assessment of how likely they are to occur.

A high-level programme plan has been prepared but individual project plans were not developed for any of the current Digital First projects. There should be clear guidance on when project plans are required. The programme plan includes milestones and these are monitored by the Programme Manager and any missed milestones are reported to the Digital First Board and Digital Management Support Team. This was tested and confirmed.

The budget for the Digital First workstream has been refined over the last 6-9 months as costs have become clearer and currently stands at £2.5 million. In 2016/17, programme costs were charged to general ICT codes and recharged at the end of the year and ICT are now working with Finance colleagues to put in place a revised coding structure to help distinguish Digital First costs from the cost of other ICT programmes. We have found that responsibility for managing the Digital First budget has not been formally assigned and the level of financial reporting to the Digital First Board should also be improved.

Purchasing Cards Review 2017/18

Opinion: Amber	21 August 2017	
Total: 05	Priority 1 = 0	Priority 2 = 05
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	05	

Overall Conclusion is Amber

In 2015/16 the Council spent approximately £2.7m on purchasing cards, increasing to £3.2m in 2016/17. The Purchasing Card system is run through RBS and administered by the IBC in Hampshire. Managers are required to approve cardholders' transactions on a monthly basis. A proactive fraud review of the Purchasing Card system was last undertaken in 2015/16.

The objective of the review was to consider the sufficiency and clarity of policies and procedures in this area, adequacy and availability of the internal control processes (particularly in relation to approval of expenditure) and to complete targeted testing on a sample of cardholders' purchases, including foreign transactions, questionable expenditure, high value transactions, transactions occurring after leaving date, etc.

Key findings:

Usage of the RBS system to review and approve transactions has improved significantly since the previous review. Both review and approval levels were previously around 20% in the system. For 2016/17 the review level was at 71% and the approval level was at 32% (A number of schools are still using the paper sign off method).

Purchasing card policy and guidance has further scope to be strengthened from a fraud prevention point of view. Issues were noted whereby cards had been linked to online purchasing platforms (such as PayPal), and payment for non-OCC related purchases made. Further issues were also noted with card sharing. There is also a need to make the policy and guidance more accessible and visible to schools, as there were a number of issues noted with purchases not in line with the policy, such as meals, gifts and alcohol.

15 actions were raised in the previous proactive fraud review. 14 of those have been implemented, one still remains outstanding (noting the OCC policies in the e-learning package).

APPENDIX 3 - 2017/18 COUNTER FRAUD PLAN - PROGRESS REPORT

Activity	Planned Qtr Start
Review and update of fraud risk register. Identification of new fraud risk areas.	Ongoing
NFI 2016 match - review and investigation of data matches	Q1 - ongoing
Reactive investigations - continued from 2016/17 plus new referrals.	Ongoing
Fraud awareness sessions.	Ongoing
Proactive Fraud Review - Travel and Expenses	Complete - Final Report Green
Proactive Fraud Review - Procurement Cards	Complete - Final Report Amber
Combined contract management audit / proactive fraud review - Public Health	See audit plan entry - Fieldwork
Continue with development of working arrangements with the City Council for Counter Fraud to include: <ul style="list-style-type: none"> - Single Person Discount Review (including extending to other reliefs/discounts) - Support with the NFI 2016 data match (focus on areas which have previously returned positive results) - Support with reactive investigations - Development of a plan of proactive fraud reviews, potential areas for 17/18 include Procurement, Direct Payments, Deprivation of assets/Non declaration of income and Insurance. 	Q1 - Q4

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Division(s):

AUDIT & GOVERNANCE COMMITTEE – 6 SEPTEMBER 2017

REPORT ON THE AUTHORITY'S POLICY FOR COMPLIANCE WITH THE REGULATION OF INVESTIGATORY POWERS ACT 2000 AND USE OF ACTIVITIES WITHIN THE SCOPE OF THIS ACT

Report by the Monitoring Officer

Introduction

1. The Regulation of Investigatory Powers Act 2000 ('the Act') regulates the use of covert activities by Local Authorities. It creates the statutory framework by which covert surveillance activities may be lawfully undertaken. Special authorisation arrangements need to be put in place whenever a Local Authority considers commencing covert surveillance or considers obtaining information by the use of informants or officers acting in an undercover capacity.
2. As part of the legislative regime, the Office of Surveillance Commissioners carry out inspections from time to time to examine an authority's policies, procedures, operations and administration.
3. On 25 May 2017, Assistant Commissioner (His Honour Brian Barker CBE, QC) visited the County Council to inspect the processes of the Council and the Oxfordshire Fire and Rescue Service. This report summarises the findings of the Inspector's investigation and invites the Committee to raise any questions or comments.
4. A copy of the Inspector's report is included as **Annex 1** to this committee report. The outcome was generally positive but several helpful recommendations were made for improvements, which have been accepted.
5. Codes of Practice under the Act require that elected members review the Authority's use of the Act periodically and review the Authority's policy annually. This paper provides a summary of the activities undertaken by Oxfordshire County Council that fall within the scope of this Act for the period from April 2016 to March 2017. The Authority's Policy for Compliance with the Regulation of Investigatory Powers Act 2000 is attached in **Annex 2** for consideration.

Key aspects of the Office of the Surveillance Commissioners review

6. The review considered the following:
 - Central records and forms

- RIPA (Regulation of Investigatory Powers Act) Policy and management structure
 - Training
7. As to **central record and forms**, the Council's processes were generally found to be sound. The Inspector did however find that the cancellation of some authorisations "was insufficient and in several cases missed altogether". Improvements to this were recommended, especially as the previous inspection in 2014 had highlighted similar concerns. The Inspector has recognised the Council's commitment that this will be dealt properly, in compliance with guidelines, in future.
 8. As to the Council's **policies and management structures**, the Inspector was pleased to note that the Policy was "easy to follow and reviewed annually" and suggested some minor additions including flowcharts of the overall process. He was pleased that the Guidance Section included a "reasonably comprehensive section on the care needed in using social media sites to assist in gathering evidence".
 9. **Annexes 2 and 3** to this report are the updated **Policy** and **Guidance** documents, respectively, now including the minor points agreed with the Inspector. That is:
 - a. cross-referenced links to further information (Guidance)
 - b. emphasis on the identifying collateral intrusion (Guidance and Policy)
 - c. addition of appendix of standard flow charts of the overall process (Policy) and application to the Magistrates' Court (Guidance)
 - d. additional Authorising Officer (see paragraph 10 below) (Policy)
 10. As regards the **management structure for authorisations**, the Inspector commented that they recommend the authority's designated Senior Responsible Officer (the Monitoring Officer) is not involved in authorising surveillance applications. They recommend this in recognition of the Senior Responsible Officer's supervisory role over authorising officers and it being considered best practice for that person to remain independent from authorisations. After due consideration of this recommendation, taking account of the fact that the Monitoring Officer has a broader Governance role for the Council and is very rarely asked to authorise RIPA applications, it has been decided that this recommendation will not be adopted. However, the Director of Finance will be nominated as a further authorising officer to provide additional options for future applications.
 11. As regards **training**, the Inspector noted the good work that has been done to ensure training for appropriate staff and for managers generally. The Inspector recommended that it would be timely to set up a refresher session in the near future for all potential RIPA users and the Authorising Officers.
 12. The Committee is asked to note the revised Policy and Guidance documents and comment to the Monitoring Officer on any matters that they would like the Monitoring Officer to consider.

Use of the Act by Oxfordshire County Council

13. Between April 2016 and March 2017 the Council authorised covert surveillance on only 3 occasions. In the same period in the previous year 2 authorisations were granted. The need for surveillance does vary according to the operational requirements and priorities of the Service.
14. All authorisations for surveillance granted in 2016/2017 related to age restricted products. Monitoring of the sale of age restricted goods such as cigarettes, knives and alcohol to persons under the legal minimum age of purchase involves young volunteers attempting to purchase the relevant product whilst being observed by Trading Standards Officers. This constitutes surveillance and has to be authorised under the RIP Act.
15. During this period 3 test purchase operations were undertaken by Trading Standards. In total 29 businesses were tested and 3 were found to sell age restricted products to persons under the legal minimum age of purchase. One of these businesses was warned and subsequently passed a retest. The other sale is still under investigation. In relation to the third, ownership of the business changed subsequent to the operation and a decision was made not to pursue the matter further as a result.
16. In the same period there were no requests for access to communications data that were authorised (i.e. requests to provide the names and addresses of subscribers of telephone numbers).

Magistrate's Oversight

17. In October 2012 a requirement for oversight of authorisations of covert surveillance activities was introduced by the Protection of Freedoms Act 2012. All authorisations for covert surveillance activities falling within the scope of the Act granted by local authorities now need Magistrate's approval before they take effect. Since these changes came into force Magistrate's approval has been granted on all occasions that an application has been made.

Conclusion

18. The Office of the Surveillance Commissioner Inspector concluded that there has been less use of the RIPA powers since the last inspection but that the Council was still confident and compliant in its use. It was noted that officers "have considerable experience and focus in this area". He was pleased to recognise that "there is a clear commitment and enthusiasm to maintaining proper standards of supervision and awareness, and to be ready when the occasion demands".
19. The recommendations for action have been accepted and acted upon by officers.

20. RECOMMENDATION

The Committee is RECOMMENDED to:

- (a) Consider and note the use of activities within the scope of the Regulation of Investigatory Powers Act by the Council and the Office of Surveillance Commissioners report, and**
- (b) Note the revised Policy and Guidance documents at Annexes 2 and 3 and to comment on any changes to the Policy for Compliance with the Regulation of Investigatory Powers Act 2000 that the committee would wish the Monitoring Officer to consider.**

NICK GRAHAM

Monitoring Officer and Chief Legal Officer

Contact officer: Glenn Watson, 07776 997946



Chief
Surveillance
Commissioner

13 June 2017

OSC Inspection

Dear *Crig Executive,*

I enclose a copy of the report dated 31 May 2017 prepared by His Honour Brian Barker CBE., QC., Assistant Surveillance Commissioner, following his inspection of the arrangements made by the Council and the Service to secure compliance with the statutory provisions which govern the use of covert surveillance.

I have studied the report and endorse it.

The Council has continued to use its statutory powers on a regular basis, and is likely to continue to do so if and when the need arises. The report highlights a number of potential vulnerabilities, which ought to be addressed, and which when addressed will reduce the risk of unlawful surveillance. The formal recommendations are self-explanatory, and given the commitment of the relevant officials to the maintenance of good standards, should present neither undue difficulty, nor any significant depletion of reduced resources.

It would be as well to arrange the refresher session suggested in the fourth recommendation in the near future. The refresher session itself should include attention to the recommendations, including in particular the amendments to the Policy document with a clear message explaining their significance. The other feature on which attention should be focused is discussed in paragraphs 11 of the report, and is most likely to arise from investigations directed to the protection of children and vulnerable adults. Officers of the Council exercising these difficult and delicate responsibilities may, without training and awareness of the statutory provisions, find that, notwithstanding they are acting in good faith, they have acted unlawfully. This is a potential problem which is arising in different Councils throughout the country. I suspect that this form of investigation will increase significantly during the next few years. The Council needs to prepare itself and its employees for these developments. All that said, I specifically underline that the individual case referred to in paragraph 11 seems to have been sensibly handled.

No specific issue arises in relation to the Fire and Rescue Service. I applaud the provision of induction training described in paragraph 25.

Yours sincerely



Chief Surveillance Commissioner

Peter G Clark Esq
Chief Executive
Oxfordshire County Council and Oxfordshire Fire and Rescue Service
County Hall
New Road
Oxford OX1 1ND



OFFICE OF SURVEILLANCE COMMISSIONERS
INSPECTION REPORT

**Oxfordshire County Council and Oxfordshire Fire and
Rescue Service**

25th May 2017

**Assistant Surveillance Commissioner:
His Honour Brian Barker CBE, QC**

DISCLAIMER

This report contains the observations and recommendations identified by an individual surveillance inspector, or team of surveillance inspectors, during an inspection of the specified public authority conducted on behalf of the Chief Surveillance Commissioner.

The inspection was limited by time and could only sample a small proportion of covert activity in order to make a subjective assessment of compliance. Failure to raise issues in this report should not automatically be construed as endorsement of the unreported practices.

The advice and guidance provided by the inspector(s) during the inspection could only reflect the inspectors' subjective opinion and does not constitute an endorsed judicial interpretation of the legislation. Fundamental changes to practices or procedures should not be implemented unless and until the recommendations in this report are endorsed by the Chief Surveillance Commissioner.

The report is sent only to the recipient of the Chief Surveillance Commissioner's letter (normally the Chief Officer of the authority inspected). Copies of the report, or extracts of it, may be distributed at the recipient's discretion but the version received under the covering letter should remain intact as the master version.

The Office of Surveillance Commissioners is not a public body listed under the Freedom of Information Act 2000, however, requests for the disclosure of the report, or any part of it, or any distribution of the report beyond the recipients own authority is permissible at the discretion of the Chief Officer of the relevant public authority without the permission of the Chief Surveillance Commissioner. Any references to the report, or extracts from it, must be placed in the correct context.



Office of Surveillance
Commissioners

The Rt. Hon The Lord Judge
Chief Surveillance Commissioner,
Office of Surveillance Commissioners,
PO Box 29105
London SW1V 1ZU

May 31st, 2017.

OXFORDSHIRE COUNTY COUNCIL and OXFORDSHIRE FIRE and RESCUE SERVICE.

Inspection: May 25th, 2017.

Inspector: His Honour Brian Barker CBE, Q.C.
Assistant Commissioner

INSPECTION REPORT.

Introduction:

1. Oxford County Council serves over 600,000 residents as the upper tier local authority for the non-metropolitan County of Oxford; and now has a staff of around 4500 having shed some 2000 since 2010.
2. The council consists of sixty-three councillors and no party has overall control. The authority operates with a leader and nine cabinet members holding individual portfolios. An annually elected Chairman acts as the ceremonial head.
2. The Chief Executive Peter G. Clark has held the post for approaching two years and was formerly County Solicitor and Head of Law and Governance. He is supported by a Corporate Leadership Team consisting of three Strategic Directors and six Directors.
3. The annual budget is in the region of £500m and the authority has the task of having to find savings of a £25m over the next two years in addition to significant recent reductions.
4. The authority's offices are at County Hall, New Road, Oxford OX1 1ND, and they also administer the RIPA functions of the Oxfordshire Fire and Rescue Service.
5. The last inspection by Kevin Davis, Surveillance Commissioner, on May 29th 2014 was favourable. He noted in the period to his inspection a total

of twenty-eight authorisations for directed surveillance, although only twelve since the enactment of The Protection of Freedoms Act 2012. They were of a good standard, apart from the cancellations where the details were scant. The three *CHIS* operations by Trading Standards Officers were also of a good standard

Past Recommendation:

6. The single recommendation was that “ the Council ensures compliance with OSC guidelines in relation to the cancellations of authorisations.”
7. This area still presents something of a problem (see para 15)

Inspection:

8. I was warmly welcomed by Nick Graham, Director of Law and Governance, Monitoring Officer and Senior Responsible Officer; and by Richard Webb, Head of Community Protection whose duties include responsibility for Trading Standards, and who is the RIPA Co-ordinating Officer for both the authority and the Fire and Rescue Service. Both officers have considerable *RIPA* experience. Together we were able to have a useful and wide ranging discussion.
9. It was quickly apparent that there was a good understanding by both of the practical aspects of *RIPA* implementation and usefulness of the tool as an ‘insurance policy’ when finally presenting evidence in court. We considered the social changes in the last few years and the difficulties of the allocation of resources when faced with an ever-shrinking budget.
10. Applications had decreased for much the same reasons that had affected many other authorities. The raising of the sentencing threshold, and the use of other agencies had all played their part, and a further major factor was the increasing availability and use of effective overt methods message distribution and of information gathering.
11. Other topics covered included the potential problems that could arise from the use of personal and social media sites to further investigations and follow up complaints, and the need for officers to be alert to the necessity of following *RIPA* procedures if crossing the line consciously or otherwise. This was an area that had also been recognised by Children’s Services and careful attention has been given to one recent case where the attraction of covert surveillance was considered but not pursued where in the consideration of removing a child from the mother’s care, the establishing of regular male visiting was an important factor but not a crime.
12. During the course of my inspection I was also able to meet:
 - Peter G. Clark, the Chief Executive, and

- Simon Long , the Chief Fire Officer

and I was able to have a useful conversations with both officers.

Examination of Central Records and forms:

13. The Central Records are kept in standardised spreadsheet form by Richard Webb, and he has devised a link system to give swift access to more detailed information relating to each file, and a 'lock-down' facility so that forms cannot be altered. Originals are filed securely. The council's policy and other guidance are easily accessible, as are the current forms. A suggestion to include hyperlinks on the intranet to the Home Office 2014 Guides and the OSC 2016 Procedures and Guidance was readily accepted. Trading Standards have developed a separate and more tailored set of programmes and advice over recent years. This included a Work Instruction Manual designed to encourage good practice and consistency.
14. I examined the eight applications made since the last inspection. One (2014/02) was for a trading standards officer acting as a *CHIS* to investigate a complaint of under the counter sales of 'legal highs' at two outlets, and four others were for operations with juveniles to test under age sales of cigarettes. A further *CHIS* application to follow up advertisements for counterfeit mobile phones was withdrawn before seeking judicial approval as a result of Thames Valley Police taking over the investigation (2014/04). Two others: to attempt to film a rogue builder continuing to take advantage of an elderly woman living on her own, and observation of the physical activities of a claimant for compensation for alleged injuries, failed to produce any useful evidence.
15. It was felt by the officers that new/inexperienced benches, perhaps due to turnover, had made heavy weather of several juvenile 'test purchase' applications, and that information could be improved. Some years ago a 'briefing note' had been prepared for the local benches (and approved at a previous Inspection), and it seems to me that an updated version setting the responsibilities of each side, the council's health policy and attitude to juvenile smoking and quoting the higher than average local statistics, might be useful to help prepare the ground for the future.
16. In all cases the applications by the investigating officers and the approval by the Authorising Officer were of proper standard. It was disappointing, however, to note that some cancellations was insufficient and in several cases missed completely. Richard Webb accepted responsibility for these oversights and the resulting lowering of otherwise good standards, and it would be dealt with properly in future.

See recommendation

RIPA Policy and Management Structure:

17. Policy and Procedures are set out in three documents. They are easy to follow and reviewed annually. The outline 'Guidance' document consists of three and a half pages including a reasonably comprehensive section on the care needed in using social media sites to assist in gathering evidence. The document provides the reader with a focused background to *RIPA* and gives some examples of where surveillance requires authorisation. Several minor suggestions were accepted including adding an indication of where more detailed guidance can be found on the internet, and a cross reference to implementation procedure in the 'Policy' document.
18. The 'Policy' document, consisting of eight pages, sets out the basic requirements for *RIPA* compliance, including the use of *CHIS*. The only suggested additions were to add more emphasis on identifying and dealing with any resulting collateral intrusion and the addition in the appendix of standard flow charts of the overall process and the application to the Magistrates' Court.
19. The Authorising Officers, set out in the appendix, were the Chief Executive, the County Solicitor and the Trading Standards and Community Safety Manager, with a 'named substitute': Lorna Baxter. This is an area that should be reconsidered. The Chief Executive would to continue to be available to deal with the rare sensitive and juvenile matters. It is better practice in order to maintain the independent supervisory role, for the Senior Responsible officer not to authorise (see para 287 of OSC Procedures and Guidance). I recommend that Richard Webb should be joined by Lorna Baxter to provide an alternative and backup.
20. The third document entitled 'Breach Policy' sets out in short form the appropriate procedure.

see recommendation

Training:

21. Training in the past has been given on an 'ad hoc' and personal basis by Richard Webb. *RIPA* features as part of the induction training for new managers. Additionally the intranet and an inward facing service called 'Yammer' are used, when appropriate, to pass on updates and relevant information. The intranet also has a section covering Corporate Governance Responsibilities which includes a section on *RIPA* procedure.
22. The trading standards team have completed the Level 7 Advanced Professional Certificate in Investigative Practice which included *RIPA* information, and I have seen the retained course material provided by Lafoje Ltd.; and matters of legal interest to the trading standards department, including *RIPA*, are circulated.

See recommendation

Councillors

23. Oversight is provided by the Audit Committee and the last report on activity and policy on use was presented by the Director of Law and Governance in September 2016. There was quite a large turnover of elected members as a result of elections last year and Nick Graham encourages queries so as to maintain awareness.

CCTV

24. The County Council does not operate a CCTV system, although there is some security camera coverage on the council premises.

Oxfordshire Fire and Rescue Service

25. OFRS has twenty-four stations and 32 engines, and collaborates with Berkshire Fire and Rescue, sharing their control centre. It is not a free-standing public authority and any possible covert operation would be conducted through Richard Webb or Thames Valley Police. Richard Webb conducts induction training on regulatory/*RIPA* matters.

Conclusions

33. Although there has been less use since the last inspection, there is no reluctance to use the tool when appropriate and the responsible officers have considerable experience and focus in this area, despite having to cope with depleting resources. It was apparent that there is a clear commitment and enthusiasm to maintaining proper standards of supervision and awareness, and to be ready when the occasion demands.
34. Finally, I would like to thank Richard Webb for organizing my visit and all the officers for their constructive assistance

Recommendations:

28. *i: to ensure that all future cancellations give the appropriate information and are completed as required*
- ii: to incorporate the minor, agreed amendments in the Policy documents*
- iii: to create a further Authorising Officer*

iv: to set up a refresher session in the near future for all potential RIPA users and Authorising Officers (or share the task with a neighbouring authority).

Brian Barker, Assistant Surveillance Commissioner.

POLICY ON COMPLIANCE WITH THE REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

1. Introduction

- 1.1 The Regulation of Investigatory Powers Act 2000 (RIPA) regulates the use of covert surveillance activities by Local Authorities. Special authorisation arrangements need to be put in place whenever the Local Authority considers commencing a covert surveillance or obtaining information by the use of informants or officers acting in an undercover capacity.
- 1.2 This also includes the use of social media sites for gathering evidence to assist in enforcement activities, as set out below:
- officers must not create a false identity in order to 'befriend' individuals on social networks without authorisation under RIPA.
 - officers viewing an individual's public profile on a social network should do so only to the minimum degree necessary and proportionate in order to obtain evidence to support or refute the suspicions or allegations under investigation.
 - repeated viewing of open profiles on social networks to gather evidence or to monitor an individual's status, must only take place once RIPA authorisation has been granted and approved by a Magistrate.
 - officers should be aware that it may not be possible to verify the accuracy of information on social networks and, if such information is to be used as evidence, take reasonable steps to ensure its validity.
- 1.3 Local Authorities do operate covert activities in a number of key areas. Activities can include covert surveillance in relation to Internal Audit and Human Resources where fraud, deception or gross misconduct by staff might be suspected. The legal requirements are now supplemented by codes of practice issued by the Home Office for certain surveillance activities, (covert surveillance activity and covert human intelligence sources) breaches of which can be cited in Court as evidence of failure to abide by the requirements of RIPA. This may mean that the evidence obtained by that surveillance is excluded.
- 1.4 The Council policy is that specific authorisation is required for any covert surveillance investigation. There are only a small number of authorising Officers who can give this permission and these are as follows:
- Director of Law and Governance
 - Designated authorising officer – Head of Community Protection Services
- Before authorisation it will normally be necessary to consult with the relevant Deputy Director/Head of Service.
- 1.5 Before seeking authorisation you should discuss the matter with your Line Manager.
- 1.6 This Policy applies to all services except Trading Standards who have their own specific internal Service procedures for dealing with authorisations.

However, copies of all authorisations including those for Trading Standards will be forwarded to the Director of Law and Governance for retention in a central register, and Trading Standards will simply be exempt from the provisions of this policy concerning prior authorisation.

2. Definitions

Surveillance – includes monitoring, observing or listening to persons, their movements, conversations or other activities and communications. It may be conducted with or without the assistance of a surveillance device and includes the recording of any information obtained.

Covert Surveillance – This is carried out to ensure the person who is the subject of the surveillance is unaware that it is or may be taking place. The provisions of RIPA apply to the following forms of covert surveillance:

- a) **Directed Surveillance** – is covert but not intrusive, is undertaken for the purposes of a specific investigation which is likely to result in the obtaining of private information about a person (targeted or otherwise) e.g. checking staff are making claimed visits, time spent etc.
- b) **Intrusive Surveillance** - Local authorities may not use hidden officers or concealed surveillance devices within a person's home or vehicle in order to directly observe that person.¹
- c) **Covert Human Intelligence Source (CHIS)** – This is an undercover operation whereby an informant or undercover officer establishes or maintains some sort of relationship with the person in order to obtain private information e.g. test purchasing, telephone calls where the identity of the caller is withheld.

Deputy Director/Head of Service – this also includes those authorised to act on behalf of the Deputy Director/Head of Service as set out in clause 7.4.

3. RIPA Requirements

- 3.1 Directed surveillance only falls within the scope of the RIPA if it meets one of the following tests – criminal offences which attract a maximum custodial sentence of six months or more or criminal offences relating to the underage sale of alcohol or tobacco.

Directed surveillance that does not meet one of these tests will fall outside the scope of the RIPA. In this instance specific authorisation must be sought from the Director of Law and Governance before the activity can take place.

- 3.2 Basically directed surveillance must be authorised prior to it taking place, be subject to regular review and must be shown to be necessary and proportionate. RIPA does not enable a local authority to make any authorisations to carry out intrusive surveillance.

¹ The Regulation of Investigatory Powers (Extension of Authorisation Provisions: Legal Consultations) Order 2010 [the 2010 Order] provides that directed surveillance carried out in certain premises (e.g. prisons, law firms, police stations) used for the purpose of legal consultations also amount to intrusive surveillance.

- 3.3 All non-intrusive covert surveillance and CHIS requires prior authorisation by the appropriate Local Authority Officer (as set out in this policy) before any surveillance activity takes place. The only exception to this is where covert surveillance is undertaken by way of an immediate response to events that means it was not foreseeable and not practical to obtain prior authorisation.
- 3.4 Judicial approval is also required before any internal authorisations given under RIPA take effect. Once internal authorisation has been granted a specific application to the Magistrates Court will be required.
- 3.5 A flow chart showing the authorisation procedures for covert surveillance and the relevant considerations at each stage is included in appendix 2 of this policy.
- 3.6 There is no direct sanction against Local Authorities within the RIPA for failing to seek or obtain authorisation within the organisation for surveillance, nevertheless such activity by its nature is an interference of a person's right to a private and family life guaranteed under Article 8 of the European Convention on Human Rights. The Investigatory Powers Tribunal is able to investigate complaints from anyone who feels aggrieved by a public authority's exercise of its powers under RIPA.
- 3.7 The consequences of not obtaining authorisation and Judicial approval may mean that the action is unlawful by virtue of Section 6 of the Human Rights Act 1998 i.e. a failure by the Authority to conduct this work in accordance with human rights conventions. Obtaining authorisation will ensure the Local Authority's actions are carried out in accordance with the law and satisfy the stringent and necessary safeguards against abuse.

4. Grounds of Necessity

- 4.1 The authorisation by itself does not ensure lawfulness, as it is necessary also to demonstrate that the interference was justified as both necessary and proportionate. The statutory grounds of necessity must apply for the purposes of preventing or detecting crime or of preventing disorder.

5. Proportionality

- 5.1 Once a ground for necessity is demonstrated, the person granting the authorisation must also believe that the use of an intelligence source or surveillance is proportionate, to what is aimed to be achieved by the conduct and use of that source or surveillance. This involves balancing the intrusive nature of the investigation or operation and the impact on the target or others who might be affected by it against the need for the information to be used in operational terms. Other less intrusive options should be considered and evaluated. All RIPA investigations or operations are intrusive and should be carefully managed to meet the objective in question and must not be used in an arbitrary or unfair way.

- 5.2 Before authorising applications for directed surveillance, the authorising officer should also take into account the risk of obtaining private information about persons who are not subjects of the surveillance (collateral intrusion). Where such collateral intrusion is unavoidable, the activities may still be authorised, provided this intrusion is considered proportionate to what is sought to be achieved. Measures should be taken wherever practicable to avoid unnecessary intrusion into the lives of those not directly connected with the operation. All applications should therefore include an assessment of the risk of collateral intrusion and details of any measures taken to limit this to enable the authorising officer fully to consider the proportionality of the proposed actions.

6. Confidential Material

- 6.1 Where an investigation may reveal sensitive and confidential material this requires special authorisation by the Chief Executive or his/her delegated Authorising Officer.

7. Implementation Procedure

- 7.1 Deputy Directors/Heads of Service shall be responsible for seeking authorisation for surveillance. They have operational responsibility for ensuring compliance with the requirements of RIPA and Home Office Codes of Practice (Covert Surveillance/Covert Human Intelligence Services, which can be downloaded from the following link <http://homeoffice.gov.uk/counter-terrorism/>) in relation to covert surveillance and covert human intelligence source for their service.
- 7.2 All applications for authorisation and authorisations must be made in accordance with the procedure and on the appropriate forms: (download forms from the following link:
<http://intranet.oxfordshire.gov.uk/cms/content/ripa-policy-surveillance>)
- RIPA Form 1 – Authorisation Directed Surveillance
 - RIPA Form 2 – Review of a Directed Surveillance Authorisation
 - RIPA Form 3 – Renewal of a Directed Surveillance Authorisation
 - RIPA Form 4 – Cancellation of a Directed Surveillance Authorisation
 - RIPA Form 5 – Application for Authorisation of the conduct or use of a Covert Human Intelligence Source (CHIS)
 - RIPA Form 6 – Review of a Covert Human Intelligence Source (CHIS) Authorisation
 - RIPA Form 7 – Application for renewal of a Covert Human Intelligence Source (CHIS) Authorisation
 - RIPA Form 8 – Cancellation of an Authorisation for the use or conduct of a Covert Human Intelligence Source (CHIS)
 - RIPA Form 9 – Application request for Communications Data
 - RIPA Form 10 – Application for a Judicial Order
- 7.3 All requests for authorisation must be forwarded to the Director of Law and Governance who will maintain a central record for inspection. The Director of Law and Governance will monitor the central register periodically and

produce an annual report to CCMT and Audit & Governance Committee. Renewal of authorisations will be for 3 months and cancellation² of authorisations should be requested as soon as possible i.e. as soon as the surveillance is no longer considered necessary. Judicial approval is required for the renewal of an authorisation but it is not required for any internal review or cancellation.

- 7.4 The Authorising Officers may authorise a person to act in their absence, the substitute will be a Senior Manager and who will have overall management responsibility for the operation/investigation. A list of all current named Authorising Officers and named substitutes will be included in the central register and appended to this Policy (Appendix 1). The Director of Law and Governance will approve all proposed Authorising Officers for inclusion in a central register. The annual report to CCMT and Audit & Governance Committee will also include a review of the appropriate designated Authorising Officers.
- 7.5 All Managers have responsibility for ensuring that they have sufficient understanding to recognise when an investigation or operation falls within the requirements of RIPA. Authorising Officers will keep up to date with developments in the law and best practice relating to RIPA.
- 7.6 Authorising Officers must ensure full compliance with the RIPA Authorisation Procedure set out in the appropriate forms in 7.2 above.
- 7.7 Authorising Officers and Deputy Directors/Heads of Service will co-operate fully with any inspection arranged by the Office of Surveillance Commissioners.
- 7.8 RIPA Coordinator (Head of Community Protection Services)
The role of the RIPA coordinator is to have day-to-day oversight of all RIPA authorisations and maintain a central register of all authorisations, review dates, cancellations and renewals.
All forms should be passed through the coordinator to ensure that there is a complete record of all authorisations, contents of the forms will be monitored to ensure they are correctly filled in and the coordinator will supply quarterly statistics to the Senior Responsible Officer (Director of Law and Governance /Monitoring Officer).
The Coordinator will also monitor training requirements and organise training for new staff as appropriate, and ensure continued awareness of RIPA throughout the council via staff information on the Council's Intranet.

8. Communications Data

- 8.1 Part I of RIPA sets out these requirements. The Council can access certain communications data only “for the purpose of preventing or detecting crime or of preventing disorder”. The exception to this is for the Fire Control Officer in

² All cancellations must be made in compliance with OSC guidance note 145; Office of the Surveillance Commissioner – Procedures and Guidance

an emergency for the purposes of preventing death or injury. Despite what some commentators claim the Council does not have an automatic legal right to intercept (i.e. “bug”) phones or listen into other people’s telephone conversations. The primary power the Council has is to obtain certain details (e.g. name and address) of a telephone subscriber from communication service providers (CSP) such as: BT, Vodafone, Orange etc. Monitoring of calls may be necessary for legitimate employment purposes but will be subject to the same authorisation requirements as set out in this policy.

8.2 The applications to obtain communications data, other than for the prevention of death or injury as in 8.1 above, must be made by a Home Office designated “Single Point of Contact (SPOC)”. Arrangements are in place to enable the authority to access communications data via a third party “SPOC”. Requests must be forwarded to the Head of Community Protection who will consult with the relevant Deputy Director/Head of Service. If the Head of Community Protection agrees the request is within the scope of RIPA he will make arrangements for the request to be processed via the SPOC.

8.3 The concept of the “SPOC” has been agreed between the Home Office and the CSP and introduces a verification process to ensure that only data entitled to be obtained is so obtained. Judicial approval of the application is required and the SPOC will not obtain any communications data without evidence of judicial approval.

9. Briefings

9.1 The Director of Law and Governance will provide updates on the RIPA legislation and best practice but Deputy Directors/Heads of Service and other Managers must be able to recognise potential RIPA situations.

10. Conclusion

10.1 The benefit of having a clear and regulated system of authorising all covert activities is self-evident. Surveillance by its very nature is intrusive and therefore should be subject to appropriate scrutiny at the highest level and the authorisation procedure requires that the reasons for the decision are specifically and clearly set out and the basis for the decision is readily accessible and understood. Completion of appropriate authorisations also means that in reaching a decision alternative options will also have been fully explored. Proper compliance with the procedure and properly recorded authorisations are the best defence should any of our investigations be challenged.

11. Review of Authorisations and Policy

11.1 The Council’s “Audit and Governance Committee” will review:

- all authorised RIPA applications quarterly; and
- receive an annual report from the Director of Law and Governance on the operation of the Policy; and

- review the policy annually to ensure it remains compliant with current legislation, relevant codes of practice and continue to meet the responsibilities of the council.

Senior Responsible Officer: Director of Law and Governance and Monitoring Officer

RIPA Coordinator: Head of Community Protection Services

Date: June 2017

Next Review Date: June 2018

Appendix 1 – Authorising Officers and Named Substitutes

Authorising Officer – Nick Graham, Director of Law and Governance

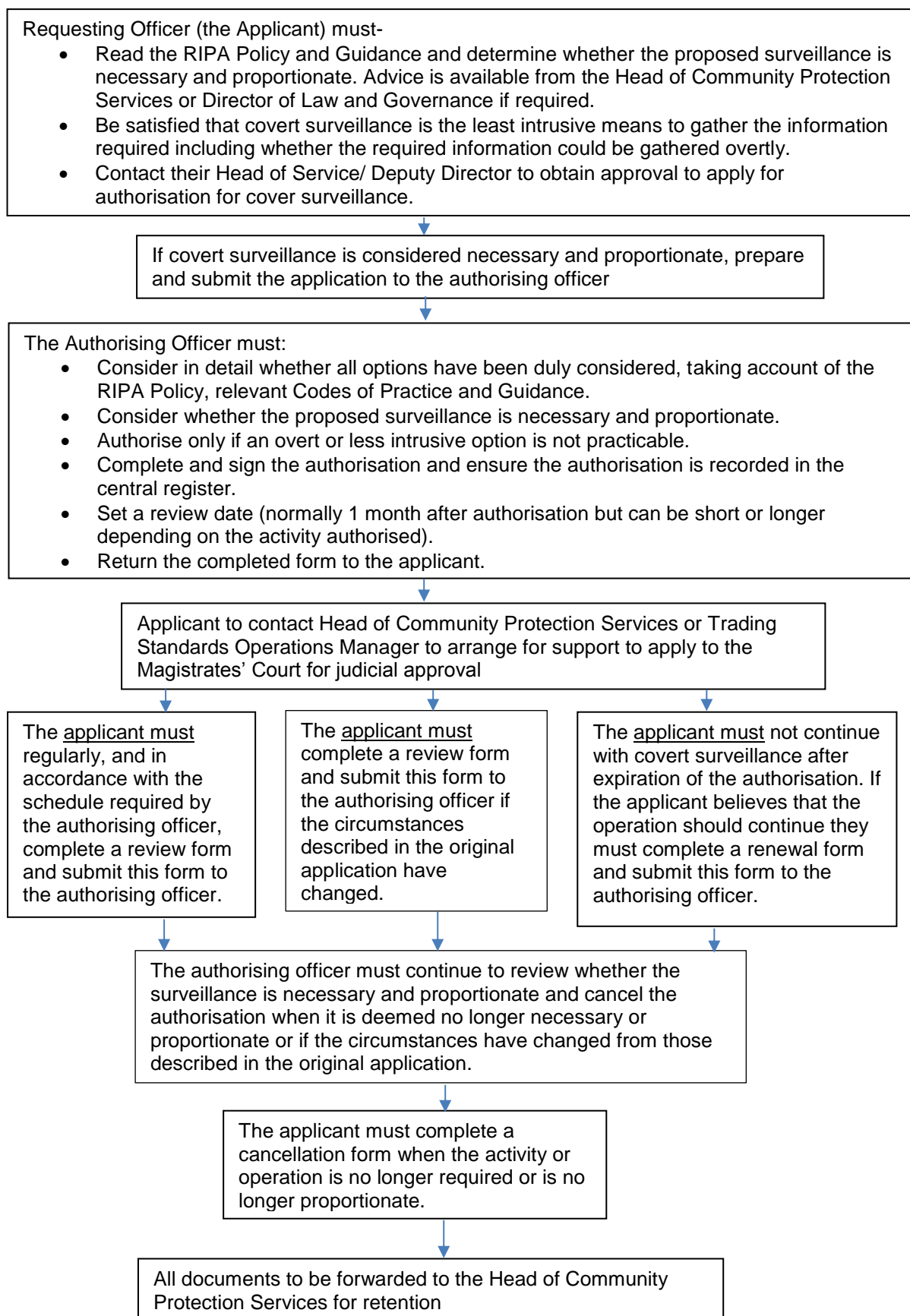
Authorising Officer – Richard Webb, Head of Community Protection Services

Authorising Officer and Named Substitute – Lorna Baxter Director of Finance and S151 Officer

Confidential Material Special Authorisation – Peter Clark, Chief Executive**

**Named Substitute – Lorna Baxter Director of Finance and S151 Officer

Appendix 2- Flow Chart of Authorisation Procedures and Considerations for Covert Surveillance



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Background Information

The Regulation of Investigatory Powers Act (RIPA) provides a framework for the use of covert investigatory techniques by public authorities. It does not provide any powers to carry out covert activities but regulates the use of these techniques so that they are compatible with human rights legislation.

Covert surveillance carried out by the council must be **authorised, necessary and proportionate** and **avoid collateral intrusion**. The only exception to this being where the surveillance is carried out by way of an immediate response to events which were unforeseeable and it is impractical to obtain prior authorisation.

Surveillance:

- Includes monitoring, observing or listening to persons, their movements, conversations or other activities;
- Is only covert if it is carried out in a manner that ensures that any persons who are the subject to the surveillance are unaware that it is taking place;
- May either be – Intrusive, Directed or Covert Human Intelligence Source (CHIS).

Intrusive Surveillance is a covert activity carried out in a residential place or a private vehicle by a person or a surveillance device being present in the premises or vehicle. Local authorities are not allowed to use this type of surveillance.

Directed Surveillance is a covert activity that is not intrusive, but carried out in support of a specific operation or investigation, likely to result in obtaining private information about any person.

Covert Human Intelligence Source is an undercover operation whereby an informant or undercover officer establishes or maintains some sort of relationship with the persons in order to obtain private information.

Private information includes any information relating to a person's private or family life. Generally taken to include; any aspect of a person's private or personal relationships with others, including family and professional or business relationships; personal data, names, telephone numbers and address details.

Further guidance can be found in the Home Office Codes of Practice made under the Regulation of Investigatory Powers Act 2000. See-

<https://www.gov.uk/government/collections/ripa-codes>

In addition, the Office of Surveillance Commissioners issue a procedures and guidance document with explanation of the procedures and interpretational guidance. See-

<https://osc.independent.gov.uk/>

Compliance

To ensure compliance with RIPA the council has developed a policy and associated forms that can be downloaded from the following link: [RIPA Policy and Forms](#)

Covert surveillance which is directed surveillance will only fall within the scope of RIPA when the crime the activity will 'prevent or detect' meets the 'serious crime' threshold. These are criminal offences which attract a maximum custodial sentence of six months or more or criminal offences relating to the underage sale of alcohol or tobacco.

The Policy

The council's policy provides the procedures on which it may authorise the use of surveillance for a range of activities relating to the detection of: abuse, fraud, theft and other criminal offences. Legislation regulates the use of covert activities by Local Authorities.

This also includes the use of social media sites for gathering evidence to assist in enforcement activities, as set out below:

- officers must not create a false identity in order to 'befriend' individuals on social networks without authorisation under RIPA.
- officers viewing an individual's public profile on a social network should do so only to the minimum degree necessary and proportionate in order to obtain evidence to support or refute the suspicions or allegations under investigation.
- repeated viewing of open profiles on social networks to gather evidence or to monitor an individual's status, must only take place once RIPA authorisation has been granted and approved by a Magistrate.
- officers should be aware that it may not be possible to verify the accuracy of information on social networks and, if such information is to be used as evidence, take reasonable steps to ensure its validity.

The Home Office also issue Codes of Practice that need to be followed. See-

<https://www.gov.uk/government/collections/ripa-codes>

<https://osc.independent.gov.uk/>

Process for obtaining covert surveillance authorisation

All requests for covert surveillance must be submitted to the Director of Law and Governance for authorisation to proceed. Applications must be on the prescribed form and supported by the relevant Deputy Director/Head of Service. Trading Standards have their own procedures and authorisation process. If you are considering making an application for covert surveillance authorisation the Head of Community Protection Services or Trading Standards Operations Manager can provide advice.

The Director of Law and Governance will check to make sure the surveillance is necessary and is a proportionate response to the purpose of the operation or

investigation. The Director of Law and Governance also maintains a central register of all authorisations.

Once approved internally an application must be made for Judicial Approval before the activity concerned can commence. Legal Services (or the Head of Community Protection Services for Trading Standards authorisations) will provide advice on this part of the process. CHIS applications require greater preparation due to the potential additional intrusion of this type of covert surveillance and that justification and explanation for the activity, and issues of collateral intrusion, may be required.

A flow chart showing the procedure and considerations for an application to a Justice of the Peace for approval of a RIPA authorisation is in annex 1 of this Guidance.

Communications data

Communications data is the 'who', 'where' and 'when' of communications (such as details of telephone subscribers from BT etc.), but not the 'what' (i.e. the content of what was said or written).

Communications data can be obtained "for the purpose of preventing crime or preventing disorder". For advice and guidance contact the Head of Community Protection Services who will make the necessary arrangements through a Home Office authorised 'Single Point of Contact' (SPOC) for the authority to proceed.

Failure to comply

Evidence obtained during an unauthorised operation or investigation may be excluded in court and it may be a breach of the Human Rights Act 1998 leading to legal proceedings against the Council.

Implementation Procedure

See Policy for Compliance with the Regulation of Investigatory Powers Act 2000.

Some examples of surveillance requiring authorisation

1. Officers of the council wish to drive past a garage for the purposes of obtaining a photograph of the exterior. Reconnaissance of this nature is not likely to require a directed surveillance authorisation as no private information about any person is likely to be obtained or recorded. However, if the authority wished to conduct a similar exercise, for example to establish a pattern of occupancy of the premises by any person, the accumulation of information is likely to result in the obtaining of private information about that person and a directed surveillance authorisation should be considered.
2. A surveillance officer intends to record a specific person providing their name and telephone number to a shop assistant, in order to confirm their identity, as part of a criminal investigation. Although the person has disclosed these

details in a public place, there is nevertheless a reasonable expectation that the details are not being recorded separately for another purpose. A directed surveillance authorisation should therefore be sought.

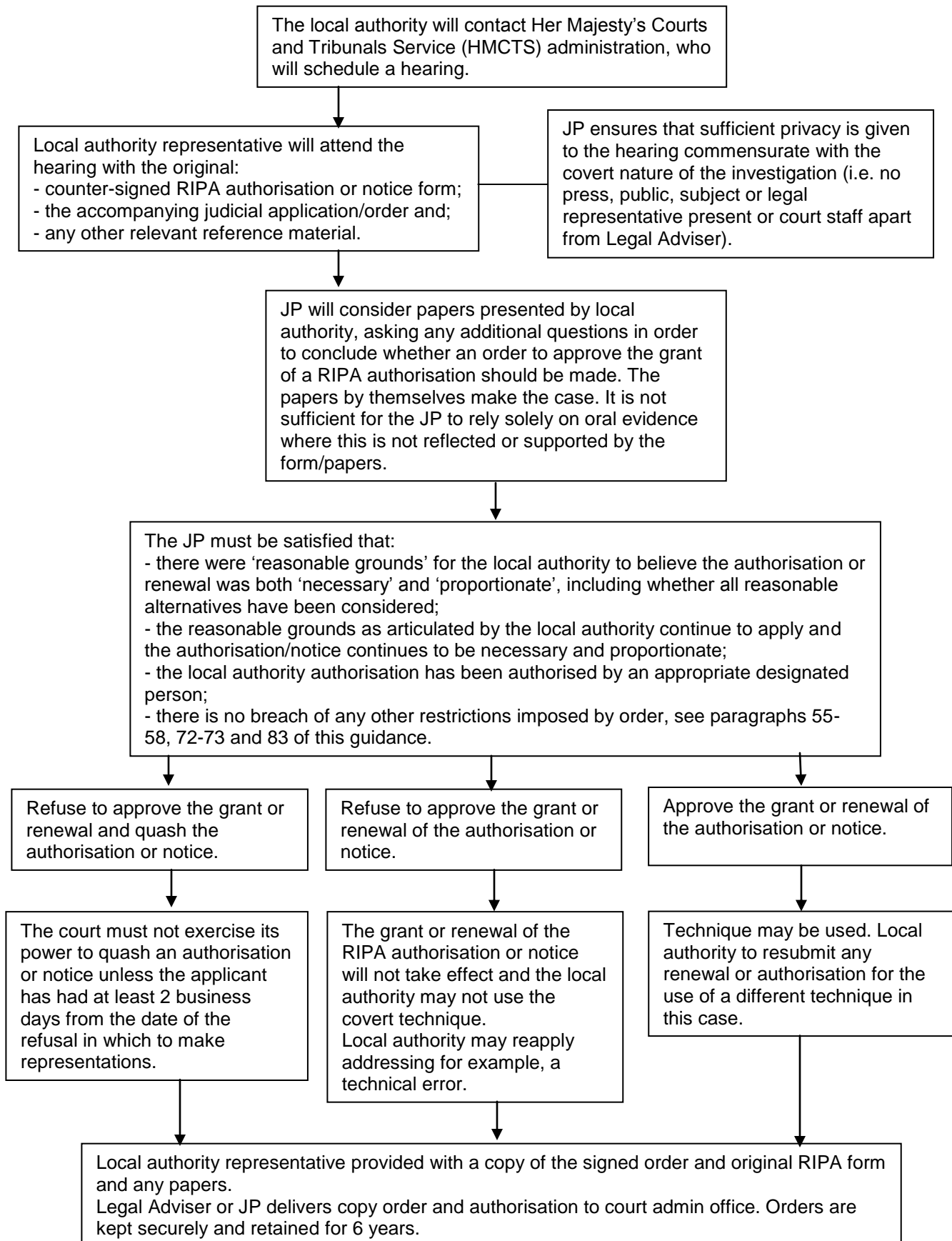
3. An observation post outside residential premises which provides a limited view compared to that which would be achievable from within the premises does not constitute intrusive surveillance. However, the use of a zoom lens, for example, which consistently achieves imagery of the same quality as that which would be visible from within the premises, would constitute intrusive surveillance (which local authorities cannot undertake).
4. Council officers attend a car boot sale where it is suspected that counterfeit goods are being sold, but they are not carrying out surveillance of particular individuals and their intention is, through reactive policing, to identify and tackle offenders. Again this is part of the general duties of public authorities and the obtaining of private information is unlikely. A directed surveillance authorisation need not be sought.
5. Intelligence suggests that a local shopkeeper is openly selling alcohol to underage customers, without any questions being asked. A trained employee or person engaged by the council is deployed to act as a juvenile in order to make a purchase of alcohol. In these circumstances any relationship, if established at all, is likely to be so limited in regards to the requirements of the Act, that a public authority may conclude that a CHIS or a directed surveillance authorisation is unnecessary. However, if the test purchaser is wearing recording equipment but is not authorised as a CHIS, consideration should be given to granting a directed surveillance authorisation.
6. Surveillance officers intend to follow and observe Z (who is a convicted child sex offender). This is part of a covert pre-planned operation to determine whether he has remained in contact with a particularly vulnerable family. It is proposed to conduct covert surveillance of Z and record their activities as part of the investigation. In this case, private life considerations are likely to arise and the covert surveillance is pre-planned and not part of general observational duties or reactive policing. A directed surveillance authorisation should be sought.

Further assistance and guidance can be obtained by contacting the Director of Law and Governance or the Trading Standards and Community Safety Manager.

Date: June 2017

Review Date: June 2018

Annex 1: Procedure for Local Authority applications to a Justice of the Peace for an Order to Approve the Grant of a RIPA Authorisation



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Division(s):

AUDIT & GOVERNANCE COMMITTEE – 6 SEPTEMBER 2017

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 2016/17 including the run-up to the May 2017 election and consequent governance actions.

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 reports 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 had appointed two Independent Persons to assist the Monitoring Officer (in a statutory role) in reviewing complaints about councillors. One person has resigned at the end of March 2017 and a recruitment exercise will shortly be undertaken by the Monitoring Officer.
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, decides 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 Members' 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 and pre-election publicity

9. Clarity and accountability in the decision making of the Council is an important bedrock for good member governance. Key to this is the diversity of representation and experience of county councillors.
10. As such, and following the recommendation of a Councillor Profile Working Group of this Committee, a public event was held at County Hall in September 2016 about *Becoming a County Councillor*. The first of its kind by Oxfordshire County Council, this was well attended and well received. It was accompanied by revised web pages on becoming a councillor and the publication of a guide on the same subject. Four county councillors also took part in a video on *Becoming a Councillor*, commissioned in-house, to set out the councillor role, ahead of the May 2017 county elections. This still appears on the Council website to aid public understanding of the councillor role.

Pre-election Publicity – ‘Purdah’

11. Ahead of the formal county (and general) election period, specific guidance and publicity was issued to all staff and councillors about the statutory rules on avoiding political publicity during this sensitive period. This included intranet articles and updated policies. The Council’s Principal Governance Officer provided an advice service to staff and councillors about conduct during the pre-election period and this was well-used, indicating that the Monitoring Officer’s encouragement to staff to consider the implications had been well received.

Decision making governance

12. 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

13. 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

14. 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 additional non-key-decision items. There were no items included as a matter of special urgency.

Scrutiny Call-In

15. 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 **no such instances** in 2016/17.

Chief Executive – 'Cabinet Decisions'

16. 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 2016/17 this delegation was exercised on 9 occasions; all were related to exemptions to the requirements of the Contract Procedure Rules and required (and received) a legal (Director of Law & Governance) and financial (Director of Finance) appraisal.

The Monitoring Officer

17. 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.

Modern.Gov, transparency and access

18. 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 successfully used in the May 2013 county council elections and subsequent by-elections. The preparations for the May 2017 county election also featured the use and development of this system.

19. 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. Preparations for the county election also included preparedness for making changes to these matters.

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

20. It is a core duty of this Committee to promote and monitor high standards of conduct by councillors and co-opted members.
21. Owing to the Council Term nearing its end, the incidence of councillor development was less than in previous years. Instead, principally from the New Year onwards, planning was begun on arrangements for a full post-election induction programme. This involved discussion with members and senior managers on the importance of achieving a member-led approach to development. 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

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

22. 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.

Declaration of interests

23. 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.
24. 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

25. There have been no applications for dispensation.

The Number and Nature of Complaints of Breaches of the Code

26. There have been **two** new complaints against members during 2016-17. In both of these complaints, the complainants' dissatisfaction in part stemmed, I believe, from a particular expectation of councillor conduct. Both demonstrated the importance of the space within which councillors work on an individual and community level. In both of these cases, it was not found that the Code of Conduct had been breached.

Complaint/allegation	Outcome
Alleged inaction in relation to a constituent's concerns	No breach found. Factual basis not agreed and 'councillor performance' in a role is not in itself a Code of Conduct matter. Complaint was also considerably later than the events to which they related.
Alleged conflict of interest in a community matter and consequential "inappropriate, unprofessional and dismissive" comments by councillor in a community-meeting setting.	No conflict of interest found and therefore no breach. Factual basis of alleged conduct not agreed on evidence; alleged conduct more in keeping with robust local discussion and therefore no breach.

County Council Elections & Post Election Governance

27. It was important that post-election governance be well-prepared in advance of the County Elections and that it be promptly carried out. This proved to be the case. In summary:
- Declarations of acceptance of office: the vast majority of the statutory declarations of acceptance of office were completed at the County Election Count on 5 May; with the remainder at the 12 May Welcome Event.
 - Register of members' interests: all returning and newly elected councillors have either submitted or updated their register entries.
 - Biographical details: all members were encouraged to give a pen-portrait biography for inclusion on the Council's website to help the public recognise them and what they are bringing to their roles.
 - Welcome Event: the Council's induction programme for councillors began with a welcome event for *all* county councillors on 12 May to give a timely introduction to the Council and its services, challenges and commitment to councillor-led working

- Induction: throughout the Spring an induction programme was developed in consultation with councillors and senior managers. The intervention of the general election meant that the programme proper did not fully start until June and is now continuing apace into the Autumn. In addition to the suite of governance, constitution and service overviews, aspects of the programme are also being delivered in supported by the Local Government Association peer councillors. The overall aim being a focus on putting councillors first.
- Access to information: The induction has already usefully emphasised a key priority of keeping councillors informed and there will be further work across the organisation to ensure councillors are kept informed of significant issues in their communities, as is their right under the Constitution. All councillors have also been linked to a dedicated 'Councillor Link Officer' in Democratic Services, to act as a route-finder for councillors. The Council's Locality Meetings for councillors in those defined areas will also be a means of gaining and informing the councillor perspective.

Summary

28. This annual review highlights the progress that has been made in implementing the code of conduct for members, in promoting and maintaining high standards of conduct and public accountability; and in preparing for the new council following the May 2017 County Elections. That new programme of support and development is fully under way.

RECOMMENDATION

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

Nick Graham
Chief Legal Officer and Monitoring Officer
Contact: 01865 323910

Contact officer: Glenn Watson, Principal Governance Officer, 07776 997946.

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Closed sessions – exempt reports

Committee/Cabinet member	Date	Provision (see note)
Pension Fund	10 June 2016	3
Pension Fund	1 July 2016	3
Pension Fund	2 September 2016	3
Cabinet Member for Children, Education & Families	5 September 2016	NA**
Deputy Leader Delegated Decisions	26 September 2016	3
Local Pension Board	21 October 2016	
Remuneration	18 October 2016	1 and 3
Performance Scrutiny Committee	27 October 2016	7
Cabinet	22 November 2016	3
Pension Fund	2 December 2016	3
Local Pension Board	13 January 2017	3
Remuneration	24 January 2017	1,3 and 4
Pension Fund	10 March 2017	3
Performance Scrutiny Committee	16 March 2017	3
Remuneration Committee	21 March 2017	1, 2 3 & 4
Local Pension Board	7 April 2017	
Appeals & Tribunals Sub-Committee	Various dates (x 17)*	1, 2 and 3
Pension Benefits Sub-Committee	Various dates (x 9)*	1,2 and 3

* These Sub-Committees hear individual personal appeals

** Disclosure of information was forbidden by a government department or a court order (in which case the authority has no choice but to exclude the public).

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
7. Any action taken, or to be taken in connection with the prevention, investigation or prosecution of crime

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General Exceptions to the Forward Plan May 2016- May 2017

Access to Information Procedure Rules Paragraph 16 Special Urgency

None.

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

Revised Asset Transfer Policy

To seek approval of the revised asset transfer policy.

Unaccompanied Asylum Seeking and Refuge Children – Transfer Scheme

To decide whether Oxfordshire County Council should opt into the Home Office UASC transfer scheme on a voluntary basis.

Formal Approval of Schools Funding Formula 2017-18

The final funding formula for schools and academies for 2017-2018 needs to be formally approved politically before submission to the DfE by 20 January. Schools Forum has been consulted in development of the funding formula for 2017-18 as a statutory consultee, but the decision on the final formula is made by the local authority, after considering Schools Forum views.

Communities Fund

To seek approval for the Grants Scheme and changes to the locality meetings terms of reference.

2016/17 Financial Monitoring & Business Strategy Delivery Report - February 2017

Financial report on revenue and capital spending against budget allocations, including virements between budget heads and any necessary capital programme approvals

Additions/Changes of date to the Forward Plan – Non Key items

Tender for the Provision of Gypsy and Traveller Site Management Services to Brent Housing Partnership

To seek approval to enter into an agreement with Brent Housing Partnership for the provision of traveller site management services to that Council.

Reports into Future of Local Government in Oxfordshire

To ask officers to work with partners and stakeholders to develop a solution for local government structures in Oxfordshire which meets the key criteria of saving money, supporting economic growth, protecting the vulnerable, strengthening leadership and accountability, and empowering local communities.

Senior Management Review

To consider the outcome of the Senior Management Review and Comments from other committees, and approve implementation of the proposed structure.

Revised Pupil Place Plan for Oxfordshire

To formally approve the annual revision of Oxfordshire's Pupil Place Plan.

Rents for Asset Transfer of Children's Centres

To agree amendments to the Asset Transfer Policy and Processes to waive the rent for a building where that would enable a community – led proposal to keep a Children's Centre open that would otherwise have to close.

Proposed Amendments to Traffic and Access Restrictions – Queen Street, Oxford

To consider proposed amendments to traffic and access restrictions for Queen Street, Oxford pursuant to the Cabinet Member for Environment referring the matter to Cabinet for decision.

Steventon Bridge Replacement for Network Rail Electrification Programme - Request for the Authority to use its Compulsory Purchase Powers to facilitate these necessary works

To seek approval of the request for authority to use compulsory purchase powers for the acquisition of land.

A Strategy for Unaccompanied Asylum Seeking Children

To note and seek approval of the strategy.

Proposed Pedestrian Crossings, Weight Limit, 20mph Speed Limit and Revocation of One Way Traffic – Littleworth Road, Benson

To seek approval of the proposals.

East West Rail Western Section Phase 2: Public Consultation

To seek approval of the County's response to the consultation.

Division(s):

AUDIT & GOVERNANCE COMMITTEE - 6 SEPTEMBER 2017

LOCAL GOVERNMENT OMBUDSMAN – ANNUAL REVIEW REPORT

Report by Nick Graham, Monitoring Officer

Introduction

1. Each year, the Local Government Ombudsman (LGO) issues an Annual Review Report about each council in relation to the complaints made to the Ombudsman about that Council in the previous financial year. My report to this Committee therefore informs members about the LGO's Annual Review Report for Oxfordshire County Council for the year 2016/17.
2. In short, fewer complaints about the Council have been upheld by the Ombudsman in 2016/17 compared to the previous year, even with slightly more complaints being referred to her. Put into the context of county council performance generally, the Council has the third lowest number of upheld complaints per 100,000 residents (seven upheld complaints). This is an improvement on last year (fifth lowest) and remains encouraging. It continues to suggest that the Council's system of control expressed through its own complaints processes is working well.
3. This is not a case for complacency however and this report sets out the LGO's findings, the wider context and also details the complaints upheld by the LGO during 2016/17.

The LGO's 2016/17 report

4. Under the Local Government Act 1974, the LGO has two main statutory functions:
 - To investigate complaints against councils (and some other authorities)
 - To provide advice and guidance on good administrative practice
5. Following changes to the structure of the Ombudsman's investigative and recording procedures, the Ombudsman now records the following categories of information – summarised in their Annual Review Report (attached as **Annex 1**):
 - Complaints and enquiries received - by subject area
 - Decisions made (upheld, not upheld, advice given, closed after initial enquiries, incomplete/invalid and premature)

Complaints and enquiries received by the LGO

6. During 2016/17, the LGO received **66** *complaints and enquiries* about the Council. In 2015/16 this had been 59; and in 2014/15 53. A steady increase such as this is in line with the national trend reported by the Ombudsman. As the Ombudsman has said, a rise in complaints is not in itself indicative of problems. In his press release announcing this year's performance statistics, the LGO Mr Mike King said:

"A high number of complaints does not necessarily mean a council is performing poorly. It may indicate an authority that welcomes and encourages feedback, through a transparent system which signposts people appropriately when its own processes have been exhausted."

7. The Council's complaints policy and processes are indeed well publicised and responses indicate how complaints can be escalated further including to the Ombudsman. A general increase in the number of complaints being upheld against councils is also reported in the LGO's recent press release (entitled "Ombudsman releases complaints statistics for all local authorities" dated 2 August 2017).
8. Oxfordshire bucks this trend in that there has been no increase (and no decrease) in the number of upheld complaints: 7 in 2016/17, the same number as in 2015/16. Given the overall rise in the number of complaints referred about this Council to the Ombudsman, it is somewhat encouraging that the number of upheld complaints has not risen accordingly. Compared with other County Councils, Oxfordshire has the third lowest number of upheld complaints, an improved position on last year.
9. As indicated in the table at paragraph 15 below, the Council did not in fact agree with the LGO that one of these complaints was 'upheld' against the Council. This was relayed to the LGO.
10. **Annex 1** to this report includes the LGO's full list of subject areas for Oxfordshire County Council which has attracted referrals to the Ombudsman. These were:
- Adult care services- 17
 - Education and children's services- 23
 - Highways and transport- 13
 - Corporate and other services- 3
 - Environment services- 4
 - Planning and development- 3
11. This is consistent with the national picture and is not particular to Oxfordshire. The LGO has reported that in 2016/17 the LGO received over 16,500 complaints and enquiries about councils. The greatest proportion was about Education and Children's Services, followed by Adult Social Care, and Planning.

Decisions made by LGO

12. During the reporting period, the LGO made **66 decisions** concerning the Council (11 more than the previous year). Of these, some complaints were closed and not pursued (23 out of 66, 35%). Some complaints were referred back to the Council for resolution (21 out of 66 cases, 32%) as the complainant had not allowed the Council to consider the complaint first.
13. **Investigations** were therefore carried out into 19 complaints, 5 more than in 2016/17. The LGO's report indicates that of these, 12 were not upheld, while 7 were upheld. The LGO therefore reports an 'Uphold rate' figure for the Council of 37% (7 upheld cases out of 19 full investigations). This is 12% less than the previous year.

Context

14. The Council received 279 Corporate Complaints during the 2016/17 financial year (these being complaints about non-social care issues). In addition, the Council received 169 Adult Social Care complaints and 91 Children's Social Care complaints giving a collective total of 539 complaints (553 previously). The total of complaints upheld by the Ombudsman represents just 1% of the whole complaints received by the Council.
15. Thumbnail details of the 7 upheld complaints are as follows:

Nature of decision	Remedy
<p><u>Summary:</u> The Council was at fault for not obtaining medical advice when it decided to reduce a child's entitlement to education based on his health needs. The NHS Trust was at fault for not providing the parents of the child with respite nurses.</p> <p>The Ombudsman asked that the Council review policy on Section 19 provision with a view to including a statement to explain how the duty will be met for children who attend special schools.</p>	<p>Section 19 responsibilities were reviewed and the policy was published on the website in February 2017.</p>
<p><u>Summary:</u> The Council was at fault for failing to act in accordance with the law and Department of Health statutory guidance (no secrets) on safeguarding adults.</p>	<p>Updated safeguarding procedures were discussed in team meetings and case audits.</p> <p>Safeguarding Team revisited their process of informing key agencies and</p>

Nature of decision	Remedy
<p>The Council failed to follow its policy and procedure for safeguarding investigations.</p> <p>The Council failed to inform the monitoring department of its finding of partial neglect about the care home. The Council failed to inform the CQC of its finding of partial neglect. The Council failed to engage with the complainant throughout the safeguarding investigation and failed to inform him of its findings.</p> <p>There were also several faults against the care provider.</p> <p>Various recommendations in the public report. All of the 4 actions were completed.</p>	<p>colleagues to ensure that in future information is cascaded appropriately</p> <p>The safeguarding manager implemented a new case audit process with the team.</p> <p>Safeguarding dashboard was revisited to ensure its robustness.</p>
<p><u>Summary:</u> The Council was at fault for withdrawing free school transport in one case.</p> <p>No recommendations by LGO for additional remedy.</p>	<p>The council corrected its mistake in this case. No wider service improvements were necessary.</p>
<p><u>Summary:</u> The Council was at fault by taking six months to inform Mrs X of the outcome of an assessment of her husband's needs and what the revised social care budget would be.</p> <p>No recommendations by LGO for additional remedy.</p>	<p>Whilst the council was at fault for the delay in this case, an apology was provided and there were no wider service improvements.</p>
<p><u>Summary:</u> The Council failed to follow its policy when it approved the complainant's application for a dropped kerb.</p>	<p>The Council agreed to remedy this by paying the complainant £150.00.</p> <p>The Council also agreed to amend its procedures to ensure it obtains confirmation in writing that planning permission is not needed before it approves an application for a dropped</p>

Nature of decision	Remedy
<p><u>Summary:</u> The Council could have been clearer about the process used to decide that Mr X should stop transporting vulnerable people.</p> <p>This could have been made easier for him by offering him an interpreter.</p> <p>The Ombudsman suggested the council consider how it deals with such aspects in the future.</p>	<p>curb.</p> <p>The Council put this right by carrying out a further review of the decision and the LGO did not suggest further remedy. However, the LGO did ask that the Council review how it deals with these aspects in future..</p>
<p><u>Summary:</u> LGO considered that the Council was at fault in the way it dealt with Mr Y's move to another area (i.e. the consequent transfer of care to Council B) and its "refusal" to accept responsibility for the continuation of funding while a dispute was resolved with Council B.</p>	<p>The Council disagree fundamentally with the LGO on the facts of this case and did not accept that it was at fault. A financial penalty on the Council contained in the LGO's draft decision was objected to and removed from the final version of the decision. The Council had properly handed over the care of Mr Y and ceased funding the placement in July 2011: correspondence with Council B had led to Council B accepting responsibility for Mr Y's care.</p> <p>The Secretary of State, considering the matter, also recognised that Council B had properly taken over responsibility.</p> <p>The Council's view, expressed to the LGO, was that any subsequent service failures were for Council B. This is reflected in Council B wholly accepting the LGO's suggested remedy of paying £67,000 owing to the care provider for Mr Y's support and taking responsibility for resolving any outstanding amounts.</p>

Comparison with other county councils

16. An analysis of the Council's performance in comparison to the UK's other County Councils is included as **Annex 2**. This contextualises the data which makes up the Ombudsman's report and provides useful comparators for measuring the Council's overall performance.

17. A comparison of overall LGO 'decision statistics' for other county councils shows that Oxfordshire County Council:

- Ranked third lowest in the number of complaints upheld by the LGO
- Ranked the fifth lowest number of complaints investigated by the LGO

Exempt Information

18. None.

Conclusion

19. This year's Annual Letter from the Ombudsman is generally positive. While not a cause for complacency, (each upheld complaint has been taken seriously and is one too many), the LGO's report indicates that this important strand of governance is working effectively. It suggests that the Council's complaints handling is robust, enables the vast majority of complaints to be resolved within existing procedures but nevertheless contains clear referrals to the Ombudsman.

20. On my behalf, the Access & Disclosure Team continued to disseminate best practice, case studies and advice to managers on the handling of complaints, to keep knowledge current. The Team also monitored responses to ensure that complaints, particularly at the further review stage internally, were soundly considered and also contained the necessary signposting to the LGO. Having regard to how the LGO is likely to view a complaint is also helpful in enabling managers consider how best to respond to complaints. This helps to ensure robust and informative responses, based on good governance principles. This Team also co-ordinated the responses to LGO complaints, liaising with service managers to ensure that the LGO receives a full and frank response, in the interests of accountability and good governance.

Financial and Staff Implications

21. None.

RECOMMENDATION

22. The Committee is RECOMMENDED to note and comment upon this report and on the Local Government Ombudsman's Annual Review of Oxfordshire County Council for 2016/17.

Nick Graham
Monitoring Officer

Background papers: Local Government Ombudsman publications:

- Review of Local Government Complaints 2016/17

Contact Officer: Nick Graham
01865 323910

September 2017

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20 July 2017

By email

Peter Clark
Head of Paid Service
Oxfordshire County Council

Dear Peter Clark

Annual Review letter 2017

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman (LGO) about your authority for the year ended 31 March 2017. The enclosed tables present the number of complaints and enquiries received about your authority and the decisions we made during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

The reporting year saw the retirement of Dr Jane Martin after completing her seven year tenure as Local Government Ombudsman. I was delighted to be appointed to the role of Ombudsman in January and look forward to working with you and colleagues across the local government sector in my new role.

You may notice the inclusion of the '*Social Care Ombudsman*' in our name and logo. You will be aware that since 2010 we have operated with jurisdiction over all registered adult social care providers, able to investigate complaints about care funded and arranged privately. The change is in response to frequent feedback from care providers who tell us that our current name is a real barrier to recognition within the social care sector. We hope this change will help to give this part of our jurisdiction the profile it deserves.

Complaint statistics

Last year, we provided for the first time statistics on how the complaints we upheld against your authority were remedied. This year's letter, again, includes a breakdown of upheld complaints to show how they were remedied. This includes the number of cases where our recommendations remedied the fault and the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. In these latter cases we provide reassurance that your authority had satisfactorily attempted to resolve the complaint before the person came to us.

We have chosen not to include a 'compliance rate' this year; this indicated a council's compliance with our recommendations to remedy a fault. From April 2016, we established a new mechanism for ensuring the recommendations we make to councils are implemented, where they are agreed to. This has meant the recommendations we make are more specific, and will often include a time-frame for completion. We will then follow up with a council and seek evidence that recommendations have been implemented. As a result of this new process, we plan to report a more sophisticated suite of information about compliance and service improvement in the future.

This is likely to be just one of several changes we will make to our annual letters and the way we present our data to you in the future. We surveyed councils earlier in the year to find out, amongst other things, how they use the data in annual letters and what data is the most useful; thank you to those officers who responded. The feedback will inform new work to

provide you, your officers and elected members, and members of the public, with more meaningful data that allows for more effective scrutiny and easier comparison with other councils. We will keep in touch with you as this work progresses.

I want to emphasise that the statistics in this letter comprise the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, but who may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

During the year we issued one public report against your Council, addressing a complainant's concerns about how the Council, in its role as the safeguarding authority, had responded to his allegations about his deceased wife's care in a private care home.

We found the Council had failed to engage with the complainant throughout its safeguarding investigation. Our report highlighted that the Council should have been more proactive in seeking information from the care provider. Once the care provider had responded to the Council we found that the Council unreasonably delayed its progress of the investigation. We also found the Council had failed to follow its own safeguarding policies and procedures and failed to inform the Care Quality Commission of its concerns about the care provided at the home and the monitoring arrangements in place there.

To its credit, during the course of our investigation the Council took action under its own initiative to implement robust and extensive improvements to its safeguarding policies and procedures. It agreed to provide the complainant with a full written apology. It also implemented our recommendation that it should pay him a financial remedy of £750 to reflect his time and trouble in pursuing the complaint and the distress caused to him by its actions. I am grateful for the positive way you responded in remedying this complaint and in taking steps to improve this aspect of your service for others. Learning from complaints is an important way to improve services for everyone and I welcome the constructive approach that you have taken in that regard.

The statutory duty to report Ombudsman findings and recommendations

As you will no doubt be aware, there is duty under section 5(2) of the Local Government and Housing Act 1989 for your Monitoring Officer to prepare a formal report to the council where it appears that the authority, or any part of it, has acted or is likely to act in such a manner as to constitute maladministration or service failure, and where the LGO has conducted an investigation in relation to the matter.

This requirement applies to all Ombudsman complaint decisions, not just those that result in a public report. It is therefore a significant statutory duty that is triggered in most authorities every year following findings of fault by my office. I have received several enquiries from authorities to ask how I expect this duty to be discharged. I thought it would therefore be useful for me to take this opportunity to comment on this responsibility.

I am conscious that authorities have adopted different approaches to respond proportionately to the issues raised in different Ombudsman investigations in a way that best reflects their own local circumstances. I am comfortable with, and supportive of, a flexible approach to how this duty is discharged. I do not seek to impose a proscriptive approach, as long as the Parliamentary intent is fulfilled in some meaningful way and the authority's

performance in relation to Ombudsman investigations is properly communicated to elected members.

As a general guide I would suggest:

- Where my office has made findings of maladministration/fault in regard to routine mistakes and service failures, and the authority has agreed to remedy the complaint by implementing the recommendations made following an investigation, I feel that the duty is satisfactorily discharged if the Monitoring Officer makes a periodic report to the council summarising the findings on all upheld complaints over a specific period. In a small authority this may be adequately addressed through an annual report on complaints to members, for example.
- Where an investigation has wider implications for council policy or exposes a more significant finding of maladministration, perhaps because of the scale of the fault or injustice, or the number of people affected, I would expect the Monitoring Officer to consider whether the implications of that investigation should be individually reported to members.
- In the unlikely event that an authority is minded not to comply with my recommendations following a finding of maladministration, I would always expect the Monitoring Officer to report this to members under section five of the Act. This is an exceptional and unusual course of action for any authority to take and should be considered at the highest tier of the authority.

The duties set out above in relation to the Local Government and Housing Act 1989 are in addition to, not instead of, the pre-existing duties placed on all authorities in relation to Ombudsman reports under The Local Government Act 1974. Under those provisions, whenever my office issues a formal, public report to your authority you are obliged to lay that report before the council for consideration and respond within three months setting out the action that you have taken, or propose to take, in response to the report.

I know that most local authorities are familiar with these arrangements, but I happy to discuss this further with you or your Monitoring Officer if there is any doubt about how to discharge these duties in future.

Manual for Councils

We greatly value our relationships with council Complaints Officers, our single contact points at each authority. To support them in their roles, we have published a Manual for Councils, setting out in detail what we do and how we investigate the complaints we receive. When we surveyed Complaints Officers, we were pleased to hear that 73% reported they have found the manual useful.

The manual is a practical resource and reference point for all council staff, not just those working directly with us, and I encourage you to share it widely within your organisation. The manual can be found on our website www.lgo.org.uk/link-officers

Complaint handling training

Our training programme is one of the ways we use the outcomes of complaints to promote wider service improvements and learning. We delivered an ambitious programme of 75 courses during the year, training over 800 council staff and more 400 care provider staff. Post-course surveys showed a 92% increase in delegates' confidence in dealing with complaints. To find out more visit www.lgo.org.uk/training

Yours sincerely

A handwritten signature in black ink, appearing to be 'MK' with a stylized flourish underneath.

Michael King
Local Government and Social Care Ombudsman for England
Chair, Commission for Local Administration in England

For further information on how to interpret our statistics, please visit our website:
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
17	0	1	23	4	13	0	3	0	61

Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
3	0	21	23	12	7	37%	66

Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.

The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

Complaints Remedied

by LGO

5

Satisfactorily by
Authority before LGO
Involvement

1

COMPLAINTS RECEIVED

	Reference	Authority	Category	Received
1	15016538	Oxfordshire County Council	Education & Childrens Services	22-Apr-16
2	15020794	Oxfordshire County Council	Education & Childrens Services	01-Apr-16
3	16000154	Oxfordshire County Council	Environmental Services & Public Protection & Regulation	06-Apr-16
4	16001006	Oxfordshire County Council	Education & Childrens Services	22-Apr-16
5	16001754	Oxfordshire County Council	Education & Childrens Services	09-May-16
6	16001865	Oxfordshire County Council	Education & Childrens Services	11-May-16
7	16001935	Oxfordshire County Council	Adult Care Services	22-Nov-16
8	16002144	Oxfordshire County Council	Education & Childrens Services	16-May-16
9	16002277	Oxfordshire County Council	Adult Care Services	18-May-16
10	16003505	Oxfordshire County Council	Highways & Transport	13-Jun-16
11	16003545	Oxfordshire County Council	Adult Care Services	13-Jun-16
12	16003553	Oxfordshire County Council	Adult Care Services	29-Jun-16
13	16003924	Oxfordshire County Council	Highways & Transport	17-Jun-16
14	16003989	Oxfordshire County Council	Highways & Transport	20-Jun-16
15	16004191	Oxfordshire County Council	Highways & Transport	23-Jun-16
16	16004514	Oxfordshire County Council	Adult Care Services	28-Jul-16
17	16004933	Oxfordshire County Council	Adult Care Services	07-Jul-16
18	16005027	Oxfordshire County Council	Education & Childrens Services	08-Jul-16
19	16005068	Oxfordshire County Council	Education & Childrens Services	08-Jul-16
20	16005222	Oxfordshire County Council	Education & Childrens Services	12-Jul-16
21	16005967	Oxfordshire County Council	Adult Care Services	07-Mar-17
22	16006096	Oxfordshire County Council	Adult Care Services	28-Jul-16
23	16006309	Oxfordshire County Council	Highways & Transport	02-Aug-16
24	16006460	Oxfordshire County Council	Highways & Transport	04-Aug-16
25	16007054	Oxfordshire County Council	Adult Care Services	16-Aug-16
26	16007099	Oxfordshire County Council	Adult Care Services	17-Aug-16
27	16007378	Oxfordshire County Council	Highways & Transport	22-Aug-16
28	16008596	Oxfordshire County Council	Environmental Services & Public Protection & Regulation	14-Sep-16
29	16009015	Oxfordshire County Council	Adult Care Services	21-Sep-16
30	16009139	Oxfordshire County Council	Highways & Transport	21-Feb-17
31	16009597	Oxfordshire County Council	Education & Childrens Services	03-Oct-16
32	16009866	Oxfordshire County Council	Education & Childrens Services	10-Oct-16
33	16010063	Oxfordshire County Council	Highways & Transport	11-Oct-16

34	16010483	Oxfordshire County Council	Planning & Development	27-Oct-16
35	16010711	Oxfordshire County Council	Education & Childrens Services	17-Jan-17
36	16011682	Oxfordshire County Council	Education & Childrens Services	09-Nov-16
37	16012014	Oxfordshire County Council	Environmental Services & Public Protection & Regulation	15-Nov-16
38	16012172	Oxfordshire County Council	Corporate & Other Services	17-Nov-16
39	16012331	Oxfordshire County Council	Highways & Transport	22-Nov-16
40	16012688	Oxfordshire County Council	Education & Childrens Services	28-Nov-16
41	16013184	Oxfordshire County Council	Education & Childrens Services	07-Dec-16
42	16013251	Oxfordshire County Council	Environmental Services & Public Protection & Regulation	08-Dec-16
43	16013394	Oxfordshire County Council	Highways & Transport	12-Dec-16
44	16013486	Oxfordshire County Council	Education & Childrens Services	13-Dec-16
45	16014132	Oxfordshire County Council	Highways & Transport	03-Jan-17
46	16014275	Oxfordshire County Council	Education & Childrens Services	04-Jan-17
47	16014491	Oxfordshire County Council	Education & Childrens Services	09-Jan-17
48	16015192	Oxfordshire County Council	Adult Care Services	20-Jan-17
49	16015470	Oxfordshire County Council	Adult Care Services	25-Jan-17
50	16016417	Oxfordshire County Council	Adult Care Services	09-Feb-17
51	16017131	Oxfordshire County Council	Planning & Development	21-Feb-17
52	16017189	Oxfordshire County Council	Education & Childrens Services	21-Feb-17
53	16017418	Oxfordshire County Council	Highways & Transport	24-Feb-17
54	16017505	Oxfordshire County Council	Adult Care Services	27-Feb-17
55	16017522	Oxfordshire County Council	Education & Childrens Services	08-Mar-17
56	16017695	Oxfordshire County Council	Education & Childrens Services	22-Mar-17
57	16017773	Oxfordshire County Council	Adult Care Services	02-Mar-17
58	16018077	Oxfordshire County Council	Planning & Development	08-Mar-17
59	16018467	Oxfordshire County Council	Education & Childrens Services	14-Mar-17
60	16019285	Oxfordshire County Council	Education & Childrens Services	28-Mar-17
61	16019295	Oxfordshire County Council	Adult Care Services	28-Mar-17

DECISIONS MADE

	Category	Decision Date	Decision	Remedy
1	Education & Childrens Services	25-May-16	Upheld	Apology,Financial Redrss,Procedure Chng
2	Adult Care Services	01-Jun-16	Upheld	Financial Redress
3	Adult Care Services	30-Jun-16	Not Upheld	Null
4	Adult Care Services	19-May-16	Not Upheld	Null
5	Education & Childrens Services	04-Apr-16	Upheld	Null
6	Adult Care Services	11-Aug-16	Incomplete/Invalid	Null
7	Adult Care Services	16-Aug-16	Upheld	Other Remedy
8	Planning & Development	06-Jun-16	Closed after initial enquiries	Null
9	Adult Care Services	19-May-16	Not Upheld	Null
10	Highways & Transport	21-Jun-16	Upheld	Financial Redress,Reimbursement/unquantified payment,Procedure Change
11	Education & Childrens Services	13-May-16	Referred back for local resolution	Null
12	Environmental Services & Public Protection & Regulation	14-Jun-16	Not Upheld	Null
13	Highways & Transport	06-Jul-16	Not Upheld	Null
14	Adult Care Services	24-Nov-16	Not Upheld	Null
15	Adult Care Services	27-Jun-16	Not Upheld	Null
16	Education & Childrens Services	27-Apr-16	Incomplete/Invalid	Null
17	Environmental Services & Public Protection & Regulation	23-Aug-16	Upheld	Satisfactory BinJ remedy,Procedure Chng
18	Education & Childrens Services	22-Apr-16	Referred back for local resolution	Null
19	Education & Childrens Services	09-May-16	Referred back for local resolution	Null
20	Education & Childrens Services	11-May-16	Referred back for local resolution	Null
21	Adult Care Services	31-Mar-17	Not Upheld	Null
22	Education & Childrens Services	03-Jun-16	Referred back for local resolution	Null
23	Adult Care Services	19-May-16	Referred back for local resolution	Null
24	Highways & Transport	11-Jul-16	Closed after initial enquiries	Null
25	Adult Care Services	27-Feb-17	Not Upheld	Null
26	Adult Care Services	27-Feb-17	Upheld	Apology
27	Highways & Transport	17-Jun-16	Referred back for local resolution	Null
28	Highways & Transport	20-Jun-16	Referred back for local resolution	Null
29	Highways & Transport	23-Jun-16	Referred back for local resolution	Null
30	Adult Care Services	10-Nov-16	Closed after initial enquiries	Null
31	Adult Care Services	26-Jul-16	Referred back for local resolution	Null

32	Education & Childrens Services	29-Jul-16	Closed after initial enquiries	Null
33	Education & Childrens Services	11-Jul-16	Referred back for local resolution	Null
34	Education & Childrens Services	12-Jul-16	Referred back for local resolution	Null
35	Adult Care Services	05-Oct-16	Closed after initial enquiries	Null
36	Highways & Transport	25-Aug-16	Closed after initial enquiries	Null
37	Highways & Transport	26-Aug-16	Closed after initial enquiries	Null
38	Adult Care Services	23-Sep-16	Closed after initial enquiries	Null
39	Adult Care Services	13-Dec-16	Not Upheld	Null
40	Highways & Transport	19-Sep-16	Closed after initial enquiries	Null
41	Environmental Services & Public Protection & Regulation	03-Oct-16	Closed after initial enquiries	Null
42	Adult Care Services	31-Mar-17	Not Upheld	Null
43	Highways & Transport	08-Mar-17	Closed after initial enquiries	Null
44	Education & Childrens Services	25-Oct-16	Closed after initial enquiries	Null
45	Education & Childrens Services	20-Oct-16	Referred back for local resolution	Null
46	Highways & Transport	02-Nov-16	Closed after initial enquiries	Null
47	Planning & Development	23-Nov-16	Closed after initial enquiries	Null
48	Education & Childrens Services	23-Jan-17	Closed after initial enquiries	Null
49	Corporate & Other Services	03-Jan-17	Closed after initial enquiries	Null
50	Highways & Transport	23-Dec-16	Closed after initial enquiries	Null
51	Education & Childrens Services	16-Mar-17	Not Upheld	Null
52	Environmental Services & Public Protection & Regulation	11-Jan-17	Closed after initial enquiries	Null
53	Highways & Transport	11-Jan-17	Closed after initial enquiries	Null
54	Education & Childrens Services	13-Dec-16	Referred back for local resolution	Null
55	Highways & Transport	16-Jan-17	Closed after initial enquiries	Null
56	Education & Childrens Services	04-Jan-17	Referred back for local resolution	Null
57	Education & Childrens Services	09-Jan-17	Referred back for local resolution	Null
58	Adult Care Services	13-Feb-17	Closed after initial enquiries	Null
59	Adult Care Services	28-Mar-17	Referred back for local resolution	Null
60	Planning & Development	13-Mar-17	Closed after initial enquiries	Null
61	Education & Childrens Services	21-Feb-17	Referred back for local resolution	Null
62	Highways & Transport	14-Mar-17	Closed after initial enquiries	Null
63	Adult Care Services	27-Feb-17	Incomplete/Invalid	Null
64	Education & Childrens Services	08-Mar-17	Referred back for local resolution	Null
65	Planning & Development	14-Mar-17	Referred back for local resolution	Null
66	Adult Care Services	28-Mar-17	Referred back for local resolution	Null

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Complaints and Enquiries Decided (by Outcome) 2016-17

Authority Name	Invalid or Incomplete	Advice Given	Referred Back for Local Resolution	Closed after Initial Enquiries	Not Upheld	Upheld	Uphold Rate (%)	Total	Complaints Remedied by LGO	Complaints Remedied by Authority
Buckinghamshire County Council	3	4	24	16	4	8	67	59	6	1
Cambridgeshire County Council	5	2	18	11	7	6	46	49	4	1
Cornwall Council	9	7	63	49	31	37	54	196	30	2
Cumbria County Council	4	0	16	14	7	8	53	49	6	1
Derbyshire County Council	9	0	34	24	5	12	71	84	7	0
Devon County Council	9	0	28	41	13	25	66	116	16	2
Dorset County Council	3	0	15	18	10	12	55	58	11	0
Durham County Council	9	2	46	38	15	24	62	134	16	5
East Sussex County Council	2	1	23	21	11	21	66	79	19	1
Essex County Council	7	2	64	59	28	46	62	206	40	4
Gloucestershire County Council	6	0	24	20	10	10	50	70	8	0
Hampshire County Council	4	2	41	26	12	20	63	105	16	1
Hertfordshire County Council	6	2	45	33	9	23	72	118	17	2
Isle of Wight Council	2	0	23	8	6	13	68	52	13	0
Kent County Council	13	2	61	46	25	42	63	189	34	3
Lancashire County Council	5	2	67	34	18	34	65	160	29	2
Leicestershire County Council	4	1	25	23	6	16	73	75	13	0
Lincolnshire County Council	2	0	26	24	18	14	44	84	12	1
Norfolk County Council	6	3	40	28	20	25	56	122	24	0
North Yorkshire County Council	8	1	30	20	12	20	63	91	18	0
Northamptonshire County Council	8	3	40	22	12	35	74	120	32	0
Nottinghamshire County Council	5	1	25	38	16	11	41	96	10	0
Oxfordshire County Council	3	0	21	23	12	7	37	66	5	1
Rutland County Council	1	0	5	4	2	0	0	12	0	0

Somerset County Council	5	2	30	14	3	11	79	65	10	0
Staffordshire County Council	4	0	37	30	10	22	69	103	16	3
Suffolk County Council	5	0	35	19	10	16	62	85	15	0
Surrey County Council	8	1	60	63	21	35	63	188	28	2
Warwickshire County Council	4	1	23	14	4	11	73	57	6	5
West Sussex County Council	6	1	24	24	13	10	43	78	6	0
Worcestershire County Council	5	1	21	13	6	10	63	56	9	1

These statistics include all complaints and enquiries that were decided from 01 April 2016 to 31 March 2017.

Some cases are received and decided in different business years. This means the number of complaints and enquiries received may not match the number of decisions made.

For more information on how to interpret our statistics <http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – 2017/18

8 November 2017

Ernst & Young: Annual Audit Letter (Alan Witty)
Treasury Management Mid Term Review (Joseph Turner)
Constitution Review (Glenn Watson)
Update on Highways Contract (Owen Keegan)
Presentation on the Customer Service Improvement Programme (Ian Dyson/IBC)
Finance Update (Ian Dyson)
Progress update on Annual Governance Statement Actions (Glenn Watson)

10 January 2018

Internal Audit Plan – Progress Report (Sarah Cox)
Ernst & Young - Audit Plan (Alan Witty)
Treasury Management Strategy Statement and Annual Investment Strategy for 2018/19 (Joseph Turner)
Transformation Update (Lorna Baxter)

7 March 2018

Ernst & Young - Progress Report (Alan Witty)

25 April 2018

Annual Governance Statement (Glenn Watson)
Annual Report of the Chief Internal Auditor 2017/18 (Sarah Cox)
Internal Audit Strategy & Annual Plan 2018/19 (Sarah Cox)
Audit Committee Annual Report to Council 2017 (Sarah Cox)
Annual Scrutiny Report (Policy Team)
Ernst & Young - Progress Report (Alan Witty)
OFRS Statement of Assurance 2017-18 (Kerry Blair)

25 July 2018

Treasury Management Outturn 2017/18 (Joseph Turner)
Ernst & Young - Progress Report (Alan Witty)
Review of effectiveness of internal audit (Glenn Watson)
Internal Audit Charter (Sarah Cox)

12 September 2018

Statement of Accounts 2017/18 (Lorna Baxter)
Ernst & Young – Final Accounts Audit (Alan Witty)
Local Government Ombudsman's Review of Oxfordshire County Council (Nick Graham)
Internal Audit Plan – Progress Report (Sarah Cox)
Surveillance Commissioner's Inspection and Regulation of Investigatory Powers Act (Glenn Watson / Richard Webb)
Monitoring Officer Annual Report (Nick Graham)

Standing Items:

- Audit Working Group reports (Sarah Cox)
- Audit & Governance Committee Work Programme – update/review (Committee Officer/Chairman/relevant officers)

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