

AUDIT & GOVERNANCE COMMITTEE – 16 SEPTEMBER 2015
FINAL STATEMENT OF ACCOUNTS 2014/15
Report by the Chief Finance Officer

Introduction

1. The Accounts and Audit Regulations 2011 require the Statement of Accounts 2014/15 to be considered by a committee of the Council by 30 September 2015 and, following that consideration, to be approved by a resolution of that committee. The regulations also require that, following approval, the Statement of Accounts is signed and dated by the chairman of the committee approving the accounts. The Chief Finance Officer must re-certify the Statement of Accounts before the committee approves it.
2. The Statement of Accounts presented for the Audit & Governance Committee's approval reflects minor amendments made following the audit of the accounts. Ernst & Young LLP's annual governance reports set out that no audit issues have been identified as yet during the course of the audit of the main accounts or the Pension Fund accounts. Small changes to some of the disclosure notes have been agreed with the auditors, however these are not significant enough to be reported in their annual governance reports. There are no changes to the main financial statements.
3. Given the minor nature of the changes that have been made to the accounts, the final version has not been included with the agenda papers. Members should refer to the draft version presented to the Audit & Governance Committee on 8 July 2015 available on the council's website. The changes that have been made are set out below.

Main Accounts

Note 1 Summary of Significant Accounting Policies

4. The note about local authority maintained schools being treated as entities for financial reporting purposes in accordance with IFRS 10 has been moved from the Foreword to the section about Group Accounts. An additional note "Disclosure of Interests in Other Entities" has been added for clarity and explains the council's policy on how expenditure and income relating to 209 maintained schools is reflected in the accounts.
5. Information about the timings for revaluations of property assets that was included in Note 29 'Valuation of non – current assets' has been moved to Note 1 and is now shown in a table for clarity.

Note 2 Critical Judgements in applying accounting policies

6. An additional note has been added setting out that where assets are owned by the Council and used by maintained schools (Community Schools and the County's two Foundation Schools), the economic benefits and service potential of the asset is 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 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).

Note 6 Service Expenditure Analysis

7. The 2014/15 Service Expenditure Analysis for Adult Social Care and Highways & Transport Services has been amended as set out in Annex 1. The restated 2013/14 analysis for Children's and Education Services has also been corrected. The overall totals for each Service Reporting Code of Practice (SeRCOP) category shown in the Comprehensive Income and Expenditure Statement are unchanged.

Note 13 Senior Officers' Remuneration

8. A note has been added setting out that the Director for Social & Community Services is a joint post with Oxfordshire Clinical Commissioning Group (OCCG). Since 1 September 2014 the Director for Social & Community Services has also been Director of Strategy & Transformation for OCCG. Half of the salary and other employee costs shown in the disclosure note are paid by OCCG.

Note 14 Exit Packages

9. One exit package has been corrected and as a result has moved from the £100,000 – £149,999 band to the £60,000 – £79,999 band. The total number of exit packages is unchanged.

Note 30 Private Finance Initiative (PFI) and similar contracts – Homes for Older People

10. Additional updated text has been added to set out that the council's original 25 year agreement with Oxfordshire Care Partnership (OCP) will end in 2026/27. While the "partnership agreement" will continue there is no requirement for the County Council to purchase a set number / 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.
11. Because the service concession arrangement ceases at the end of 2027 as a result of the new agreement expenditure relating to 2027/28 has been removed from the future costs as set out below. The overall total of £244.221m correctly reflects the cost up to 2026/27.

Revised table:

2014/15	Service Costs	Principal Repayments	Interest Costs	Lifecycle Replacement Payments	Total
	£'000	£'000	£'000	£'000	£'000
Within 1 Year	13,498	795	2,014	702	17,009
2 -5 Years	58,999	3,834	7,403	3,102	73,338
6 - 10 Years	87,510	6,679	7,367	4,628	106,184
11 -15 Years	39,951	3,438	2,181	2,121	47,691
Total	199,957	14,746	18,965	10,553	244,221

Original table:

2014/15	Service Costs	Principal Repayments	Interest Costs	Lifecycle Replacement Payments	Total
	£'000	£'000	£'000	£'000	£'000
Within 1 Year	13,498	795	2,014	702	17,009

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2 -5 Years	58,999	3,834	7,403	3,102	73,338
6 - 10 Years	87,510	6,679	7,367	4,628	106,184
11 -15 Years	26,238	15,134	3,074	3,245	47,691
Total	186,244	26,442	19,858	11,677	244,221

Note 31 Finance Leases

12. An additional note has been added setting out that the council has granted 12 finance leases for nil rentals to schools which have obtained academy status in 2014/15. The value of assets derecognised totals £105m in 2014/15 (£68m in 2013/14). No residual values are held in respect of these assets.

Note 63 Material Post Balance Sheet Events

13. An additional note has been added to setting out that since July 2015 the council's transactional human resources, finance and procurement activities have been delivered using self – service tools provided by the Integrated Business Centre (IBC) in partnership with Hampshire County Council.

Fire Fighters' Pension Fund Accounts

14. The July version of the accounts noted that complaints had been made to the Pensions Ombudsman regarding the lack of a review by the Government Actuary of the Firefighters' Pension Scheme 1992 commutation factors between 1998 and 2006.
15. The Pension Ombudsman had considered a test case and issued a final determination upholding the complaint. This means that many firefighters who retired between 1998 and 2006 should have been paid higher lump sums. At that stage it was not possible to calculate the likely cost, so a contingent liability was included in the accounts to reflect the potential additional payments to 34 Oxfordshire pensioners expected to be affected.
16. The Department for Communities & Local Government (DCLG) issued further guidance on 1 September so it is now possible to estimate the total cost. The final detailed calculation is required to be submitted to DCLG by December 2015 with payment of the top – up grant by April 2016. In the meantime the contingent liability will be removed from the accounts and replaced with a provision of £0.750m. On an assumed national basis the estimated cost is expected to be within a range from £0.444m - £0.765m, but based on a sample of Oxfordshire pensioners the actual cost is expected to be at the higher end of the range. This will increase expenditure on "Benefits Payable" shown in the Fund Account by £0.750m and be offset by the equivalent amount of additional top – up grant receivable from DCLG. The net amount payable/receivable for the year remains at zero. The net assets statement will also be amended to show the additional £0.750m Pension top – up grant due and the liability relating to payments due to pensioners will be added to "Other current liabilities". The cash balance is unchanged.

Trust Funds

17. Information about Trust Funds where the council acts as a trustee has been moved to the back of the accounts as an information item only as they are not included in the audit opinion.

The Local Government Pension Fund Accounts

Note 6 – Contributions & Note 9 – Benefits

18. There has been a change to the 2014/15 figures due to a reclassification of an employer between Community Admission Bodies and Transferee Admission Bodies. This has no impact on the overall totals shown in the notes. The original and revised tables are shown in Annex 2.

Note 16a – Reconciliation of Movements in Investments and Derivatives

19. The purchases and sales figures for FX have been amended to be shown on a gross basis rather than net. The overall value of Investments and Derivatives as at 31 March 2015 is unchanged. The original and revised table is shown in Annex 2.

Note 24 – Contingent Liabilities

20. The maximum payment figure in the second contingent liability has been amended from £0.180m to £0.160m to reflect that an extra year has passed since the last time the figure was calculated.

Note 27d – Valuation of Financial Instruments Carried at Fair Value

21. Minor changes have been made to the table showing figures as at 31 March 2015 to correct rounding differences.

Note 28 – Risk

22. The Value Decrease figure for Global Equities has been corrected to properly reflect an amendment to the Global Equities category as a result of the decision to reclassify listed private equity under the equities category rather than separately as private equity. The original and revised table is shown in Annex 2.

Annual Governance Statement

23. Paragraph 61 of the Annual Governance Statement has been updated and an additional action for 2015/16 has been added to reflect the need for a comprehensive review of risk registers.

	Action now planned for 2015/16	Timescale for Completion	Responsible Officer	Monitoring Body
5	Strategic Risk Register The Strategic Risk Register to be refreshed and agreed by CCMT, with a quarterly review, including management assurance on the effectiveness of the mitigation for the Strategic Risks	31 September 2015	Chief Internal Auditor	CCMT

24. The narrative about the role of the Oxfordshire Safeguarding Children Board and the Oxfordshire Safer Communities Partnership set out in paragraph 49 has also been updated.

Letters of Representation

25. Auditing standards require Ernst & Young LLP to obtain representations from management on certain matters material to their audit opinion. Separate letters of representation 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 representation before they are signed by the Chief Finance Officer and the Chairman of the Committee.

Conclusion

26. No material errors were identified during the audit. Changes to the accounts relate to minor amendments to notes to the accounts and the Fund Account of the Pension Fund.

RECOMMENDATION

27. **The Committee is RECOMMENDED to:**

- (a) **Consider and approve the Statement of Accounts for 2014/15 presented to the Committee on 8 July 2015 with the minor amendments set out above;**
- (b) **Consider and approve the Annual Governance Statement presented to the Committee on 8 July 2015 with the minor amendments set out above;**
- (c) **Consider and approve the Letter of Representation 2014/15 for the Oxfordshire County Council accounts;**
- (d) **Consider and approve the Letter of Representation 2014/15 for the Oxfordshire Pension Fund accounts.**

LORNA BAXTER

Chief Finance Officer

Background Papers: Report on the Statement of Accounts 2014/15 to the Audit & Governance Committee on 8 July 2015

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September 2015