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To: Members of the Audit Committee

Notice of a Meeting of the Audit Committee

Thursday, 7 July 2011 at 2.00 pm

County Hall

Peter G. Clark.

Peter G. Clark
County Solicitor

June 2011

Contact Officer: ***Geoff Malcolm,***
Tel: (01865) 815904; E-Mail: geoff.malcolm@oxfordshire.gov.uk

Membership

Chairman – Councillor David Wilmshurst
Deputy Chairman - Councillor Charles Mathew

Councillors

Alan Armitage	A.M. Lovatt	Lawrie Stratford
Tony Crabbe	Larry Sanders	
Roy Darke	C.H. Shouler	

Co-optee

Dr Geoff Jones

Notes:

- ***Date of next meeting: 21 September 2011***
- ***The Cabinet Member for Finance & Property has a standing invitation to attend and speak on agenda items within his portfolio***
- ***The Chairman (or Deputy Chairman) of the Strategy & Partnerships Scrutiny Committee has a standing invitation to attend and speak on agenda items***

Declarations of Interest

This note briefly summarises the position on interests which you must declare at the meeting. Please refer to the Members' Code of Conduct in Part 9.1 of the Constitution for a fuller description.

The duty to declare …
You must always declare any "personal interest" in a matter under consideration, ie where the matter affects (either positively or negatively):

(i) any of the financial and other interests which you are required to notify for inclusion in the statutory Register of Members' Interests; or

(ii) your own well-being or financial position or that of any member of your family or any person with whom you have a close association more than it would affect other people in the County.

Whose interests are included …
"Member of your family" in (ii) above includes spouses and partners and other relatives' spouses and partners, and extends to the employment and investment interests of relatives and friends and their involvement in other bodies of various descriptions. For a full list of what "relative" covers, please see the Code of Conduct.

When and what to declare …
The best time to make any declaration is under the agenda item "Declarations of Interest". Under the Code you must declare not later than at the start of the item concerned or (if different) as soon as the interest "becomes apparent".
In making a declaration you must state the nature of the interest.

Taking part if you have an interest …
Having made a declaration you may still take part in the debate and vote on the matter unless your personal interest is also a "prejudicial" interest.

"Prejudicial" interests …
A prejudicial interest is one which a member of the public knowing the relevant facts would think so significant as to be likely to affect your judgment of the public interest.

What to do if your interest is prejudicial …
If you have a prejudicial interest in any matter under consideration, you may remain in the room but only for the purpose of making representations, answering questions or giving evidence relating to the matter under consideration, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

Exceptions …
There are a few circumstances where you may regard yourself as not having a prejudicial interest or may participate even though you may have one. These, together with other rules about participation in the case of a prejudicial interest, are set out in paragraphs 10 – 12 of the Code.

Seeking Advice …
It is your responsibility to decide whether any of these provisions apply to you in particular circumstances, but you may wish to seek the advice of the Monitoring Officer before the meeting.

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.

recycled paper

AGENDA

1. Apologies for Absence and Temporary Appointments

2. Declarations of Interest - see guidance note

3. Minutes (Pages 1 - 4)

To approve the minutes of the meeting held on 20 April 2011 (**AU3**) and 22 June 2011 (to follow) and to receive information arising from them.

4. Petitions and Public Address

5. Audit Commission (Pages 5 - 16)

2:10

Audit of Oxfordshire County Council Financial Statements - Compliance with International Auditing Standards

Letter from the Audit Commission to the Chairman of the Committee.

Audit Commission Progress Report

A representative of the Audit Commission will attend for these items (**AU5**).

6. Audit Working Group - 16 June 2011 (Pages 17 - 20)

2:30

Report by Assistant Chief Executive & Chief Finance Officer (**AU6**).

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

The Committee is RECOMMENDED to note the report.

7. Annual Report of the Head of Internal Audit 2010/11 (Pages 21 - 44)

2:50

Report by the Head of Internal Audit (**AU7**).

The Committee is RECOMMENDED to note the report.

recycled paper

8. Internal Audit Plan - Quarter 2, 2011/12 (Pages 45 - 62)

3:10

Report by Assistant Chief Executive & Chief Finance Officer (**AU8**).

The report presents the Internal Audit Plan for quarter 2 2011/12.

The Committee is RECOMMENDED to approve the quarter 2 Internal Audit Plan and approve the Counter-Fraud Plan.

9. Treasury Management Outturn 2010/11 (Pages 63 - 80)

3:30

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

The report sets out the Treasury Management activity undertaken in the financial year 2010/11 in compliance with the CIPFA Code of Practice. The report includes Debt and Investment activity, Prudential Indicator outturn, changes in Strategy, any breaches of approved Strategy and interest receivable and payable for the financial year.

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

10. Annual Governance Statement 2010/11 (Pages 81 - 102)

3:50

The Monitoring Officer reports as follows:

The County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. Corporate governance is the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve their objectives. The quality of corporate governance arrangements is a key determinant of the quality for services provided by organisations. This Statement (**AU10**) explains how the County Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of a Statement on Internal Control.

The Committee is RECOMMENDED to approve the Annual Governance Statement 2010/2011, subject to the County Solicitor & Monitoring Officer, following consultation with the Leader of the Council, Chief Executive and Section 151 Officer, making any necessary amendments in the light of comments made by the Committee.

11. Statement of Accounts 2010/11 (Pages 103 - 290)

4:10

Report by Assistant Chief Executive and Chief Finance Officer (**AU11**).

The report presents the 2010/11 Statement of Accounts.

The Accounts and Audit Regulations have been revised this year and include changes to the approval process for the Statement of Accounts. The 2011 Regulations require the Assistant Chief Executive and Chief Finance Officer to sign the Statement of Accounts no later than 30 June, and certify that they give a true and fair view of the County Council's position. The regulations require that the Audit Committee considers and approves the accounts no later than 30 September, allowing members to make a better informed decision when the findings of the audit are available. This report presents the accounts certified by the Chief Finance Officer to the Audit Committee for information, before the start of the public inspection period and the commencement of the audit.

The 2010/11 Statement of Accounts is attached at Annex 1. An overview of the financial position of the Council at 31 March 2011 is contained in the explanatory foreword.

The Committee is RECOMMENDED to:

(a) note the Statement of Accounts for 2010/11 to be submitted to the auditor; and

(b) note the Summary Accounts 2010/11.

12. Scrutiny Committees - Annual Report 2010/11 (Pages 291 - 300)

4:40

On 14 June 2011 the Council received the Scrutiny Committees Annual Report (**AU12**) which the Committee has included in its Work Programme.

The Corporate Performance & Review Manager will attend for this item.

The Committee is RECOMMENDED to note the report.

13. Audit Committee Work Programme - Review / Update (Pages 301 - 302)

5:00

To review / update the Committee's Work Programme (**AU13**).

5:05 Close of meeting

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

Pre-Meeting Briefing
There will be a pre-meeting briefing at County Hall on **Thursday 30 June 2011 at 2:00pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

AUDIT COMMITTEE

MINUTES of the meeting held on Wednesday, 20 April 2011 commencing at 11.00 am and finishing at 1.10 pm

Present:

Voting Members:	Councillor David Wilmshurst – in the Chair Councillor Ray Jelf (Deputy Chairman) Councillor Roy Darke Councillor Jean Fooks (In place of Councillor Alan Armitage) Councillor A.M. Lovatt Councillor Charles Mathew Councillor Larry Sanders Councillor C.H. Shouler Councillor Lawrie Stratford
Non-voting Co-optees:	Dr Geoff Jones
Other Members in Attendance:	Councillor Jim Couchman and Councillor Melinda Tilley
By Invitation:	Maria Grindley, Audit Commission
Officers:	
Whole of meeting	Peter Clark, Head of Law & Governance, Ian Dyson, Assistant Head of Finance (Audit), Sue Scane, Assistant Chief Executive & Chief Finance Officer, Geoff Malcolm (Committee Services)

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

18/11 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apology from	Substitute
Councillor Alan Armitage	Councillor Jean Fooks

19/11 MINUTES

(Agenda No. 3)

The Minutes of the meeting held on 2 March 2011 (AU3) were approved and signed.

Minute 15/11 (d): following the informal member/officer meeting to consider risk / performance management & audit in the light of the Council's organisational changes, the Chairman commended the Committee to hold an additional meeting on this topic prior to the next scheduled meeting.
(See also Minute 25/11 below.)

20/11 AUDIT COMMISSION: AUDIT FEE LETTERS 2011/12: OXFORDSHIRE COUNTY COUNCIL & OXFORDSHIRE PENSION FUND

(Agenda No. 5)

Ms. Grindley presented the Audit Fee letters 2011/12 (AU5). The Letters confirmed the work which the Commission proposed to undertake for the 2011/12 financial year, set out the basis of audit planning and setting the scale fee and introduced the members of the audit team for 2011/12. The planned outputs were set out in the Appendices with indicative dates. The Commission would provide progress reports to the Committee during the year. If any significant amendments to the audit fee were needed the reasons would be discussed with officers and reported to the Committee for discussion.

In relation to the Pension Fund Letter it was reported that Councillor Harvey had been invited but was unable to attend this meeting. He had no comments on the Letter concerning the Annual Audit Fee for 2010/11.

RESOLVED: to note the Audit Fee Letters 2011/12 and thank Ms. Grindley and team for their work.

21/11 AUDIT WORKING GROUP - 31 MARCH 2011

(Agenda No. 6)

The Committee considered a report (AU6) which set out the Audit Working Group (AWG) matters considered by the AWG on 31 March 2011.

The specific matters for report to the Committee were as follows:

- Environment & Economy Project & Risk Management;
- Fairer Charging Performance; and
- the AWG Work Programme2011/12.

In relation to the Work programme the Committee noted that the AWG on 16 June 2011 would consider the draft response to consultation by the Department for Communities & Local Government on the future of local public audit. (Officers undertook to produce a draft response, to be circulated to all members of the Audit Committee, by 31 May.)

RESOLVED: to note the report.

22/11 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2010/11

(Agenda No. 7)

The Committee considered a report (AU7) which commented on the performance of the Internal Audit system throughout 2010/11. Mr. Clark presented the paper and was pleased to report that there had been a 100% response to the Annual Survey of senior managers.

The Committee welcomed the positive response to the Survey and noted that the feedback provided a real measure of the effectiveness of Internal Audit in the Council. Members also noted that the AWG received quarterly reports on progress with performance indicators.

RESOLVED: to approve the Monitoring Officer's assessment of the effectiveness of the system of Internal Audit 2009/10.

23/11 ANNUAL GOVERNANCE STATEMENT - CORPORATE LEADS ASSURANCE PROCESSES 2010/11

(Agenda No. 9)

The Committee considered a report (AU9) which commented on the performance of the Internal Audit system throughout 2010/11 in the light of the revised Corporate Governance Assurance Framework approved by the Committee on 17 November 2011. Mr Clark as monitoring Officer introduced the report and drew members' attention in particular to the key changes reflected in the new framework and the Corporate Leads assurance processes.

During the Committee's debate and following member comment on Annex 11 – Partnerships – Mr. Clark confirmed that the AWG could undertake further detailed work on the key control processes, with Lead Officers as and when required, during the next year if it felt that would be useful.

RESOLVED: to approve the processes designed by the Corporate Leads for monitoring the effectiveness of the Council's key controls.

24/11 INTERNAL AUDIT PLAN - QUARTER 1, 2011/12

(Agenda No. 8)

In March the Committee had approved the internal Audit Strategy for 2011/12, which included a move from an annual Internal Audit Plan to a quarterly one. The Committee considered a report (AU8) which detailed the quarter 1 2011/12 plan for Internal Audit. Mr. Dyson introduced the paper and confirmed that the Plan had been compiled following consultation with the Directors and the Performance & Review team. He then responded to members' questions and comments including the use of transactional testing and, with the Solicitor to the Council the availability of exempt reports to members on a 'need to know' basis.

RESOLVED: to approve the Quarter 1 Internal Audit Plan.

25/11 DATE OF MEETING

(Agenda No. 10)

RESOLVED: to

a) hold an additional meeting on 22 June 2011 between 10.00am-1.00pm, the main business being:

- an overview of governance arrangements for the Council's Business Strategy, led by the Chief Executive with Directors in attendance; and
- the Audit Working group report on the draft response to the Department for Communities & Local Government consultation on the Future of Local Public Audit;

and

b) move the meeting scheduled for 29 June 2011 to 7 July 2011 commencing at 2:00 pm.

26/11 AUDIT COMMITTEE WORK PROGRAMME 2011/12

(Agenda No. 11)

RESOLVED: to adopt the Work Programme (AU11)subject to:

- meeting dates: the deletion of '29 June' and substitution of '7 July';

and

- on 7 July the addition of topics as follows:
  - Internal Audit Plan – Quarter 2, 2011/12; and
  - Audit Commission:
    - Progress Report; and
    - Letter to those Charged with Governance.

..... in the Chair

Date of signing .....

24 June 2011

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

Direct line 0844 798 8952

Dear Councillor Wilmshurst

Audit of Oxfordshire County Council Financial Statements - Compliance with International Auditing Standards

In order to comply with a number of International Standards on Auditing I am required to obtain an understanding of the following:

1) How those charged with governance exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially mis-stated due to fraud;
- identifying and responding to risks of fraud in the organisation;
- communication to employees of views on business practice and ethical behavior; and
- communication to those charged with governance the processes for identifying and responding to fraud.

2) How the Audit Committee oversees management processes to identify and respond to the risk of fraud and possible breaches of internal control.

3) Whether you have knowledge of any actual, suspected or alleged frauds

4) How you gain assurance that all relevant laws and regulations have been complied with.

A brief response by letter or email by early September 2011 will suffice. Please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Maria Grindley
District Auditor

cc Sue Scane, Assistant Chief Executive and Chief Finance Officer
Mary Fetigan, Audit Manager

External audit progress report

July 2011

Oxfordshire County Council

Audit 2010/11

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Introduction

1 This report identifies the work that I will deliver as part of our 2010/11 plan and progress against that. In addition this report also highlights key messages and challenges for the Audit Committee.

Key messages and challenges for the Audit Committee

2 We have commented previously on the following key areas of challenge and change within the 2010/11 audit:

- implementation of IFRS;
- a more targeted approach to the value for money conclusion;
- the need to review all material year end journals;
- the need to review arrangements for determining Related Party Transactions and accounting estimates.

3 Where we have specific findings on these issues or have identified deficiencies in internal control we will bring those to your attention. We have no such matters to raise within this report.

Progress on 2010/11 audit plan

Timeline of the audit and progress to date

4 The timeline for the audit work for 2010/11 and 2011/12 to end April 2012 is attached at appendix 1. Progress for the key parts of the 2010/11 audit is set out in appendix 2. I will provide reports, or other output as agreed, to the Audit Committee for each of the areas identified in the audit plan in line with the Committee's work plan. I will also ensure that any key messages arising from the audit will be reported to the Audit Committee within this report as they arise.

5 The audit is largely on target with completion of:

- IFRS restatement work;
- VFM conclusion risk assessment;
- Most systems documentation and walkthroughs;
- Most of the controls testing (including work by Internal Audit);
- Some early final accounts planning and work.

IFRS restatement work

6 Our work confirmed that the Council was well prepared for the introduction of IFRS. Restated figures have been tested. We have no issues to raise with you.

VFM Conclusion risk assessment

7 We have completed our risk assessment and identified a risk around achieving the required level of savings to support financial resilience. The Council worked to prudent estimates of savings required by both the spending review and the recession. However the spending review did require greater up front savings in 2011/12 than expected and in total the level of savings required are significantly higher than previously achieved so an inherent risk remains despite the Council's financial management arrangements. In our 2009/10 Annual Audit Letter we recognised the work already done by the Council to identify sufficient savings but also the importance of increasing the degree of corporate challenge in driving the savings. We have been working closely with Internal Audit to address the risk and to ensure that we rely on the outcomes of their work in this area. We will report the work in September.

Financial Systems work

8 We have no issues to raise with you.

Appendix 1 Audit timeline

	Jan 11	Feb	March	Apl	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan 12	Feb	March	Apl
2010/11 audit																
Issue detailed 10/11 plan,	-----															
IFRS update			----------													
Interim audit work	----------															
accounts audit						----------										
VFM conclusion			--------					----------								
Opinion Memo										----						
AAL											-----					
Grants								----------								
2011/12 audit																
Initial planning + fee letter				----												
detailed planning											----------					
Issue updated audit plan													------			
Interim audit work													----------			

Appendix 2 Audit progress

Period	Work Planned	Delivered
January	Update Risk assessment and issue detailed audit plan. Finalise report on 2009/10 grants.	Both reports were taken to Audit Committee 19 January 2011.
January - March	Initial review of financial systems. VFM conclusion risk assessment.	Attended financial systems meetings with Internal Audit and also completed some work independently. Carried out vfm conclusion risk assessment. Liaison with IA on vfm conclusion risk around savings.
March	Progress report.	Taken to Audit Committee 2 March 2011.
March - April	IFRS restatement review. Raise any issues re IFRS with officers.	Carried out IFRS restatement work.

Period	Work Planned	Delivered
March - June	Review IA files and testing where we are planning to rely on their work. Complete systems documentation. Complete and top up testing required.	IA files reviewed to date with final top up testing to be reviewed. most systems documentation and walkthroughs completed. Commented on OCC Grants Protocol to strengthen arrangements for 2010/11.
July	Progress Report to Audit Committee.	Taken to Audit Committee 7 July 2011
June - August	Final accounts planning. Delivery of final accounts audit. Vfm conclusion work carried out. Plan and begin grants work.	Some elements of the final accounts audit have already been delivered. Planning will be updated when the draft accounts are received.
September	Complete and review final accounts audit and work on VFM conclusion. Discuss audit findings with S151 officer. Prepare Annual Governance Report. Sign opinions by due date 30 September. Ongoing work on Grants.	

Period	Work Planned	Delivered
21 September Audit Committee	Present Annual Governance Report. Sign accounts opinion, give VFM conclusion.	
October	Prepare opinion audit report to officers (if required). Carry out grants work.	
November	Sign off outstanding grant claims. Prepare Annual Audit Letter.	
16 November Audit Committee	Present Annual Audit Letter.	
November - December	Update 2011/12 audit planning. Complete 2010/11 grant claims certification. Prepare 2010/11 grant report.	
18 January 2012 Audit Cttee	Present updated 2011/12 Audit Plan. Present 2010/11 grant report.	

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AUDIT COMMITTEE – 7 July 2011

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on 16 June 2011

The meeting was attended by:

Dr. Geoff Jones – Chairman; Cllr. David Wilmshurst; Cllr. Alan Armitage; Cllr. Charles Mathew; Lorna Baxter; Peter Clark; Ian Dyson; Belinda Dimmock-Smith; Sarah Cox.

Part meeting only: AWG4 Steve Howell

Observers: Cllr. Sandy Lovatt; Cllr. Larry Sanders; Cllr. Charles Shouler; Cllr. Roy Darke.

Apologies: Sue Scane

AWG WORK PROGRAMME ITEMS

The main business items of the meeting were as follows:

AWG 4 Highways and Transport – Risk and Project Management
AWG 5 Draft Internal Audit Annual Report
AWG 6 Draft Annual Governance Statement
AWG 7 Draft response to CLG consultation on the Future of Local Public Audit
AWG 8 Risk Management Progress Report
AWG 9 Internal Audit – Issues and Follow Up Progress

MATTERS FOR REPORT TO THE AUDIT COMMITTEE:

Fairer Charging (Matter arising from minutes 31 March 2011)

At the previous meeting the Group agreed to receive the next progress report at the September meeting, but asked to be notified promptly of any emerging issues. The Group had not been notified of any concerns so asked for confirmation this was the situation. The Assistant Head of Finance (Audit) reported that he had received the report for May at the beginning of the week, and although the figures were consistent with previous periods, there was an example of a client that had not previously been identified through the reconciliation process that had resulted in a significant delay in undertaking a financial assessment. The Officer reported that he was establishing how this had occurred, and will report back to members at the Audit Committee on 7 July 2011.

Update on SAP Roles (Matter arising from minutes 31 March 2011)
It was confirmed that a SAP Operational Group has been established, and tasked with resolving all the outstanding governance issues regarding the development and maintenance of SAP Roles. A report on the position will be presented to the AWG at the meeting on 8 September 2011.

Highways and Transport – Risk & Project Management

The Deputy Director gave the Group assurance that improvements to the project and risk management disciplines have been made, and acknowledged that whilst officers have been managing risks and taking actions on a daily basis they have been less effective at documenting this along the Council's guidelines. He confirmed that Project Initiation Documents have now been completed for key projects, and they are all recorded on the project register. The leadership team actively reviews the projects at least monthly. It was also noted that the Performance and Review Team are providing support in improving the project and risk recording and coordination of project management training.

The Group remained very concerned regarding progress with actions resulting from the internal audit of the Highways Service. There remain several actions not yet completed, but the planned implementation dates have been exceeded. The governance over the Highways Services remains unacceptable. The Deputy Director to attend the next meeting of the Group with an update, and was told that the Group expects to be informed that all actions have been completed.

Draft Internal Audit Annual Report
The Group was happy with the report, but noted that the audit of Voluntary Sector Grants that had resulted in an overall opinion of "Unacceptable" control, was also referred to in the AWG9 report as having priority 1 action not completed, that was due April 2011. The Group asked that an explanation be provided at the meeting of the Audit Committee on 7 July 2011.

Risk Management
The Group noted that the Governance Audits have identified issues regarding risk management processes within the Directorates that are being addressed. It was agreed that progress with actions arising from the Internal Audit reports on risk management will be appended to the future risk management progress reports presented to the Group.

Work Programme

The updated work programme is attached as appendix 1 to this report.

The Committee is RECOMMENDED to note the report;

SUE SCANE
Assistant Chief Executive & Chief Finance Officer
Corporate Core

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

June 2011

APPENDIX 1

AUDIT WORKING GROUP
WORK PROGRAMME 2011/12

2011

Thursday 8 September
- Deputy Director Highways & Transport – update on Action Plan
- SAP Roles – Update on Actions
- Internal Audit Issues – Ian Dyson
- Risk Management Progress Report – Belinda Dimmock-Smith
- Fairer Charging progress report – Alan Sinclair / Jo Stone

Thursday 3 November
- Internal Audit Issues – Ian Dyson
- Risk Management Progress Report – Belinda Dimmock-Smith
- Quarterly Update AGS Action Plan – TBC

2012
Thursday 5 January
- Annual Governance Statement Process – annual review of the assurance framework – TBC
- Internal Audit Issues – Ian Dyson
- Risk Management Progress Report – Belinda Dimmock-Smith

Thursday 16 February
- Internal Audit Issues – Ian Dyson
- Risk Management Progress Report – Belinda Dimmock-Smith
- Quarterly Update AGS Action Plan – TBC
- Progress report on issues arising from the External Audit Reports - TBC
- Draft work programme 2012/13 – Ian Dyson
- Review of AWG Terms of Reference – Ian Dyson
- Private Session with External Auditors - TBC
- Private Session with the Assistant Head of Finance (Audit)

Last updated: 16 June 2011
Ian Dyson, Assistant Head of Finance (Audit) 01865 323875

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Oxfordshire County Council

Internal Audit Services

Annual Report of the Head Of Internal Audit

2010/11

Date Issued: June 2011

AUTHOR: IAN DYSON

1 INTRODUCTION

1.1 BACKGROUND

1.1.1 The Accounts and Audit Regulations 2003 (as amended 2006) require the Council to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices. Proper practice is defined as the CIPFA Code of Practice for Internal Audit in Local Government 2006 (the Code). In accordance with the Code, the Head of Internal Audit, (Assistant Head of Finance (Audit)), is required to provide a written report to those charged with Governance, timed to support the Annual Governance Statement, which should include an opinion on the overall adequacy and effectiveness of the Council's control environment.

1.2 RESPONSIBILITIES

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

1.3 INTERNAL CONTROL ENVIRONMENT

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

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

1.3.2 In order to form an opinion on the overall adequacy and effectiveness of the control environment the internal audit activity is planned to provide coverage of financial controls, through review of the key financial systems, and internal controls through a range of operational activity both within Directorates and cross cutting, including a review of risk management and

governance arrangements. The Head of Internal Audit's annual statement on the System of Internal Control is considered by the Corporate Governance Assurance Group when preparing the Council's Annual Governance Statement.

1.4 THE AUDIT METHODOLOGY

1.4.1 Internal Audit complies with the CIPFA Code of Practice, and has approved Terms of Reference that set out the objectives and scope of Internal Audit. In accordance with the requirements of the Accounts and Audit Regulations 2011, the Monitoring Officer has carried out a review of the effectiveness of the System of Internal Audit. The scope of the review covered compliance with proper practice (CIPFA Code of Practice for Internal Audit 2006), reporting on performance and outcomes to the Audit Committee, External Auditor's opinion, and a survey of Senior Management on the effectiveness of Internal Audit. In the report to the Audit Committee it was concluded there is acceptable effectiveness with no significant weaknesses identified.

1.4.2 The Internal Audit Strategy and Annual Plan for 2010/11 was agreed by the Assistant Chief Executive & Chief Finance Officer and approved by the Audit Committee in April 2010.

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

1.4.4 In accordance with the revised Turnbull Guidance (2005), Internal Audit reports provide a conclusion for each of the following, as well as an overall conclusion on the system of internal control:

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

A summary of the conclusions for each audit are listed as appendix 1 to this report. The definitions of each conclusion are attached as appendix 4.

1.4.5 To provide quality assurance over the audit output, audit assignments are allocated to staff according to their skills and experience. Each auditor has a designated Audit Manager to perform quality reviews at four stages of

the audit assignment: the terms of reference, file review, draft report and final report stages.

1.4.6 In addition to this annual report, we have reported on progress against the planned activity to every Audit Working Group meeting.

1.5 THE AUDIT TEAM

1.5.1 During 2010/11 the Internal Audit Service was delivered by an in house team, supported by contracted services for information technology audits and schools audits. The Team also provided services to external organisations, Thames Valley Police Authority and Buckinghamshire County Council. In addition resources to support the delivery of the Audit Plan were procured from Deloittes, primarily to cover vacancies that occurred in the year and maternity leave

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

2 OPINION ON SYSTEM OF INTERNAL CONTROL

2.1 BASIS OF THE AUDIT OPINION

2.1.1 The 2010/11 Internal Audit Plan has been completed enabling the Assistant Head of Finance (Audit) to provide an objective assessment of whether systems and controls are working properly. In giving an audit opinion, it should be noted that assurance can never be absolute; however, the scope of the audit activity undertaken by the Internal Audit Service is sufficient for reasonable assurance to be placed on their work.

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

In accordance with the strategy to provide a flexible service, the original Audit Plan approved by the Audit Committee in April 2010 has been subject to revision. Material changes have been reported to the Audit Working Group in the routine progress reports that are produced for each meeting.

2.1.3 Counter-fraud activity has been undertaken during year, including fraud investigations. The outcomes of these investigations and exposure of the control environment has been taken into account when forming the overall opinion.

2.1.4 The programme of school audits and the external assessment process for Financial Management Standards in Schools (FMSiS) continued in 2010/11, until the FMSiS procedure was ended in November 2010; however, the programme of schools audits continued as planned until the end of March. A summary of the outcomes of these audits is included as Appendix 2 to this report.

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

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

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

- The results of all audits undertaken as part of the 2010/11 audit plan.
- The results of follow up action taken in respect of previous audits.
- Whether or not any priority 1 recommendations have not been accepted by management.
- The affects of any material changes in the Council's objectives or activities.
- Whether or not any limitations have been placed on the scope of Internal Audit – of which there have been none.

2.2 HEAD OF INTERNAL AUDIT'S OPINION ON THE SYSTEM OF INTERNAL CONTROL

2.2.1 The opinion on the Council's System of Internal Control is that overall it continues to operate satisfactorily; in general the key controls in place are adequate and effective such that reasonable assurance can be placed on the operation of the Council's functions. The opinion demonstrates a good awareness and application of effective internal control necessary to facilitate the achievement of objectives and outcomes.

2.2.2 Whilst this opinion represents a positive outcome for the Council, most audits have resulted in reports identifying areas for improvement which have been well received by Managers. As a result of the audit reports actions to address the identified weaknesses in control have been designed by managers, and evaluated by Internal Audit. The implementation of these actions are tracked by Internal Audit through a continuous follow up process, and actively monitored by Directorate Leadership Teams and the Audit Working Group on a quarterly basis.

In forming this opinion consideration has been given to the four audits that remain at draft report stage (the reports still at draft and the draft conclusions are listed in table 2 of Appendix 1). In all cases of the finalised audits, management action has been agreed and either implemented or currently on going.

2.2.3 The internal audit activity also included a review of key control processes: risk management, governance, and key financial systems. No major issues were identified with our audits of key financial systems. With regard to risk management, issues regarding the governance of the risk management processes being applied in the Directorates have been discussed at the Audit Working Group. This is supported by the evidence from the internal audit activity listed in appendix 1, where for the majority of audits in 2010/11, weakness have been identified in the management of risks within the systems and processes we have reviewed; and further in the programme of governance audits we identified weaknesses in the process of risk management across Directorates.

2.2.4 In addition to the planned audit activity, internal audit has continued to challenge the ongoing development of SAP roles; and integral part of the SAP Governance. The AWG were informed of ongoing issues in March, but subsequently a task group of senior managers has been formed to take ownership of the issues and to resolve them.

2.3 INTERNAL AUDIT PERFORMANCE

2.3.1 The following table shows the performance targets agreed by the Audit Committee and the actual 2010/11 performance.

Measure	Target	Actual Performance
Elapsed time between start of the audit (opening meeting) and the Exit Meeting	Target date agreed for each assignment by the Audit Manager, no more than three times the total audit assignment days	85% of the audits met this target. (last year 55%)
Elapsed time for completion of the audit work (exit meeting) to issue of draft report	15 Days	72% of the audits met this target. (Last year 74%)
Elapsed time between issue of draft report and the issue of the final report	15 Days	56% (Last year 56%)
% of Internal Audit planned activity delivered	100% of the audit plan by end of April 2011	93% of the plan was completed. (last year 89%).
Hours charged to audits compared to budgets	All audits delivered within budget	Not captured for 2010/11
% of priority 1 and 2 recommendations followed up after implementation date.	100% within 3 months of the date of expected implementation	Not specifically measured. Part of routine operations.
% of recommendations	90% of recommendations	2009/10: 85% (Of the

Measure	Target	Actual Performance
implemented within the agreed timescales	implemented	remaining 15%, 12% relate to no longer applicable or carried forward actions). 2010/11: 63% (to date).
Customer satisfaction questionnaire (Audit Assignments)	Average score < 2	1.32 (Last year 1.29).
Directors satisfaction with internal audit work	Satisfactory or above	Achieved – Review of System of Internal Audit
Extent of reliance External Audit can place on Internal Audit	Reliance placed on internal audit work	No adverse comments – achieved

2.3.2 Appendix 1 lists the planned audits, and their outcomes, or an explanation why the audit has not been completed.

2.3.3 There were a number of staffing changes in the year, and an increase in the use of external resources. In addition half way through the year we fundamentally changed the scope of the audit activity to focus on the key control processes, and embarked on a major programme of work, covering all Directorates and the Chief executives Office. In that context overall the level of performance has been good. We have maintained a very high level of customer satisfactions, and crucially retained the support of senior managers who through the annual survey have confirmed they find the Internal Audit Service effective. There remain areas for improvement, and in particular the implementation of management actions remains an administration issue within the team. This should be remedied in 2011/12, as authorisation has just been given to progress the procurement of action tracking software. .

Ian Dyson

Assistant Head of Finance (Audit)

June 2011

APPENDIX 1

SUMMARY OF AUDIT OUTCOMES FOR THE YEAR – COMPLETED AUDITS

	Audit Plan Priority	2010/11 Overall Opinion	Risk Management	Design of Controls	Effectiveness of Controls	Monitoring of Controls	Action Taken
Key Financial Systems							
Payroll	High	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	N/A – No actions
Accounts Payable	High	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Accounts Receivable	High	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Budget Setting	High	This area was reviewed as part of the Directorate Governance and Financial Management Audits – see summary below.					
Budgetary Control	High	This area was reviewed as part of the Directorate Governance and Financial Management Audits – see summary below.					
Main Accounting / General Ledger	High	Acceptable	Acceptable	Acceptable	Acceptable	Issues	Acceptable
Treasury Management	High	Issues	Acceptable	Acceptable	Issues	Issues	Acceptable
Capital Accounting	High	This audit was removed as last years review was fully Acceptable and the review was not required by the Council's external auditors.					
Pensions Administration	High	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Pensions Fund	High	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Cash Receipting	Medium	Issues	Acceptable	Acceptable	Issues	Issues	Acceptable
Overtime and Subsistence Claims	Medium	Counter-Fraud Audit – minor issues were identified in relation to documents not being completed in full. However, no fraud was identified.					

	Audit Plan Priority	2010/11 Overall Opinion	Risk Management	Design of Controls	Effectiveness of Controls	Monitoring of Controls	Action Taken
Corporate Core							
Partnerships							
Voluntary Sector Grants and Donations	High	Unacceptable	Unacceptable	Issues	Unacceptable	Unacceptable	Acceptable
Thematic Partnership Arrangement	High	This area was reviewed as part of the Directorate Governance and Financial Management Audits – see summary below.					
Partnership Governance Arrangements	Medium	This area was reviewed as part of the Directorate Governance and Financial Management Audits – see summary below.					
Policy and Performance							
LAA2 Data Quality	High	This audit was not completed as the LAA2 ceased in the year.					
LAA1 Reward Grant	High	This review was completed and assurance was provided on the quality of the data supporting the LAA1 claim. This was a verification audit and therefore an overall opinion was not provided.					
Performance Management	High	This area was deferred until quarter 1 of the 2011/12 plan to be covered as part of the Directorate Governance and Financial Management Audits					
Project Management	High	This area was reviewed as part of the Directorate Governance and Financial Management Audits – see summary below.					
HR & OD							
HR Organisational Management	High	This review was intended to look at the impact of the SAP project, but was reviewed at the planning stage, and considered it was more effective to include under the scope of the key financial system audits where there is the greatest risk.					
Sickness Management	Medium	Issues	Issues	Acceptable	Issues	Issues	Acceptable

	Audit Plan Priority	2010/11 Overall Opinion	Risk Management	Design of Controls	Effectiveness of Controls	Monitoring of Controls	Action Taken
Teachers Pensions Contributions	Medium	Acceptable	Acceptable	Acceptable	Issues	Acceptable	Acceptable
SAP Self Service	High	This review was not completed as SAP Self Service was not implemented.					
Legal & Democratic Services							
Corporate Governance	High	This area was reviewed as part of the Directorate Governance and Financial Management Audits – see summary below.					
Data Protection	Medium	This area was reviewed as part of the Directorate Governance and Financial Management Audits – see summary below.					
Internal Control Checklist verification	High	The Governance Assurance Framework was reviewed in 2010/11, which resulted in the cessation of the Internal Control Self Assessment process. As reported to the Audit Committee, maintaining good governance during the period of significant change the council is going through is a key risk. Internal Audit changed the focus of a substantial part of the Audit Plan to focus specifically on this risk, testing compliance with the key control processes to provide a more robust assurance that he existing self assessment procedure.					
Non-compliance with Contract Procedure Rules	High	Counter-fraud audit - This review commenced in quarter four, and will be completed during 2011/12.					
CYP&F							
Safer Recruitment	High	Unacceptable	Issues	Unacceptable	Issues	Unacceptable	Acceptable
Safer Recruitment – follow up audit	High	Issues	N/A	N/A	N/A	N/A	Acceptable
CYPF	High	Unacceptable	Issues	Unacceptable	Issues	Unacceptable	Acceptable

	Audit Plan Priority	2010/11 Overall Opinion	Risk Management	Design of Controls	Effectiveness of Controls	Monitoring of Controls	Action Taken
Performance Indicators							
Safeguarding / Integrated Children's System	High	This audit was deferred until quarter 1 of the 2011/12 plan.					
Dedicated Schools Grant / CYPF Grants	High	This audit was deleted from the 2010/11 plan and the days reprioritised to completed the audit of Governance and Financial Management in CYP&F.					
Disability Services	High	Issues	Acceptable	Acceptable	Issues	Acceptable	Acceptable
Children's Centres	Medium	Issues	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
6th form funding – assurance to the YPLA	High	This audit was deferred until quarter 1 of the 2011/12 plan.					
CYPF Contract Procurement and Contract Management	High	Issues	Acceptable	Issues	Issues	Issues	Acceptable
Contact Point	High	Acceptable	N/A	N/A	N/A	N/A	Acceptable
School Improvement Partners	Medium	This audit was deleted from the 2010/11 plan and the days used to completed the audit of Governance and Financial Management in CYP&F.					
Schools Assurance							
SAP in schools	Medium	Issues	Issues	Issues	Issues	Issues	Acceptable
ICT Audits							

	Audit Plan Priority	2010/11 Overall Opinion	Risk Management	Design of Controls	Effectiveness of Controls	Monitoring of Controls	Action Taken
Disaster Recovery	High	Issues	Acceptable	Issues	Issues	Acceptable	Acceptable
Information Security Management	High	Issues	Issues	Acceptable	Issues	Issues	Acceptable
ICT Management and Operations	High	Issues	Issues	Acceptable	Issues	Unacceptable	Acceptable
SAP Security	High	Issues	Issues	Acceptable	Issues	Issues	Acceptable
Software Asset Management	Medium	Issues	Issues	Unacceptable	Issues	Issues	Acceptable
Windows Active Directory	Medium	Issues	Issues	Issues	Unacceptable	Unacceptable	Acceptable
Social and Community Services							
Transforming Social Care	High	Issues	N/A	N/A	N/A	N/A	N/A
Pooled Budget Management	Medium	As a result of the reduction in staff in the final quarter, we had to reprioritise. Although a major area of spend, this area has been subject to audit review in three previous years so it has been deferred to 2011/12.					
SCS Contract Management	High	Issues	Issues	Issues	Issues	Issues	Acceptable
Client Care Funding	Medium	Audit testing was completed in quarter four. However, due to the need to resolve the issues that have been raised, further testing and work will need to be completed during 2011/12 before overall conclusions can be drawn from the audit.					
SCS Safeguarding	High	Issues	Issues	Issues	Issues	Issues	Acceptable
Extra Care	Medium	Issues	Issues	Issues	Issues	Issues	Acceptable

	Audit Plan Priority	2010/11 Overall Opinion	Risk Management	Design of Controls	Effectiveness of Controls	Monitoring of Controls	Action Taken
Housing Projects							
Aids and Adaptations	Medium	Counter Fraud Audit – Reprioritisation of resources in Q4 resulted in this audit being deferred.					
Continuing Health Care	Medium	Issues	N/A	N/A	N/A	N/A	N/A
Retained Firefighters Payroll	Medium	Issues	N/A	N/A	N/A	N/A	N/A
Environment and Economy							
Restructure Governance Review	High	This audit was replaced by the Governance and Financial Management audit of E&E – see below summary					
Property and Facilities Procurement	High	Issues	Issues	Acceptable	Issues	Issues	Acceptable
Oxfordshire Transport Contract Procurement and Contract Management	High	This audit was replaced with an E&E Contract Management review.					
Oxfordshire Highways Contract	High	Unacceptable	Unacceptable	Unacceptable	Unacceptable	Unacceptable	Acceptable
Waste Management Contract Management	High	Acceptable	N/A	N/A	N/A	N/A	Acceptable

	Audit Plan Priority	2010/11 Overall Opinion	Risk Management	Design of Controls	Effectiveness of Controls	Monitoring of Controls	Action Taken
Energy billing	Medium	This review was not completed.					
E&E Planning System	Medium	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Shared Services							
Shared Services Risk Management and Internal Control Framework	Medium	This audit was replaced by the Governance and Financial Management audit of OCS – see below summary					
Fairer Charging	Medium	As the AWG has been closely monitoring the performance of this system throughout 2010/11, the annual audit was cancelled and the resources reprioritised. The audit will be conducted again in 2011/12					
Money Management	Medium	Issues	Issues	Issues	Issues	Issues	Acceptable
Procurement Cards	Medium	Counter Fraud Audit – issues were identified in relation to a lack of compliance with procedures and purchases being made that were not in accordance with the scheme. However, no fraud was identified.					

SUMMARY OF AUDIT OUTCOMES FROM DIRECTORATE AUDITS OF GOVERNANCE & FINANCIAL MANAGEMENT

	CYPF Governance & Financial Management	SCS Governance & Financial Management	OCS Governance & Financial Management	E&E Governance & Financial Management	Chief Executives Office Governance and Financial Management
Overall 2010/11 Conclusion	Issues	Issues	Issues	Issues	Issues
Authority & Governance	Issues	Acceptable	Issues	Issues	Issues
Information Governance	Issues	Issues	Issues	Issues	Issues
Business Continuity	Issues	Acceptable	Acceptable	Acceptable	Issues
Risk Management	Issues	Issues	Acceptable	Issues	Issues
Performance Management	To be tested in qtr 1 2011/12	To be tested in qtr 1 2011/12	To be tested in qtr 1 2011/12	To be tested in qtr 1 2011/12	To be tested in qtr 1 2011/12
Financial Management	Issues	Issues	Acceptable	Issues	Acceptable
Legislation	Issues	Issues	Issues	Issues	Issues
Human Resources	Issues	Issues	To be tested in 2011/12	To be tested in 2011/12	To be tested in 2011/12
Change Management & Project Management	To be tested in 2011/12	Issues	Issues	Issues	To be tested in 2011/12
Partnerships	Acceptable	Acceptable	To be tested in 2011/12	Issues	To be tested in 2011/12

CORPORATE FINDINGS REPORTED AS PART OF THE GOVERNANCE AND FINANCIAL MANAGEMENT AUDITS – SEPARATE REPORTS ISSUED

Authority & Governance	ISSUES	Directorate findings in respect of the schemes of delegation meant that corporate actions were required. These were agreed within this report.
Budget Setting	ISSUES	Directorate findings were summarised and reported before issue of the main directorate reports, to ensure actions could be taken on a timely basis. This report also contained corporate actions
Health & Safety	ISSUES	Directorate findings in our testing in the area of Legislation meant that corporate actions were required. These were agreed within this report.
Information Governance	UNACCEPTABLE	There were corporate issues identified in this area. Actions were agreed within this report.
Risk Management & Project Management	ISSUES	This report summarised the issues identified from directorate testing and the actions agreed with the directorates. It also contained corporate actions which were agreed.

SUMMARY OF AUDIT OUTCOMES FOR THE YEAR – NOT YET FINALISED

	Audit Plan Priority	2009/10 Overall DRAFT Opinion	Risk Management	Design of Controls	Effectiveness of Controls	Monitoring of Controls	Action Taken
Schools Assurance							
Schools Support and Technical	High	Issues	Issues	Acceptable	Issues	Issues	?
Social and Community Services							
Care Purchasing	High	Issues	Acceptable	Acceptable	Issues	Issues	?
Mental Health Follow Up	High	Issues	Acceptable	Acceptable	Issues	Issues	?
Environment and Economy							
E&E Contract Management	High						?

- Schools Support and Technical: Draft report was issued 26 May 2011. Awaiting confirmation of management actions to the issues raised.
- Care Purchasing: Draft report was issued 7 June 2011. Awaiting confirmation of management actions to the issues raised.
- Mental Health Follow Up: Draft report issued 28 March 2011. Awaiting confirmation of management actions to the issues raised.
- E&E Contract Management: Draft report yet to be issued.

Appendix 2 – School Audits 2010/11

Primary, Nursery & Special Schools Internal Audits 2010-11

School name	Overall Conclusion
Slade Nursery	ISSUES
Headington Nursery	I
ACE Centre Nursery	ACCEPTABLE
All Saints CE Primary	A
Badgemore Primary	I
Longworth Primary	I
Shiplake Primary	I
Faringdon Infants	I
Sacred Heart Primary	I
Faringdon Juniors	A
Trinity Primary	I
Longfields Nursery & Primary	I
Manor School	I
Watchfield Primary	I
RAF Benson Primary	I
Northbourne Primary	I
Chalgrove Primary	I
John Blandy Primary	I
South Moreton Primary	I
Stadhampton Primary	I
Brookside Primary	I
Lewknor Primary	I
St Mary's Primary, Chipping Norton	I
Harwell Primary	I
Longcot & Fernham Primary	I
Watlington Primary	I
Long Wittenham Primary	I
Kings Meadow Primary	I
Ashbury with Compton Beauchamp	I
Buckland Primary	I
Glory Farm Primary and Nursery	I
Wood Farm Primary	I
Queensway School	I
Ewelme Primary	I
Landford Village Primary	I
Cropredy Primary	I
Southwold Primary	I
Charlbury Primary	I
Five Acres Primary & Nursery	I

School name	Overall Conclusion
Finmere Primary	I
Shrivenham Primary	I
St Mary's CE Primary, Banbury	I
Fritwell Primary	I
Stephen Freeman Primary	I
Lydalls Nursery	I
St Joseph's Catholic Primary, Banbury	I
St Edburg's CofE (VA) School	I
Chadlington Primary	A
Hardwick CP School	I
Windmill Primary	I
Frank Wise	I
Chesterton Primary	I
Bardwell	I
Bure Park Primary	I
Great Tew Primary	I
Launton Primary	I
Orchard Fields CP School	I
Bayards Hill Primary	I
Middle Barton Primary	I
Hill View Primary	I
Hook Norton Primary	A
Valley Road Primary	I
Shellingford Primary	I
The Grange School	I
Blewbury Primary	I
Holy Trinity Primary	I
Chilton Primary	I
Oxfordshire Hospital School	I
Kingham Primary	I
Bishop Loveday Primary	I
St Andrews Primary	A
Charlton-on-Otmoor Primary	I
Enstone Primary	I
William Morris School	I
St Francis Primary	I
Great Rollright Primary	A
St John's Catholic Primary	I
Hanwell Fields Primary	I
St Leonards Primary	I
Harriers Ground Primary	I
Hagbourne Primary	I
Fringford Primary	I
Ladygrove Primary	I

Secondary Schools Internal Audits 2010-11

School name	Overall Conclusion
Burford School & Community College	A
The Henry Box School	I
St Birinus School	I
Larkmead School	I

APPENDIX 3

DEFINITION OF CONCLUSIONS

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

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Division(s): N/A

AUDIT COMMITTEE – 7 JULY 2011

INTERNAL AUDIT PLAN – QUARTER 2 2011/12

Report by the Assistant Chief Executive & Chief Finance Officer

INTRODUCTION

1. The detailed quarter 2 plan for Internal Audit is attached as Annex 1 to this report.

2. The plan has been compiled after consultation with the Directors and the Performance and Review Team.

3. The contract audit needs assessment has been produced but the timings of the audits has not yet been agreed. Some activity will be undertaken in Q2, but for the purposes of this report, it is recorded only as contract audit.

4. Attached as Annex 2 to this report is the revised Counter-Fraud Plan for 2011/12. The report details the activity to be undertaken and the timetable. A fraud risk assessment is currently being completed that will inform the program of pro-active fraud testing that will be completed each quarter.

5. Attached as Annex 3 is the status of audits planned in Q1. By the nature of audit activity it will always be the case that the activity crosses over quarters.

6. The Internal Audit Strategy approved by the Committee is March 2011 includes the further collaboration with Buckinghamshire County Council and the implementation of audit project management software, and action tracking software. The wider collaboration will become effective in July 2011, but there is currently an issue preventing progress with the implementation of the audit project management software. The application is not fully compliant with Windows 7, which is the new operating system being rolled out across the County. It is hoped this will be resolved by the end of August; the business case will then be resubmitted to the IT Development Board for approval. At this stage there is no certainty over the implementation date. The IT Development Board has approved the procurement of the action tracking system, and a project will be established during Q2 for implementation. The plan is to have the software operational for the beginning of Q3, with the first report generated for the AWG at their January meeting.

RECOMMENDATION

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

   (a) approve the Quarter 2 Internal Audit Plan; and

(b) approve the Counter-Fraud Plan

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Background papers: None.

Contact Officer: Ian Dyson Assistant Head of Finance (Audit)
Tel: 01865 323875

July 2011

ANNEX 1

2011/12 Quarter 2 Internal Audit Plan

Directorate	Qtr	Audit	Status
CEF	2	**CEF Governance and Financial Management** (Following on from quarter 1 – see entry in plan) During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management. During quarter 2 Internal Audit will review the area of project management in CEF, as this was not tested for this directorate as part of the 2010/11 audit. The audit will provide assurance that the directorate ensures that all projects are appropriately authorised and effectively managed to ensure that objectives are achieved and that projects are completed within the required timescales and budget.	To start qtr 2
CEF	2	**Payments to Foster Carers – Trojan System** From 2011/12 payments to Foster Carers are being processed via the Trojan system. These were previously administered via spreadsheets. Internal Audit will test the key controls to provide assurance on the accuracy, integrity and reliability of payments made.	To start qtr 2
CEF	2	**Review of CEF Management Information Systems** ***Original audit plan entry:*** The audit will review the current management information systems in operation, providing an overview of the system objectives; identify users of the systems, the key processes in operation and what data quality/assurance mechanisms are in place. The findings will be reported to the Director and used by Internal Audit and CEF to establish whether there are any gaps/weaknesses which will require more detailed review. A separate audit of the One System (EMS) will also be undertaken in quarter 1 and will feed into this review. ***Revised audit plan entry:***	This audit was originally planned for qtr 1, however scope of audit amended and therefore timing changed.

Directorate	Qtr	Audit	Status
		In preparation for the introduction of the Early Intervention Hubs, governance arrangements have been established to oversee developments, including Task and Finish group for ICT/Buildings and Data, Information Sharing and Processes. As a consequence and as part of these governance arrangements, representatives from Information Management and Business Support Team within CEF, are reviewing all directorate management information systems to identify how the requirements of the Early Intervention hubs and re-designed directorate will be supported in the future and whether the existing systems will still be required in the longer term. A project will be set up to deliver this review of systems and the planned changes needed to ensure that CEF systems will support the new process required when operating the Early Intervention Hubs. Internal Audit will review the project management arrangements, and at key stages provide advice / assurance over the key processes planned, to include review of what data quality / assurance mechanisms will be in place for the recording and reporting of key data. A separate audit of the One System (EMS) was undertaken in quarter 1	
CEF	2 & 3	**Children's Centres** The audit will provide assurance on the project within CEF to re-commission 44 Children's Centres across the county. The review will focus on the project management arrangements, and at key stages provide advice / assurance over the key processes planned and the overall implications on delivery of the directorate's Business Strategy.	To start qtr 2
CEF	2	**Schools Assurance – Use of SAP for budgetary control.** In addition to the schools programme of individual assurance visits, throughout 2011/12 Internal Audit will look to undertake thematic reviews of key risk areas to provide the S151 officer with assurance on the financial control environment. The area of budgetary control and the use of SAP will be reviewed in quarter 2, using a sample of schools, to provide assurance that SAP is being used effectively to enable expenditure to be properly controlled and accounted for.	To start qtr 2.

Directorate	Qtr	Audit	Status
EE	2	**E&E Governance and Financial Management (including Customer Services)** (Following on from quarter 1 – see entry in plan) During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management.	n/a
EE (Customer Services)	2	**Property and Facilities Procurement** The audit will review the procurement exercise and mobilisation phase for the new Property and Facilities contract. The audit will follow on from the second phase review, completed in June 2011, looking at the contract specification, any related tender documents and the schedule for the ISDS phase. Further work on the mobilisation phase will be completed in quarters 3 and 4.	To start qtr 2
EE (Customer Services)	2	**Highways and Transport Contract** Operational from the 1st April 2010, this audit will determine progress against the audit action plan and the follow up audit completed in quarter 2. The review will also assess progress in implementing the service Improvement Plan, as well as the effectiveness of the governance, performance and risk management arrangements. As operational information becomes available, the review will focus on more detailed sampling to ensure service objectives are being delivered.	To start qtr 2.
EE (Customer Services)	2	**Energy Strategy** A new Energy Strategy is currently being developed within E&E and is due to be adopted during the summer. The audit will focus on the governance arrangements in place to monitor and deliver the requirements of the Energy Strategy, including data quality arrangements.	To start qtr 2

Directorate	Qtr	Audit	Status
EE (Customer Services)	2	**ESS / MSS Programme** The audit will review the governance arrangements and controls in place when implementing Employee Self Service and Manager Self Service applications within SAP.	To start qtr 2
EE (Customer Services)	2	**SAP Collaboration Review** The audit will review the management and governance controls over the proposed partnership with Hampshire on the SAP collaboration.	Testing
EE (Customer Services)	2	**Data Centre Security** **The audit will review the physical and environmental security controls over the Clarendon data centre. In addition to the above, we will also review the security over the communications room at County Hall and Unipart House.**	Testing
EE (Customer Services)	2	**MS Enterprise Programme** The Microsoft Enterprise Services Programme will address the work to upgrade desktops and laptops to a base level of Windows 7 and Office 2010. The audit will provide assurance management and governance arrangements in delivering MS Enterprise programme and operational and systems controls in place.	Draft ToR
CEO	2	**CEO Governance and Financial Management** This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation. During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11 within CEO, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management.	To start qtr 2

Directorate	Qtr	Audit	Status
Corporate	2	**Contract Audit** The contract audit needs assessment has been completed but the timetable has not yet been agreed. The contract audit plan includes time for revenue contracts, focussing on contract management and capital contracts.	To start qtr 2
SCS	2	**SCS Governance and Financial Management** (Following on from quarter 1 – see entry in plan) During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management.	To start Q2
SCS	2	**Safeguarding** The aim of the audit will be to provide assurance on the quality assurance framework for Safeguarding in respect of externally provided services, reviewing the scope, adequacy and reporting mechanisms within this process. The audit also will provide assurance on the annual review process, in respect of delivering safeguarding objectives. The audit will consider current improvements already planned or being actioned by the Directorate within the area of Safeguarding and the multi-agency peer audit to be independently led by the Oxfordshire Adult Safeguarding Board.	To start Q2
SCS	2	**Client Care Funding** This audit will follow on from the observations raised during the 2010/11 review where the systems in place within SCS appear to not maintain the correct level of documentation to support delivery of the needs of the client. Testing will focus specifically on deterring the process or control weaknesses and implications in not having robust systems to support service needs and operational decisions.	To start Q2

Directorate	Qtr	Audit	Status
Proactive Fraud	2	**Overtime Claims** This proactive fraud exercise will utilise IDEA (data interrogation software) to assess the level of overtime claims being submitted. The review will aim to establish whether the overtime claims forms submitted and paid are appropriate.	To start Q2

ANNEX 2

COUNTER-FRAUD WORK PLAN FOR YEAR 2011/2012

GENERIC AREA OF ACTION	TASK/OBJECTIVE	TARGET DATE	CURRENT POSITION	COMPLETION DATE
Creating an anti-fraud culture	1. Raising awareness:			
	• Combating fraud and corruption eLearning course to be reviewed, revised as necessary and re-publicised.	June 2011	eLearning reviewed and contents updated. ICT notified of changes required, with ICT to action.	Planned: June 2011
	• Assist CGWG members in raising awareness and take up of eLearning within their directorates.	August 2011	News item (as detailed in task / objective 2) ready for publication once revisions have been made.	Planned: June 2011
	2. Articles and Newsletters:			
	• Submit news items for Council intranet on fraud and related subjects.	June 2011	Intranet news item on revised Anti-Fraud & Corruption Strategy, Bribery Act, whistle blowing procedure and Combating fraud and Corruption eLearning produced. News item will be published once the revised strategy and eLearning course have been uploaded.	Planned: June 2011
	• Review fraud and corruption corporate governance article	May 2011	Review of fraud and corruption corporate governance statement completed.	Complete
	3. Counter-Fraud Webpage:			
	• Develop & maintain a Counter-Fraud section on the Intranet. • Develop & maintain a Counter-Fraud section on the Council's public website	July 2011	Intranet and internet (public site) pages on fraud and corruption and eLearning have been reviewed and updated (awaiting upload of revisions). The fraud number appears on the Internal Audit webpage and a webpage in relation to NFI has also been created.	Planned: July 2011

GENERIC AREA OF ACTION	TASK/OBJECTIVE	TARGET DATE	CURRENT POSITION	COMPLETION DATE
	4. Counter-Fraud Awareness: • Review and monitor completion of Combating Fraud & Corruption eLearning course.	November 2011	Completion of eLearning to be reviewed by Internal Audit, feedback to be provided to CGWG.	Planned: November 2011
Deterring fraud	5. Liaison with Communications Team: • Discuss publicity requirements on all OCC cases and initiatives as the need arises.	ongoing	Currently assessed on a case by case basis. Responsibilities covered in Anti-Fraud & Corruption Strategy.	ongoing
Preventing fraud	6. Counter-Fraud Policy: • Review Anti Fraud and Corruption Strategy. • Include Fraud Response Plan in Counter-Fraud Manual.	May 2011 May 2011	Review completed. Policy and strategy now combined and published on intranet / internet. Fraud Response Plan included in revised Anti Fraud & Corruption Strategy. Fraud response plan to be included in the Counter-Fraud Manual.	Complete Complete Planned: September 2011
Detecting Fraud	7. Audit Commission National Fraud Initiative (NFI) 2010/11: • Co-ordinate responses to data matches • Monitor outcomes and confirm that issues are being reviewed and resolved appropriately.	March 2012 (ongoing) March 2012	Liaison with key contacts underway, key contacts are in the process of reviewing and responding to reports / matches Sample testing of responses will be assessed	Planned: May 2011 ongoing Planned: December 2011
	8. Produce a fraud risk assessment to inform areas for pro-active testing	August 2011	Risk assessment in the process of being drafted.	Planned: August 2011

GENERIC AREA OF ACTION	TASK/OBJECTIVE	TARGET DATE	CURRENT POSITION	COMPLETION DATE
	9. Undertake proactive anti fraud testing to provide assurance on effectiveness of fraud controls.	March 2012	Two proactive audit reviews underway. Other potential areas for proactive testing to be identified and assessed on a quarterly basis, using fraud risk assessment detailed in 8 above. Key Financial Systems testing will focus on key fraud risks.	Planned: July 2011 Ongoing
Investigating fraud	10. Create Internal Audit Counter-Fraud Manual.	September 2011	Investigations currently carried out in line with best practice and fraud protocol. Manual in process of being produced.	Planned: September 2011
Seeking to apply sanctions where fraud is proven	11. Maintain a close working relationship with Human Resources / Legal re: civil, disciplinary and criminal.	Each case	Ongoing working relationship with key council departments has been established. Covered in the revised Anti-Fraud and Corruption Strategy. To be formally documented in Internal Audit Counter-Fraud Manual.	Planned: March 2012
Supplying information so that redress may be sought	12. Take appropriate action to secure redress: • Identify losses to the Council and seek to ensure that funds and assets remain within the Council. • In all cases where losses are identified seek to recover funds where possible.	Each case Each case	Covered in the revised Anti-Fraud and Corruption Strategy. Covered in the revised Anti-Fraud and Corruption Strategy.	Completed Completed

ANNEX 3

2011/12 Quarter 1 Internal Audit Plan - Status

Directorate	Qtr	Audit	Status at 24 June 2011
CEF	1	**CEF Governance and Financial Management** This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation. During Quarter 1, Internal Audit working with the Corporate Performance Team will review the area of Performance Management.	Exit meeting held – draft report to be issued.
CEF	1	**CEF Safeguarding** This audit has been deferred from 2010/11 Internal Audit Plan. The aim of the audit will be to provide assurance that safeguarding framework, policies and procedures are working effectively. The audit will review the quality assurance framework, reviewing the scope adequacy, and reporting mechanisms within this process. The audit will also review the systems and processes in place for caseload management. The audit will follow up on any outstanding actions and test implementation of any priority 1 management actions from previous audits of Safeguarding Training, Safer Recruitment, and also relevant actions regarding accuracy and completeness of Frameworki data included in the audit undertaken of Performance Indicators.	Fieldwork started June – Exit meeting and reporting planned for July.
CEF	1	**YPLA (Young People's Learning Agency) – Sixth form funding** Under the requirements of the YPLA Internal Audit are required to provide assurance on a cyclical basis over the funding paid in respect of local authority maintained schools with sixth forms. It will include review of processes in place to verify the completeness and accuracy of the school's data returns.	Exit meeting booked – draft report to be issued early July.

Directorate	Qtr	Audit	Status at 24 June 2011
CEF	1	**One System (EMS)** One system is the main pupil database used across CEF. The audit will look review the use of the system across the directorate and to provide assurance on the accuracy and integrity of data on the system. A key aspect of the audit will be to review the financial governance surrounding payments generated by data supplied by the system. The audit will specially review the business processes in place to generate payments to providers within the Early Years Service.	Exit meeting held – draft report to be issued early July.
CEF	1	**Early Years** ***Original audit plan entry:*** Within the CEF Business Strategy, Early Years is undergoing significant restructuring / remodelling of service delivery. The audit will review the project for delivery of these planned changes, the audit will consider the processes planned following the implementation of these changes, ensuring that key governance and financial management controls are considered throughout transition. ***Revised audit plan entry:*** **Early Years – Delivery of Savings Plan.** During quarter 1 Internal Audit will look to provide assurance on the robustness and accuracy of the savings plans in place for Early Years. The audit will consider the new structural changes in place and responsibilities for achievement of each part of the savings plan, reviewing that appropriate budget monitoring mechanisms are in place. Internal Audit will work with the Deputy Director to identify any future Internal Audit activity required to consider key governance and financial management controls as processes are reviewed / re-designed as part of the implementation of the CEF Business Strategy.	Scope of audit amended and fieldwork start delayed until mid-June. Exit meeting and reporting planned for July.

Directorate	Qtr	Audit	Status at 24 June 2011
EE	1	**EE Governance and Financial Management (including Customer Services)** This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation. During Quarter 1, Internal Audit working with the Corporate Performance Team will review the area of Performance Management.	Exit meeting held – draft report to be issued.
EE	1	**Property and Facilities Procurement** The audit will review the procurement exercise and mobilisation phase for the new Property and Facilities contract. The audit will follow on from the first phase review, completed in March 2011. The ISOS Stage, tender briefings and dialogue phase will be reviewed in quarter 2 and the ISDS Stage, dialogue and selection of preferred bidder will be completed in quarter 3. Further work on the mobilisation phase will be considered in quarter 4.	Testing to be completed by 30 June.
EE	1	**New Highways and Transport Contract** Operational from the 1st April 2010, this years audit will follow on from the 2010/11 review, focussing on the issues raised in relation to the operational processes designed to deliver the services of the Highways Contract. The review will assess progress in implementing the service Improvement Plan, as well as the effectiveness of the performance and risk management arrangements.	Testing complete, draft report being collated.
EE	1	**Concessionary Travel** With the administration of the Concessionary Travel scheme transferring to County Council responsibility from the 1st April 2011, the audit will focus on the handover arrangements and the design and effectiveness of processes and systems implemented the manage the scheme.	Testing complete, draft report to be issued early July.

Directorate	Qtr	Audit	Status at 24 June 2011
EE (Customer Services)	1	**Insurance** The audit will provide assurance on processes in place to ensure that the Council has adequate cover for insurable risks and claims are being processed accurately and timely.	Testing to start mid-July
EE (Customer Services)	1	**Procure to Pay** This was originally included in the 2010/11 audit plan, however the implementation of the system for electronic scanning of invoices by the Accounts Payable Team has been delayed until 30 June 2011. Internal Audit will complete walkthrough testing on the designed processes prior to implementation.	Draft management letter issued. Further testing to complete now system ready for walkthrough.
EE (ICT)	1	**ICT Strategy** The audit will provide assurance on the implementation of the current ICT Strategy. The audit will review the strategy to ensure it is being effectively delivered, monitored and managed. The review will also ensure that the benefits of ICT are fully realised and the development of ICT supports corporate objectives and priorities.	Final Report issued
EE (ICT)	1	**Internet Access and Security** The audit will provide assurance on the security and access controls in place in relation to the internet and email, designed to reduce any potential misuse.	Moved to Q3
EE (ICT)	1	**Disaster Recovery Project** The audit will provide advice on the implementation of the Disaster Recover Project. The audit will also provide assurance on the design of controls being implemented as part of the project.	Draft ToR
CEO	1	**Members Allowances** The audit will provide assurance on the systems and processes in place to ensure the accuracy and integrity of allowances paid.	Exit meeting booked draft report to be issued early July.

Directorate	Qtr	Audit	Status at 24 June 2011
CEO	1	**Treasury Management** An annual review to test the key controls to provide assurance that council funds are being effectively managed to support the delivery of council operations and to maximise investment opportunities for cash surpluses.	Testing
Corporate	1	**Business Strategy Programme** During quarter 1, Internal Audit will review the arrangements in place to monitor the delivery of the Directorate Business Strategies. It will include a review of the general governance arrangements, the management information being presented to the Business Strategy Group and any resulting actions. This analysis will help identify Internal Audit activity for 2011/12 to provide assurance that key risks associated with delivery of significant change across the organisation are managed effectively.	Testing ongoing to understand Directorate governance arrangements
SCS	1	**SCS Governance and Financial Management** This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation. During Quarter 1, Internal Audit working with the Corporate Performance Team will review the area of Performance Management.	Exit meeting held – draft report to be issued.
SCS	1	**Alert Service** The review will focus on the processes for re-assessing clients by Community Voice, that financial forecasts are accurate and robust, the financial charging process is effective and contract management and monitoring arrangements are in place.	Testing

Directorate	Qtr	Audit	Status at 24 June 2011
SCS	1 & 2	**Self Directed Support** The audit will provide assurance on the effectiveness of the Self Directed Support process, considering any recent changes or improvements, including personal budget allocations and accounting, care plan delivery and client documentation.	Testing
Proactive Fraud	1	**Compliance with Contract Procedure Rules** This proactive fraud exercise will review compliance with the Council's Contract Procedure Rules. The review will utilise IDEA (data interrogation software) to identify all significant procurement activity and ensure the Council's requirements have been complied with.	Testing
Proactive Fraud	1	**ICT Network Access** Following on from the Council's ICT Acceptable Use e-learning, this proactive exercise will review the outcome of the e-learning and determine the reasons for any non-compliance in completing the training.	Scoping

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Division(s): N/A

COPY

Cabinet – 19 July 2011

Audit Committee – 7 July 2011

TREASURY MANAGEMENT OUTTURN 2010/11

Report by Assistant Chief Executive and Chief Finance Officer

Introduction

1. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Code of Practice on Treasury Management (Revised) 2009' requires that Council (via Cabinet) and Audit Committee receives an updated report on Treasury Management activities at least twice per year. This report is the second report for the financial year 2010/11 and sets out the position as at 31 March 2011.

2. The following annexes are attached

Annex 1	Debt Financing 2010/11
Annex 2	PWLB interest rate graph
Annex 3	PWLB debt Raised and Maturing
Annex 4	Lending List Changes
Annex 5	Investment portfolio 31/03/2011
Annex 6	Prudential Indicators Outturn
Annex 7	Benchmarking

Strategy 2010/11

3. The Treasury Management Strategy for 2010/11 was based on an average base rate forecast of 0.63%.

4. The Strategy for Long Term Borrowing was to use a combination of external borrowing and internal balances in order to reduce the Council's exposure to credit risk and reduce the cost of carry (difference between borrowing costs and investment returns) whilst debt rates remained higher than investment interest rates.

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

Market Background

6. At the time of determining the strategy for 2010/11, interest rates were expected to remain low in response to the fragile state of the UK economy. Economists were predicting spending cuts and tax increases after the General Election if the government held a clear majority. The markets, at the time, viewed a hung parliament as potentially disruptive if combined with a failure to produce a plan to bring down government borrowing. The outlook

for growth was uncertain due to consumers and corporates reducing their spending, and financial institutions exercising restraint in new lending.

7. The economy's two headline indicators moved in opposite directions – growth was low whilst inflation spiked sharply. The economy grew by 1.3% in calendar year 2010; the forecast for 2011 was revised down to 1.7% by the Office of Budget Responsibility in March. High commodity, energy and food prices and the increase in VAT to 20% pushed the February 2011 annual CPI inflation figure to 4.4%. The Bank Rate was held at 0.5% as the economy dealt with uneven growth and the austerity measures set out in the coalition government's Spending Review.

8. The US Federal Reserve (the Fed) kept rates on hold at 0.25% following a slowdown in American growth. The European Central Bank maintained rates at 1%, with the markets expecting a rate rise in early Spring.

9. The credit crisis migrated from banks to European sovereigns. The ratings of Ireland and Portugal were downgraded to the BBB category whilst the rating of Greece was downgraded to sub-investment grade. The sovereign rating of Spain was also downgraded but remained in the AA category. The results from the EU Bank Stress Tests, co-ordinated by the Committee of European Banking Supervisors, highlighted that only 7 out of the 91 institutions failed the 'adverse scenario' tests. The tests were a helpful step forward, but there were doubts if they were far-reaching or demanding enough. The main UK banks' (Barclays, HSBC, LloydsTSB and RBS) Tier 1 ratios[1] all remained above 9% under both the 'benchmark scenario' and the 'adverse scenario' stress tests. To remain above 9% is considered to be a positive sign. The tests will be repeated in the Spring of 2011.

10. Gilts benefited from the Spending Review plans as well as from their relative 'safe haven' status in the face of European sovereign weakness. 5-year and 10-year gilt yields fell to lows of 1.44% and 2.83% respectively. However, yields rose in the final quarter across all gilt maturities on concern that higher inflation would become embedded and reduce the real rate of return for fixed income investors.

11. During the year, money market rates increased marginally at the shorter end of the yield curve (overnight to 3 months). 6 - 12 month rates increased between 0.25% to 0.30% over the 12 month period reflecting the expectation that the Bank Rate would be raised later in 2011.

Treasury Management Activity

Debt Financing

12. The Council's debt financing for 2010/11 is analysed in Annex 1

13. The original 2010/11 borrowing strategy was to use a combination of external borrowing and internal balances. This was intended to reduce the cost of carry (the difference between borrowing rates and investment returns), and also partly retain the ability to borrow internally in the future if borrowing rates were prohibitively expensive.

[1] The Tier 1 ratio is the ratio of a bank's core equity capital to its total risk-weighted assets.

14. In July 2010 in light of uncertainty over the cost of financing, and the future ability of Local Authorities to finance, capital expenditure through borrowing, the Treasury Management Strategy Team (TMST) took the view that retaining the ability to borrow internally in future years was necessary. Therefore borrowing was arranged to fund the Capital Financing Requirement for the year.

15. Following the Spending Review in October 2010, the PWLB increased its lending rates across all maturity periods to include a premium of approximately 0.87%. Therefore, officers' concerns over the cost of borrowing were warranted and the decision to borrow £30m before the SR has avoided additional interest payments of £0.261m per annum.

16. The table in Annex 1 shows that the Council's cumulative total external debt increased during the year from £412.09m on 1 April 2010 to £434.41m on 31 March 2011, a net increase of £22.32m. The purpose of the increase in borrowing was to finance capital expenditure and Prudential Schemes. Gross 'new' borrowing amounted to £30m all of which was borrowed from PWLB[2]. No new money market debt was arranged in 2010/11.

17. At 31 March 2011, the authority had 72 PWLB loans totalling £384.41m and 10 LOBO[3] loans totalling £50m. The average rate of interest paid on PWLB debt was 4.76% and the average cost of LOBO debt in 2010/11 was 3.94%. The combined weighted average for interest paid on long-term debt was 4.67%. Details of new loans arranged during 2010/11 are shown in Annex 2.

Maturing Debt

18. The Council repaid £7.68 million of maturing PWLB loans during the year. The weighted average interest rate payable on the matured loans was 4.54%. The details are set out in Annex 3.

Debt Restructuring

19. No long term debt was restructured during 2010/11 as interest rates and repayment terms were unfavourable.

Investment Strategy

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

21. The majority of deposits were limited to 3 months in duration throughout the first half of the financial year. In September 2010 a programme of 6 month deposits was tailored with 4

[2] The Public Works Loan Board is a Government agency operating within the United Kingdom Debt Management Office and is responsible for lending money to Local Authorities.

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

counterparties deemed to be of higher credit quality. This had the effect of increasing the yield whilst maintaining a relatively low average maturity profile.

22. In December 2010 the TMST decided to lengthen the weighted average maturity (WAM) of the deposit portfolio to protect the Council against the risk of interest rates remaining low longer than the market anticipated. This was achieved mainly by placing longer term deposits with other local authorities. The weighted average maturity of all deposits during 2010/11 was 110 days (compared with 94 days during 2009/10).

23. The Council used fixed and structured deposits, as well as call accounts and money market funds to deposit its in-house temporary cash surpluses during 2010/11.

24. In compliance with latest CIPFA guidance on deposits held with Icelandic banks, the 2010/11 final accounts include an amount which represents the potential lost deposit and associated interest on amounts placed with Landsbanki. In April 2011 the Reykjavik District Court held that Local Authority creditors would be treated as Preferential Creditors. The other creditors of Landsbanki are currently appealing against this decision in the Icelandic Supreme Court. If it is held in the Supreme Court that Local Authorities should retain Preferential status, then the CIPFA guidance sets out that 5.15% of the deposit should be impaired to reflect the sum at risk of not being returned (i.e. £0.0515 in each £1.00). If however the Supreme Court finds in favour of the plaintiff, then the amount at risk is estimated to be 61.79% (i.e. £0.6179 in each £1.00). CIPFA guidance states that as Local Authorities currently enjoy Preferential Creditor status, then the impairment should be based upon 5.15% at risk.

The Council's Lending List

25. The Council's in-house cash balances are deposited with institutions that meet the Council's approved credit rating criteria. The approved Lending List is regularly updated during the year to reflect changes in bank and building society credit ratings. Changes are reported to Cabinet each month. The approved lending list may also be further restricted by officers, in response to changing conditions and perceived risk. Annex 4 shows the amendments incorporated into the Lending List during 2010/11, in accordance with the approved credit rating criteria and additional temporary restrictions.

26. In April 2010 a 4 day maturity loan was arranged with Rabobank taking the total deposits with Rabobank to £22.25m. The absolute lending limit with Rabobank was £30m, subject to a maximum of 10% of the total investment portfolio. At the time of the deposit 10% of the investment portfolio was £20.08m. The 10% single counterparty limit was therefore breached by £2.17m for 4 days. There was no financial loss to the Council as a result of this breach, and further measures have been put in place to minimise the risk of further breaches of the 10% limit. This breach was reported in the Treasury Management Mid Term Review 2010/11.

Investment Outturn

27. The average daily balance of temporary surplus cash invested in-house was £221m in 2010/11. The Council achieved an average in-house return for the year of 0.88%, producing

gross interest receivable of £1.946m (excluding interest accrued on Landsbanki deposits). Temporary surplus cash balances include: developer contributions; council reserves and balances; trust fund balances; and various other funds to which the Council pays interest at each financial year end, based on the average rate earned on all deposits.

28. The Council used the seven-day inter-bank sterling rate as its benchmark to measure its own in-house investment performance. During 2010/11 the average seven-day interbank sterling rate was 0.43%. The Council's average in-house return (0.88%) thus exceeded the benchmark by 0.45%.

29. The Council operates a number of call accounts to deposit short-term cash surpluses. During 2010/11 the average balance held on call was £64.08 m..

30. At 31 March 2011, the Council's investment portfolio comprised £167.06m of fixed term deposits, £34.33m at short term notice in money market funds and call accounts and £24.27m managed by external fund managers. Annex 5 shows the analysis of the investment portfolio at 31 March 2011.

31. The council's Treasury Management Strategy Team regularly monitors the risk profile of the Council's investment portfolio. An analysis of the credit and maturity position of the portfolio at 31/3/2011 is shown in Annex 5.

External Fund Managers

32. During the year, the Council continued to use the services of two external fund managers: Investec Asset Management Limited and Scottish Widows Investment Partnership Limited (SWIP). Each fund manager invests £10m of the Council's cash, plus their accumulated returns. Investec began managing the fund on 13 April 2006 and SWIP on 13 July 2006. The fund managers were given slightly different investment criteria and, accordingly, their performance is measured against different benchmarks.

33. In December 2010 the original Investec mandate was changed from a discretionary mandate, (where individual financial instruments were traded separately on behalf of the Council), to a non-discretionary mandate (where the funds are invested in pooled investment vehicles in set proportions). The intention of the change in mandate was to increase the potential yield on funds invested, by taking increased volatility risk on a small proportion of the portfolio. This change was approved by Council on 14 September 2010.

34. SWIP's annualised return for the year was 1.05% (net of management charges) compared to their annualised benchmark return of 0.51%. Investec's return for the year (net of management charges) was 1.15%, compared with a benchmark of 1.21%.

Prudential Indicators for Treasury Management

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

External Performance Indicators and Statistics

36. The County Council is a member of the CIPFA Treasury and Debt Management Benchmarking Club and completed returns for the financial year 2010/11. The results of this exercise are not yet available.

37. Arlingclose has also benchmarked Oxfordshire County Council's investment performance against its other clients. Since 31st March 2010 the Council has increased the yield on its' deposits whilst simultaneously reducing credit risk. When compared against other County Councils, Oxfordshire County Council's deposit portfolio sits in the upper quartile for interest rate and the lowest quartile for credit risk. The investment performance benchmarking is shown on Annex 7.

Financial and Legal Implications

38. The combined activities of debt and investment management contribute to the strategic measures element of the Council's budget. In the Medium Term Financial Plan, the budget for Interest Payable in 2010/11 was £19.973m compared with the outturn of £20.117m giving a net overspend of £0.144m. This was attributable to the change in strategy regarding external borrowing undertaken.

39. The 2010/11 budget for interest receivable was £1.930m, compared with the outturn of £2.161m giving a net underspend of £0.231m. The increase is mainly due to higher cash balances due in part to slippage on the capital programme and a change in strategy regarding external borrowing**.**

40. The budget for Interest Payable in 2011/12 is £18.808m. The expected return for Interest Receivable in 2011/12 is £2.234m (in house) and £0.273m (external). These positions will be reviewed during the year.

RECOMMENDATION

41. **The Cabinet is RECOMMENDED to note the report, and to RECOMMEND Council to note the Council's Treasury Management Activity in 2010/11.**

SUE SCANE
Assistant Chief Executive and Chief Finance Officer

Contact officer: Tim Chapple
Telephone Number: 01865 323980
June 2011

Annex 1

OXFORDSHIRE COUNTY COUNCIL DEBT FINANCING 2010/11

Debt Profile		£m
1. PWLB	85%	362.09
2. Money Market LOBO loans	12%	50.00
3. Sub-total External Debt		412.09
4. Internal Balances	3 %	12.98
5. Actual Debt at 31 March 2010	**100%**	**425.07**
6. Government Supported Borrowing		26.05
7. Unsupported Borrowing		4.39
8. Borrowing in Advance		0.00
9. Minimum Revenue Provision		-17.89
10. Actual Debt at 31 March 2011		**437.62**

Maturing Debt

11. PWLB loans maturing during the year	7.68
12. PWLB loans repaid prematurely in the course of debt restructuring	0.00
13. Total Maturing Debt	**7.68**

New External Borrowing

14. PWLB Normal	30.00
15. PWLB loans raised in the course of debt restructuring	0.00
16. Money Market LOBO loans	0.00
17. Total New External Borrowing	**30.00**

Debt Profile Year End

18. PWLB	88%	384.41
19. Money Market LOBO loans	11%	50.00
20. Sub-total External Debt		434.41
21. Internal Balances	1 %	3.21
22. Actual Debt at 31 March 2011	**100%**	**437.62**

Line

1 – 5 This is a breakdown of the Council's debt at the beginning of the financial year (1 April 2010). The PWLB is a government agency operating within the Debt Management Office. LOBO (Lender's Option/ Borrower's Option) loans are long-term loans, with a maturity of up to 60 years, which includes a re-pricing option for the bank at predetermined time intervals. Internal balances include provisions, reserves, revenue balances, capital receipts unapplied, and excess of creditors over debtors.

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

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

8 'Borrowing in Advance' is the amount the Council borrowed in advance during 2010/11 to fund future capital finance costs.

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

10 The Council's total debt by the end of the financial year at 31 March 2011, after taking into account new borrowing, debt repayment and movement in funding by internal balances.

11 The Council's normal maturing PWLB debt.

12 PWLB debt repaid early during the year.

13 Total debt repaid during the year.

14 The normal PWLB borrowing undertaken by the Council during 2010/11

15 New PWLB loans to replace debt repaid early.

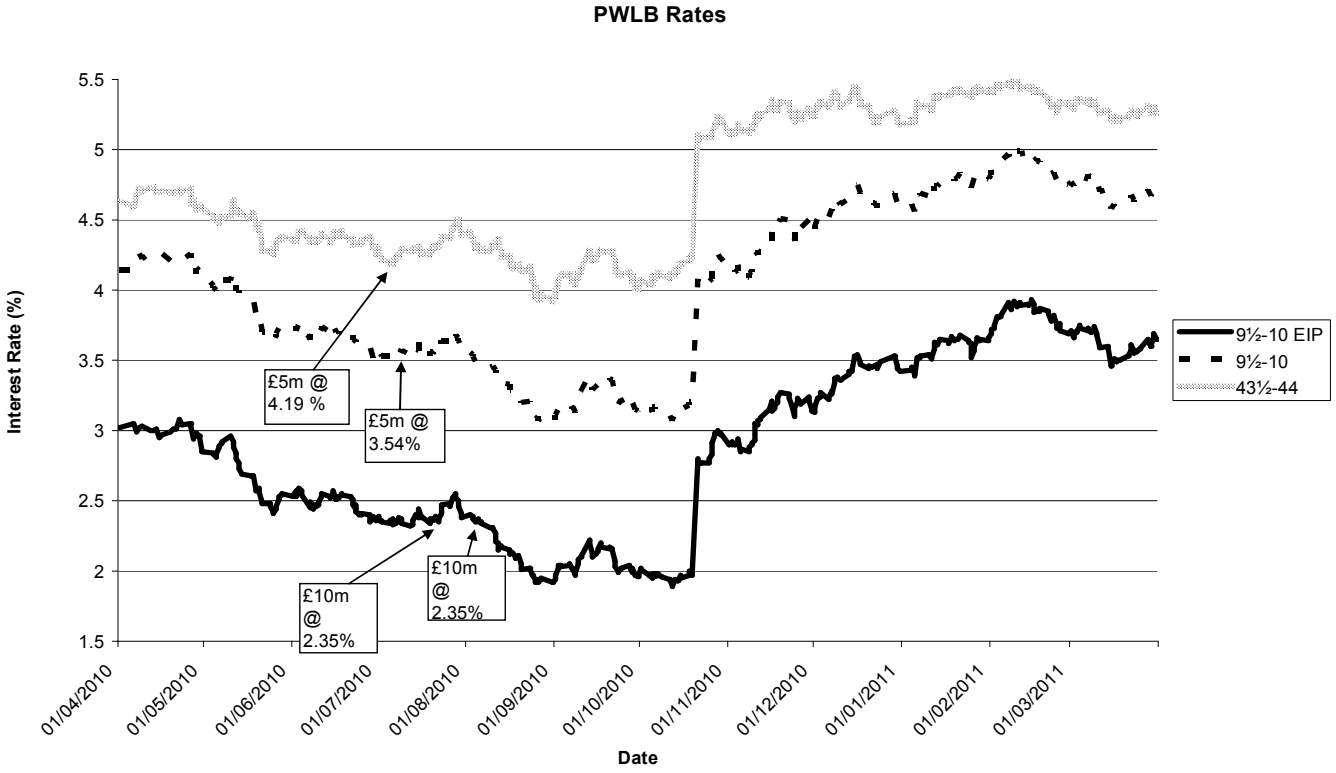
16 The Money Market borrowing undertaken by the Council during 2010/11.

17 The total external borrowing undertaken.

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

Annex 2

PWLB Interest Rates 2010/11



New borrowing undertaken during 2010/11 (excluding Prudential borrowing).

9 ½ - 10 EIP = Regular repayments of Equal Instalments of Principal for loans with maturities of between 9 ½ and 10 years

9 ½ - 10 = Repayment of Principal on Maturity, for loans with maturities of between 9 ½ and 10 years

43 ½ - 44 = Repayment of Principal on Maturity, for loans with maturities of between 43 ½ and 44 years

Annex 3

Long-term debt Raised and Maturing 2010/11

Normal Debt Financing PWLB: Loans Raised

Date	Amount £m	Interest Rate%	Termination Date	Repayment Type
08/07/2010	5	4.19	14/06/2054	Maturity
09/07/2010	5	3.54	01/06/2020	Maturity
26/07/2010	10	2.35	13/07/2020	EIP
06/08/2010	10	2.35	06/08/2020	EIP
Total	**30**			

Public Works Loan Board: Loans Maturing in 2010/11

Date	Amount £m	Rate %	Repayment Type
31/08/2010	0.338	1.120	Annuity
31/12/2010	1.000	6.375	Maturity
13/01/2011	4.000	4.750	Maturity
13/01/2011	0.500	2.350	EIP
31/01/2011	0.500	2.350	EIP
31/01/2011	1.000	6.375	Maturity
28/02/2011	0.340	1.120	Annuity
Total	**7.678**		

Repayment Types

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

Annex 4

Lending List Changes during 2010/11

Counterparties added/reinstated

Bank of Montreal

BNP Paribas S.A.

Canadian Imperial Bank of Commerce

Goldman Sachs Sterling Liquid Reserves Fund

Hendersons Liquid Assets Fund

Ignis Sterling Liquidity Fund

Nationwide Building Society

Nordea Bank Finland

Prime Rate Sterling Fund

Santander UK Plc

Standard Chartered Bank

Counterparties removed/suspended

Alliance & Leicester plc

Bank Nederlandse Gemeenten N.V.

Bilbao Bizkaia Kutxa

DZ Bank

Santander UK Plc

Lending limits & Maturity limits decreased

	New Lending limit	Maximum Maturity
Clydesdale Bank	£10m	1 month
National Australia Bank	£22m	1 month
Commonwealth Bank of Australia	£30m	1 month
Lloyds TSB Bank Plc	£10m	6 months
Bank of Scotland Plc	£10m	6 months

Name Changes

Old Name	New Name
Hendersons	Deutsche Bank

Hendersons Global Investors outsourced the management of its money market fund to Deutsche Bank. The fund was transferred to Deutsche Bank on 1 March 2011.

Annex 5

OXFORDSHIRE COUNTY COUNCIL INVESTMENT PORTFOLIO 31/03/2011

Fixed term deposits held at 31/03/2011

Counterparty	Principal Deposited (£)	Maturity Date
Landsbanki Islands HF	2,000,000.	N/A
Landsbanki Islands HF	3,000,000.	N/A
Lancashire County Council	10,000,000.	15/04/2011
Bury Council	5,000,000.	18/04/2011
Santander UK plc Time Deposit Facility	5,000,000.	21/04/2011
Barnsley Metropolitan Borough Council	1,200,000.	28/04/2011
Credit Industriel et Commercial (CIC)	6,000,000	28/04/2011
Lloyds TSB Bank plc	3,025,000	04/05/2011
Exeter City Council	5,000,000	16/05/2011
Santander UK plc Time Deposit Facility	5,000,000	26/05/2011
Santander UK plc Time Deposit Facility	2,000,000	26/05/2011
Barclays Bank Plc (Direct)	1,700,000	03/06/2011
Barclays Bank Plc (Direct)	2,500,000	03/06/2011
Commonwealth Bank of Australia	10,000,000	15/06/2011
Lloyds TSB Bank plc	3,025,000	22/06/2011
Barclays Bank Plc (Direct)	3,000,000	30/06/2011
Barclays Bank Plc (Direct)	1,000,000	05/07/2011
Credit Industriel et Commercial (CIC)	3,914,000	07/07/2011
Santander UK plc Time Deposit Facility	5,000,000.	15/07/2011
Lancashire County Council	10,000,000	22/07/2011
Islington Council	5,000,000	29/07/2011
Santander UK plc Time Deposit Facility	5,000,000	12/08/2011
Barclays Bank Plc (Direct)	3,800,000	22/08/2011
Lloyds TSB Bank plc	3,900,000	02/09/2011
Credit Industriel et Commercial (CIC)	5,000,000	16/09/2011
Northamptonshire County Council	5,000,000	24/10/2011
Newcastle City Council	5,000,000	31/10/2011
Corby Borough Council	5,000,000	10/11/2011
North Lanarkshire Council	5,000,000	30/11/2011
Barclays Bank Plc (Direct)	5,000,000	30/12/2011
Southampton City Council	5,000,000	22/02/2012
Doncaster Metropolitan Borough Council	3,000,000	02/04/2012
Shepway District Council	2,000,000	30/06/2012
Newcastle City Council	5,000,000	02/07/2012
Newcastle City Council	5,000,000	05/07/2012
Shepway District Council	2,000,000	28/06/2013
Total	**157,064,000**	

Structured deposits held at 31/3/2011

Counterparty	Principal Deposited (£)	Maturity Date
Barclays Bank PLC (Through Broker)	5,000,000	20/07/2012
HSBC Bank plc	5,000,000	28/03/2013
Total	**10,000,000**	

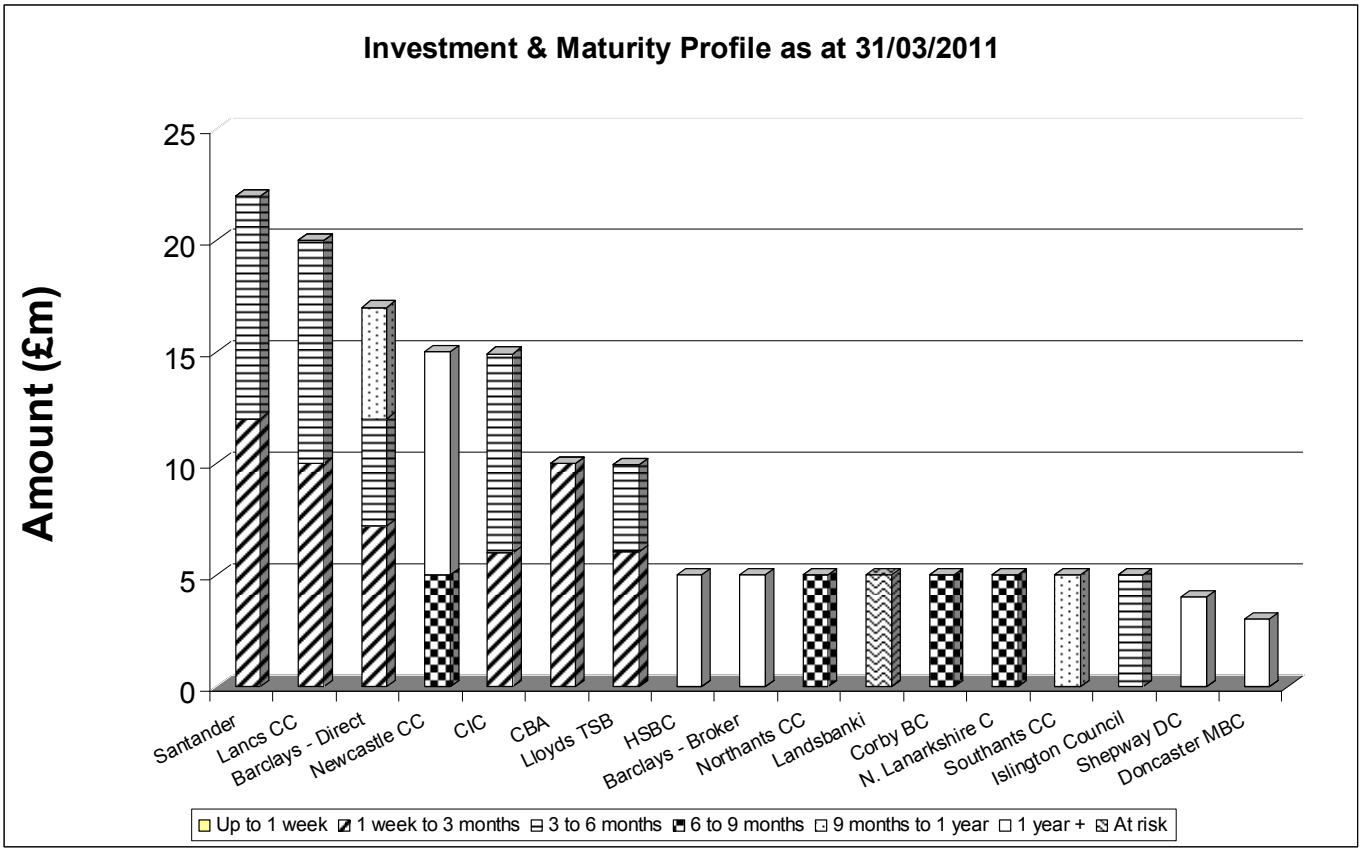
Short-term notice call accounts and Money Market Funds

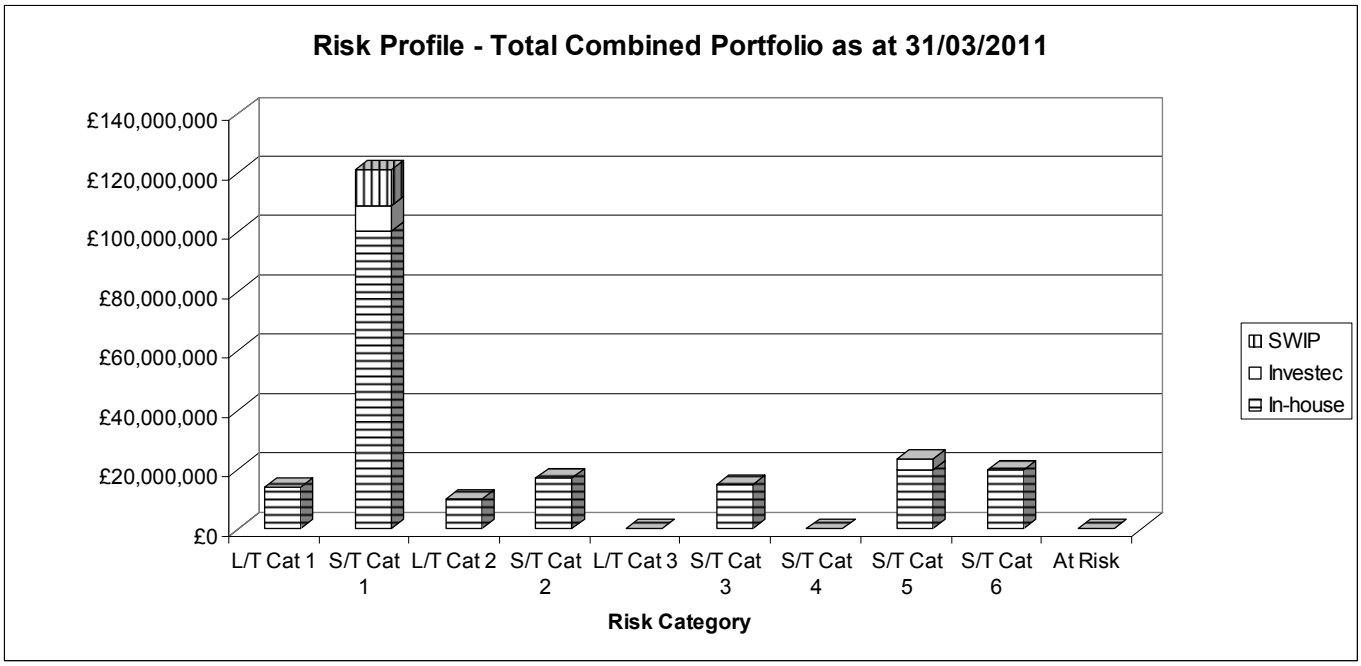
Counterparty	Balance at 31/03/11 (£)	Notice period
Lloyds TSB Call Deposit Account	50,000.00	Same day
Royal Bank of Scotland Call Account	20,000,000.00	Same day
Clydesdale Bank 15 Day Notice Account	0.68	15 days
Clydesdale Bank 30 Day Notice Account	9,969,860.62	30 days
Prime Rate Sterling Liquidity Fund	4,306,000.00	Same day
Total	**34,325,861.30**	

Externally Managed Funds

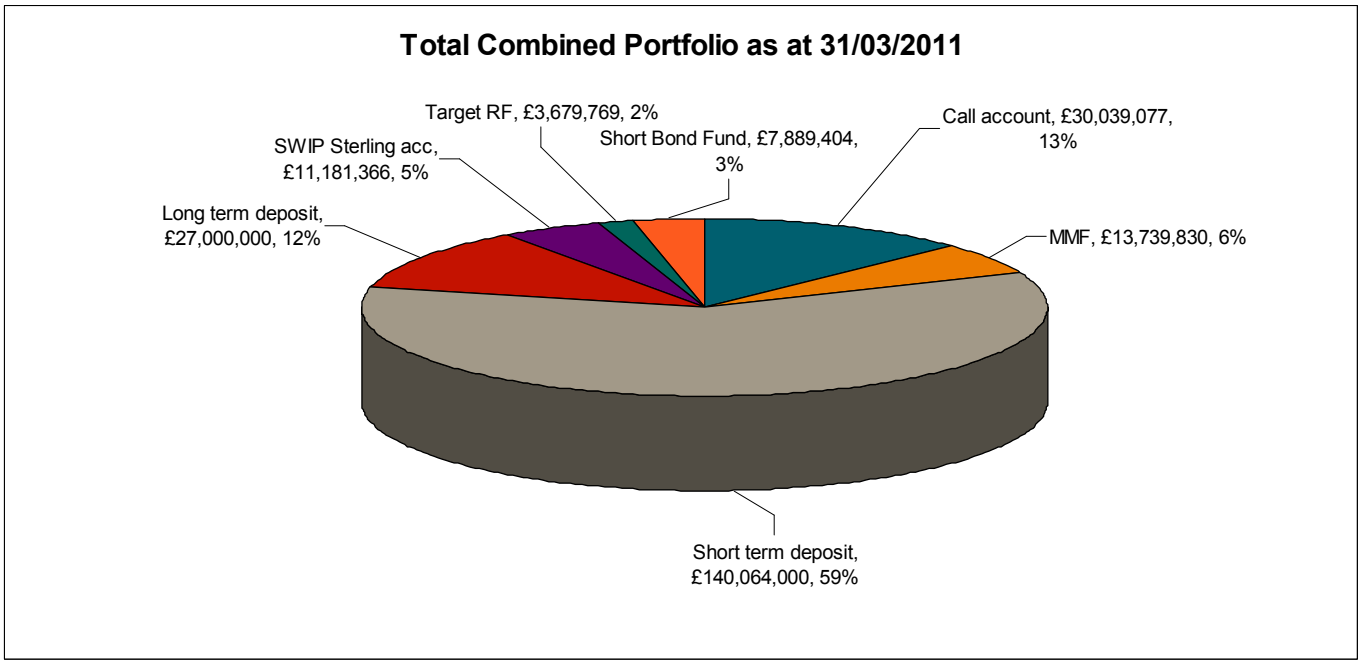
Fund Manager	Value of Fund at 31/03/11 (£)
Investec	12,177,433.90
SWIP	12,093,663.00
Total	**24,271,096.90**

Risk profile of investment portfolio at 31/3/11





Risk Category	L/T rating	S/T rating	Indiv. rating	Support rating
1	AA+, AA	F1+	1, 2	A, A/B
2	AA-	F1+	1, 2	A/B, B
3	AA-	F1+	1	B/C
4	AA-	F1+	1	B/C
5	A+, A	F1	1, 2, 3	B, B/C, C
6	A	F1	2, 3, lower	C/D or lower



Annex 6

Prudential Indicators Outturn 31 March 2011

Authorised and Operational Limit for External Debt

Authorised Limit for External Debt	£600,000,000
Operational Limit for External Debt	£590,000,000
Actual External Debt at 31 March 2011	£440,441,342

External debt includes Pension Fund cash invested in-house and long-term liabilities.

Fixed Interest Rate Exposure

Fixed Interest Net Borrowing limit	150.00%
Actual at 31 March 2011	105.85%

Variable Interest Rate Exposure

Variable Interest Net Borrowing limit	25.00%
Actual at 31 March 2011	- 5.85%

Sums Invested over 365 days

Total sums invested for more than 364 days maximum limit	£100,000,000
Actual sums invested for more than 364 days at 31 March 2011	£ 32,000,000

Maturity Structure of Borrowing at 31/03/11

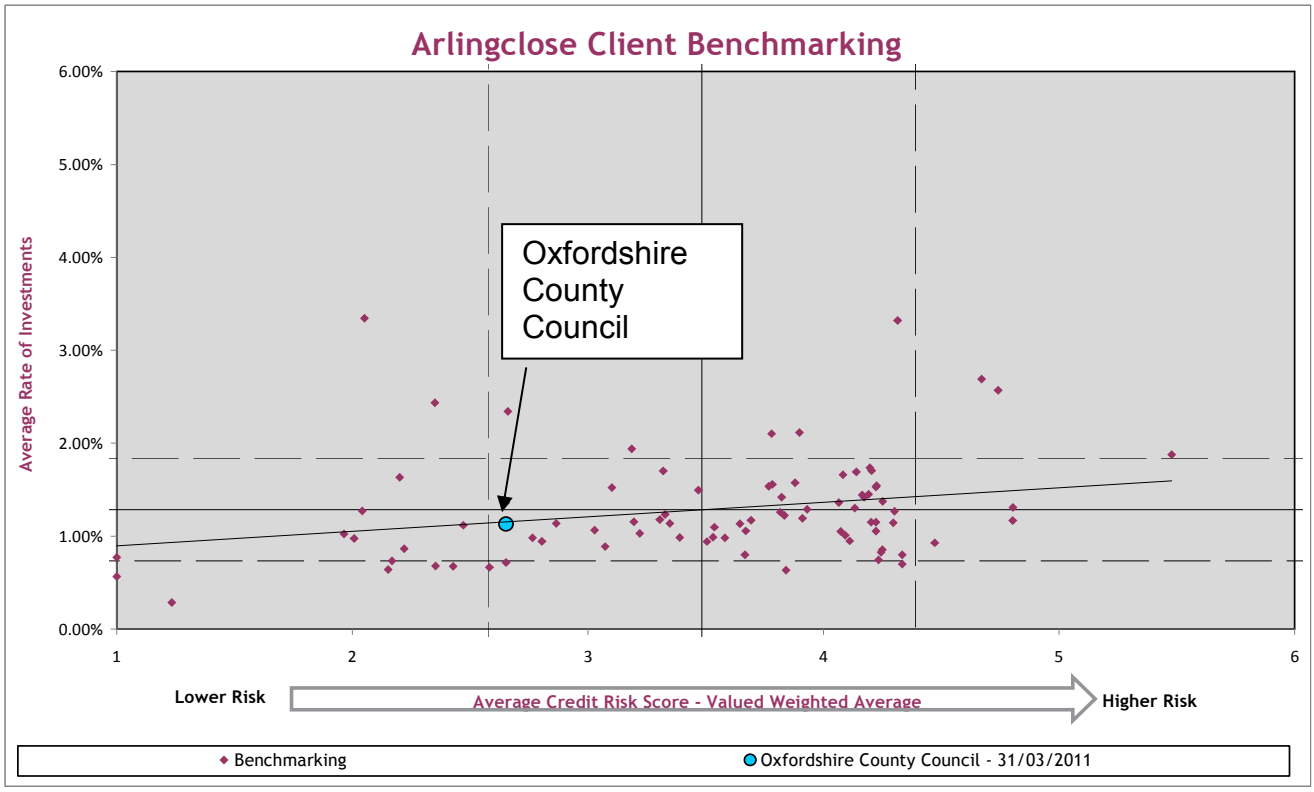
	Limit %	Actual %
From 01/04/10		
Under 12 months	0 - 20	0
12 – 24 months	0 - 25	8.90
24 months – 5 years	0 - 35	9.52
5 years – 10 years	5 - 40	15.65
10 years +	50 - 95	65.93

The Prudential indictors for Maturity structure are set with reference to the start of the financial year. The actual % shown above relates to the maturity period remaining at 01/04/10 on loans still outstanding at 31/03/11.

Actual Maturity Structure of Borrowing at 01/04/11

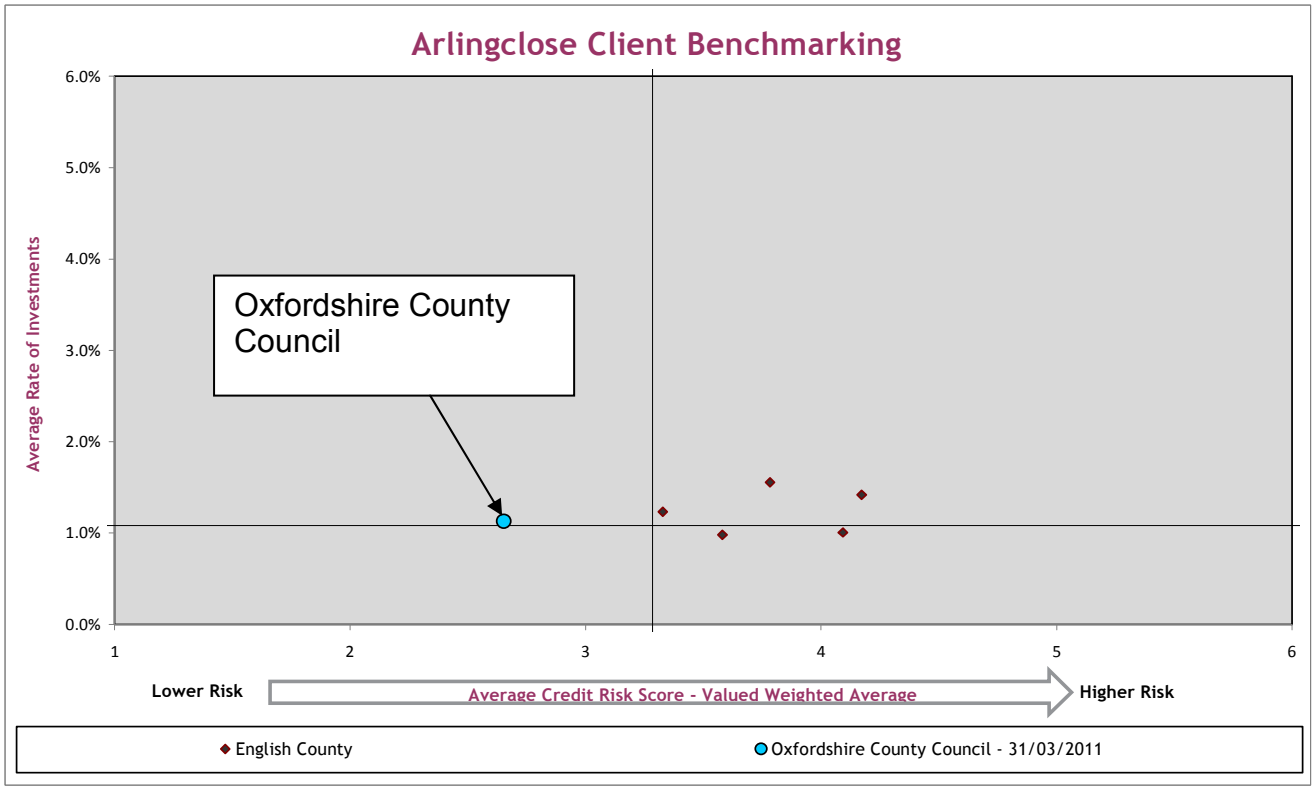
	Limit %	Actual %
From 01/04/11		
Under 12 months	0 - 20	6.60
12 – 24 months	0 - 25	4.22
24 months – 5 years	0 - 35	8.98
5 years to 10 years	5 – 40	14.50
10 years +	50 – 95	65.70

Value weighted average (all clients)



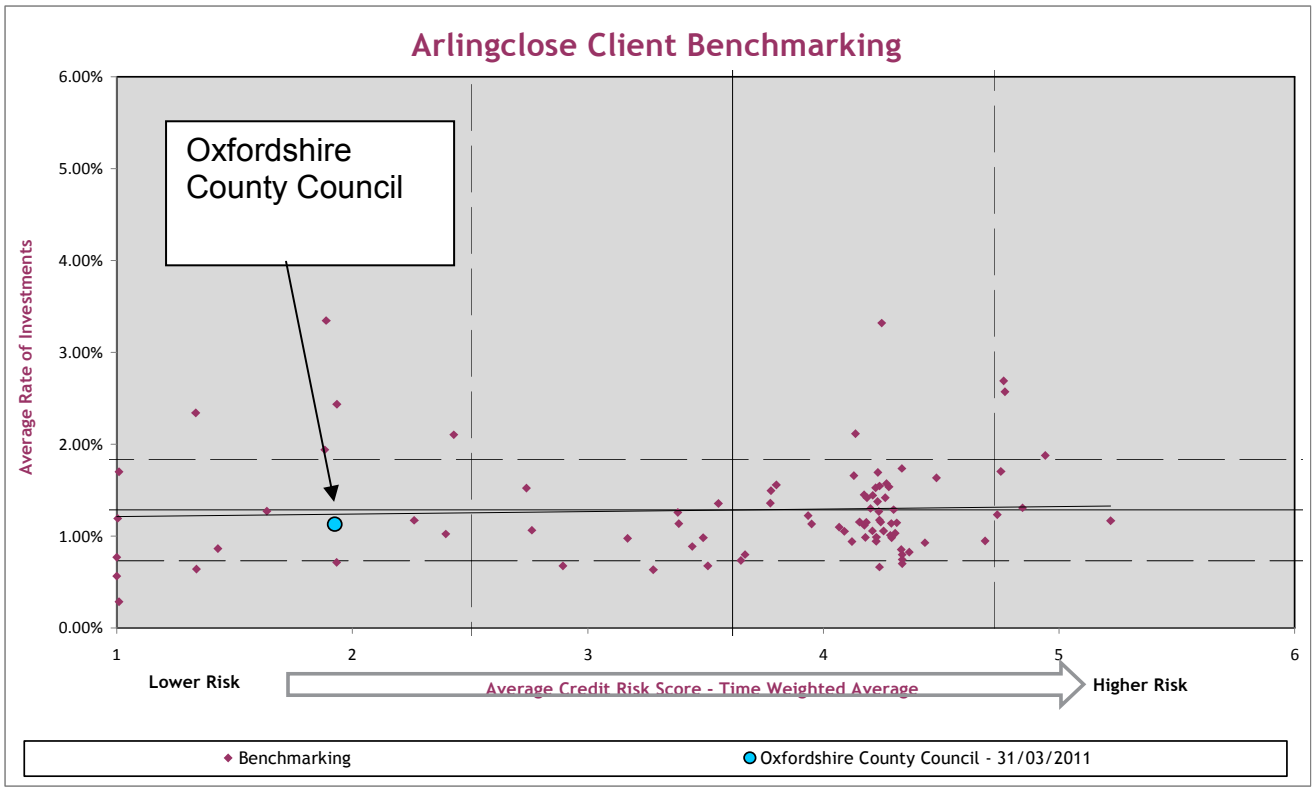
The above graph shows that Oxfordshire County Council achieved the average interest rate for the credit weighting of all clients of Arlingclose as at 31/03/2011

Value weighted average (County Councils)



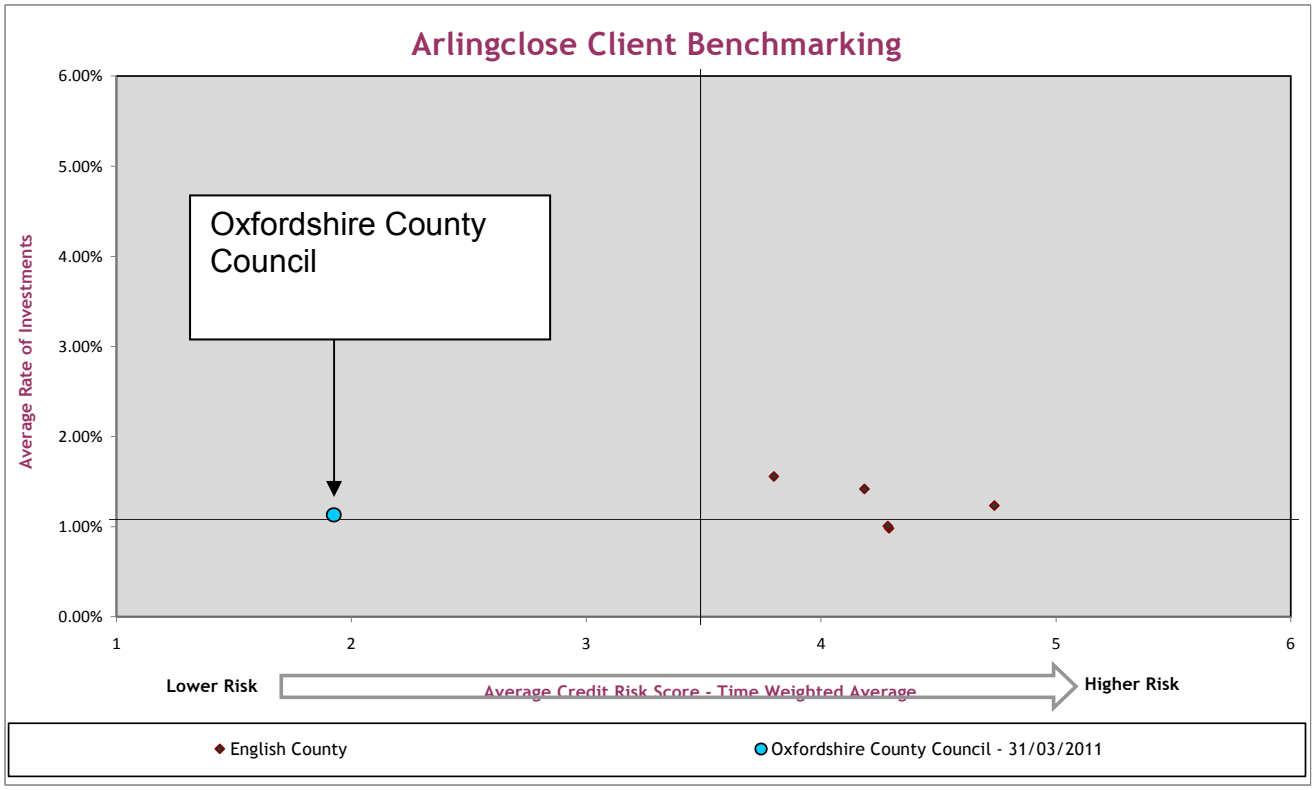
The above graph shows that Oxfordshire County Council achieved a similar interest rate for less credit risk compared to 5 other County Councils as at 31/03/2011

Time weighted Average (all clients)



The above graph shows that Oxfordshire County Council achieved a near average interest rate on deposits whilst maintaining a relatively low credit risk at 31.03.2011

Time weighted Average Credit Risk (County Councils)



The above graph shows that Oxfordshire County Council achieved a similar interest rate to the other County Councils in the sample, whilst it maintained a significantly lower time weighted credit risk as at 31/03/2011.

Annual Governance Statement 2010/11

Scope of responsibility

1. The County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

2. The County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government'*. A copy of the code is on our public website. This statement explains how the County Council has complied with the Code and also meets the requirements of Regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement. Corporate governance is the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, lead and control their functions, to achieve their objectives. The quality of corporate governance arrangements is a key determinant of the quality of services provided by organisations.

DELIVERING GOOD GOVERNANCE - FRAMEWORK:

The purpose of the governance framework

3. The governance framework comprises the systems, processes, culture and values, by which the County Council is directs and controls its activities. It is the means by which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable - and not absolute - assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This statement evaluates the governance framework which has been in place at the County Council for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

The Governance Environment

The key elements of the systems and processes that comprise the Council's governance arrangements are set out below.

Identifying and communicating vision of our purpose and intended outcomes for citizens and service users

4. The County Council's vision and objectives are supported by five long term strategic objectives which are developed jointly by the Cabinet and the County Council Management Team (CCMT) and articulated in our published Corporate Plan. These are:

    - World class economy
    - Healthy and thriving communities
    - Environment and climate change
    - Better public services
    - Breaking the cycle of deprivation

    The planning process takes account of the needs and wishes of customers and communities which are articulated through a range of consultation exercises. The Cabinet's initial proposals are referred to the relevant Scrutiny Committee for further advice and consideration and then submitted to full Council for approval.

5. The strategic priorities are translated into SMART[1] outcome-focused targets which are monitored through our corporate 'Balanced Scorecard' (focussing on performance in four areas – Customers, Finance, People and Process). Our Corporate Plan is supported by Directorate Plans which encompass what the Council is aiming to achieve to deliver the vision. Each of these plans is also supported by a Balanced Scorecard to allow us to measure ongoing progress.

Reviewing the County Council's vision and its implications for the County Council's governance arrangements

6. The County Council's Constitution sets out the roles of and relationships between the full Council, the Cabinet, Scrutiny and other Committees in the budget-setting and policy and decision-making processes and sets out their legal requirements. The County Council's Corporate Plan supplements the County Council's Policy Framework. These formal policies are approved by full Council in accordance with the provisions of the County Council's Constitution. The Constitution also sets out a record of what responsibility each County Council body or individual has for particular types of decisions or for decisions relating to particular areas or functions. The Constitution requires that all decisions taken by or on behalf of the County Council will be made in accordance with the principles set out in the Constitution.

7. The Constitution also sets out how the public can take part in the decision-making process and the Cabinet's Forward Plan of decisions sets out what consultation will be undertaken before a decision is taken and with whom. Some of the responsibilities of the County Council committees require statutory consultation to precede a decision being taken.

8. The Constitution is reviewed annually, but underwent a fundamental review in 2009, the effectiveness of which was considered by Full Council on the 2 November 2010. Whilst

[1] Specific, Measurable, Achievable, Realistic, Timely

most of the changes have been retained, the two principal amendments related to removing the rules relating to themed debates and consequently amending the rule relating to ending Council meetings at 3.30pm.

9. A 30 minute Question Time has been introduced at all Cabinet and individual Cabinet Member delegated decisions. Any councillor may, by giving notice, ask a question on any matter in respect of the Cabinet's delegated powers. The number of questions which may be asked by any councillor at any one meeting is limited to two (or one question with notice and a supplementary question at the meeting). As with questions at Council, any questions which remain unanswered at the end of this item receive a written response.

10. As part of the changes to the Constitution, the Council has agreed to retain its procedure for dealing with the Councillor Calls for Action and retains a duty on Directors to respond to petitioners within 10 working days. The Council has extended these rights of challenge by way of adopting a new petition scheme and arrangements were put in place for the creation of e-petitions.

Risk Management

11. The County Council has a Risk Management Strategy which aims to ensure that there is continuous improvement in the arrangements for managing risk across all directorates. The Director for Social & Community Services and the Chairman of the Audit Committee are nominated as Risk Champions.

12. The County Council has in place a process for identifying, assessing, managing and reviewing the key areas of risk that could impact on the achievement of County Council's objectives and service priorities. Reports to committees to support key policy decisions or major projects include an assessment of both opportunities and risks.

13. A strategic risk register is in place that is owned and reviewed by CCMT. Service Risk Registers are owned and reviewed by each Head of Service with their management teams and the Director on a quarterly basis. An escalation process is in place to report significant service risks to CCMT as part of the quarterly performance reporting process and separately to the Audit Working Group. Risk registers are challenged by both the officer Risk Champion and by the Chief Executive's Office as part of the quarterly corporate monitoring.

14. Risk Management in projects is a standard defined in the Corporate Project Management Guidelines and includes the requirement for risk registers to be maintained as part of the project management process.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the County Council's objectives and for ensuring that they represent the best use of resources

15. Scrutiny Committees hold the Cabinet to account on the discharge of its functions. Service performance and quality are measured through our performance management

framework which aligns with our planning framework to ensure service priorities are in accordance with the County Council's objectives. We also use our residents' survey and citizens' panel to test user perceptions of service quality.

16. The County Council's and Directorate Business Strategies for 2011/12 to 2015/16 set out a programme that will enable the Council to deliver its required savings and will facilitate the cultural shift to a more dynamic and empowered organisation in the context of reduced funding aligned to the Council's priorities in the Corporate Plan.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

17. The County Council's Constitution sets out how the Council operates including the roles of the Cabinet and Committees. The arrangements for delegation to individual Cabinet Members are also set out in the Constitution.

18. The general scheme of delegation to officers is set out in the Constitution, as are the specific powers and functions of senior officers. In addition, individual Directorates have a scheme of further delegations of both financial and decision making powers and each of these is approved by the Chief Finance Officer and the Monitoring Officer.[2]

19. The Assistant Chief Executive holds the statutory role of Chief Financial Officer within the Council. This role is performed in accordance with the standards defined in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2010.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

20. The County Council has developed and adopted separate Codes of Conduct for Councillors and Officers; both Codes clearly define the high standards of behaviour expected by the County Council and the duty owed to the public. Training to embed the requirements of the codes is provided by the Council's Monitoring Officer for both Councillors and Officers. Both codes form part of the County Council's Constitution and are readily accessible via the council's Internet and Intranet websites.

21. The Independent Chairman of the Standards Committee provides a formal annual report to the Council on the work of the Standards Committee which has overall responsibility for standards of behaviour for Councillors.

    Both codes are reviewed by the Monitoring Officer to ensure that they continue to be effective and up to date.

22. The Coalition Government following elections in May 2010 have made explicit their view that the standards regime should be abolished and to that end there are provisions contained in the Localism Bill by which the compulsory requirement on Council's to adopt a Code of Conduct will be abolished. The precise terms of this are yet to be finalised and the Council awaits the final shape and outcome of these proposals once

[2] The Chief Finance Officer carries out the role described by section 151 of the Local Government Act 1972

the provisions of the Act are formally approved by Parliament. Until that time, the current provisions remain in force.

Reviewing and updating standing orders, standing financial instructions (financial regulations), a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

23. The County Solicitor monitors and reviews the operation of the Constitution to ensure that its aims, principles and requirements are given full effect and makes recommendations on any necessary amendments to it to the Council. The County Solicitor is authorised to make any changes to the Constitution which require: compliance with the law; or to give effect to decisions of the Council or (so far as within their powers) the Cabinet, scrutiny committee and ordinary committees; or to correct errors and otherwise for accuracy or rectification. All other changes to the Constitution will only be approved by the full Council after consideration of a recommendation from the County Solicitor.

24. The Financial Procedure Rules and Financial Regulations are reviewed annually by the Chief Finance Officer and published on the public website. Schemes of Financial Delegation and Delegation of Powers are reviewed and updated annually and are published on the County Council's intranet.

25. The County Council has an Audit Committee which meets six times a year, and operates in accordance with proper practice as defined in the guidance published by CIPFA in 2006. In addition to the formal Audit Committee, the County Council also operates an Audit Working Group, made up of members of the Committee and Senior Officers, chaired by the co-opted member on the Audit Committee; this group looks in detail at specific areas of governance, risk or control under the direction of the Audit Committee.

Review of the effectiveness of the internal audit function

26. In accordance with the Accounts and Audit (England) Regulations 2011, the Audit Committee receives a report annually from the Monitoring Officer on the effectiveness of internal audit. The Audit Committee has determined the process by which this review is undertaken, which includes continuous monitoring of the Internal Audit process by the Audit Working Group and a survey of Senior Officers on effectiveness.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

27. The County Council uses a range of measures to ensure compliance with established policies, procedures, laws and regulations including:

- Notification of changes in the law, regulations and practice to Directorates by Legal Officers;

- Training carried out by Legal Officers and external experts;

- The drawing up and circulation of guidance and advice on key procedures, policies and practices;

- Proactive monitoring of compliance by relevant key officers including the Chief Finance Officer, the Monitoring Officer and the Assistant Head of Finance (Audit);

- Corporate Governance Strategy for Law and Governance ;

- Protocol for Implementing New Legislation.

28. Guidance and advice on all key policies and procedures have been reviewed and updated. All policies and guidance have been incorporated into a Handbook for Managers and toolkits for use for Human Resources and Finance.

29. Compliance with the new or revised policies is monitored by the relevant corporate lead officers and their assessment is incorporated in the year end statements signed off by each corporate lead officer.

30. Under Section 5 of the Local Government and Housing Act 1989, the Monitoring Officer is required to report to the County Council where, in his opinion, a proposal, decision or omission by the County Council, its Members or Officers is or is likely to be unlawful and also to report on any investigation by the Local Government Ombudsman. It has not been necessary for the Monitoring Officer to issue a formal report for the year 2010/11. The Monitoring Officer undertakes a review of the County Council's annual governance arrangements. This review is formally reported to the Audit Committee.

Financial Management

31. The Financial Procedure Rules, Financial Regulations, Scheme of Financial Delegation and Delegation of Powers (paragraph 21 above) are supported by a Treasury Management manual, a Capital manual, an Accounting manual and toolkits for use by non-finance specialists which are published on the County Council's intranet. The Accounting manual has been communicated to staff via a series of finance briefings; the toolkits have been communicated to managers through manager briefings.

32. In addition there are teams of professionally qualified staff both in the Chief Executive's Office and within Oxfordshire Customer Services (formerly known as the Shared Service Centre). Part of their role is to support managers throughout the County Council in fulfilling their financial responsibilities. This support is mainly, but not exclusively, provided by the Finance Business Partners and their teams. The teams also provide regular scrutiny and challenge where appropriate.

Whistle-blowing and receiving and investigating complaints from the public

33. The Council has formal complaints and whistleblowing procedures which allow staff, service users, contractors, suppliers and the public to confidentially raise concerns about any aspect of service provision or the conduct of staff, elected councillors or other people acting on behalf of the Council.

34. An annual review of reports and incidents is undertaken by the Monitoring Officer and is reported to the Audit Working Group.

Identifying the development needs of Councillors and senior officers in relation to their strategic roles, supported by appropriate training

35. There are specific role descriptions for Leader of the Council, Deputy Leader of the Council and Cabinet and Shadow Cabinet Members. In addition, the County Council's Constitution sets out the roles and functions for all councillors. Members' development needs are ascertained against these role descriptions and appropriate learning and development opportunities identified.

36. Training and development needs for senior managers are identified and followed up through the appraisal and personal development plan process Between January and March 2011 we have also undertaken a comprehensive management assessment process with SOLACE which has identified individual and corporate development requirements for our senior managers.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

37. The County Council has clear channels for communicating with all stakeholders. This includes a comprehensive website, a press office for managing messages via the media and responding to media enquiries, established channels for communicating with MPs, representatives from district councils and other partners and an intranet system for communicating with its own staff. A series of staff roadshows were also held for staff which was led by the Chief Executive, to communicate with them about possible changes. This was complemented by an online staff suggestion scheme and a suggestion scheme for the public. A recent OFSTED inspection of safeguarding and looked after children rated Oxfordshire's involvement with parents and children as "outstanding".

38. The County Council also has well established consultation and involvement arrangements to specifically engage the community. There is a council-wide Consultation & Involvement Strategy 'Ask Oxfordshire'. Details of the Council's consultation and involvement activities such as service and policy change consultations, surveys of our Citizens' Panel 'Oxfordshire Voice', service user events and Sounding Boards are published on an online consultation calendar that can be found at http://www.oxfordshire.gov.uk/consultation. In addition last year a series of public meetings were held around the county to discuss with the public the proposed budget reductions - called the Big Debate.

Understanding community and stakeholder views and needs in support of strategy and policy development and service planning and delivery.

39. The County Council uses a wide range of evidence and information to inform strategy, policy development and service planning and delivery. Examples of this include feedback from consultation and involvement activities, evidence base such as "This is Oxfordshire" in support of the Council's Corporate Plan and the use of data about the lifestyle types and needs of people in different parts of Oxfordshire to inform decisions

on locating services. The county council is the accountable body and host for the Oxfordshire Data Observatory (http://www.oxfordshireobservatory.info/) which is an established partnership service providing a high quality shared evidence base and facilitating information sharing between partners. We also attach great importance to engaging with communities that wish to develop their own plans. Community-led planning allows us to respond to local issues and concerns raised by Oxfordshire's communities while encouraging self-help solutions.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in Oxfordshire County Council's overall governance arrangements.

40. The County Council re-structured its Local Strategic Partnership in 2006/07 in advance of the Local Government White Paper, "Strong and Prosperous Communities" to ensure that its strategic partnership arrangements were fit for the purpose of developing the sustainable community strategy together with negotiating and managing a new larger Local Area Agreement from April 2008. The Oxfordshire Partnership have built on this by undertaking a further review of governance in 2008/09 in order to improve performance management, communication, accountability and the effective engagement of elected members (district and county) in significant partnerships. The Oxfordshire Partnership Board and Public Service Board adopted the new Oxfordshire Partnership Governance and Performance Management Framework in June 2009. The current partnership framework is currently under review with all thematic partnerships currently reviewing their roles, remits and purpose.

Governance and funding within Schools

41. The financial framework for schools is set out in the Scheme for Financing Schools, which is approved by the Secretary of State. The practical day to day application is set out in the Financial Manual of Guidance, which also includes links to the County Council, Constitution, DfE (Department for Education) Toolkit and the best practice advice from the Audit Commission. The Scheme is reviewed and updated annually through the Schools Forum and schools receiving delegated budgets adhere to the financial framework. Failure to comply with the scheme can lead ultimately to withdrawal of delegation.

42. The DSG (Dedicated Schools Grant) is divided between funding direct to schools via a formula (known as the Individual Schools Budget or ISB) and centrally retained expenditure that supports education through key central services to schools. Schools also receive other grant streams via the council and from external sources.

43. It is the responsibility of each School's governing body to set down and oversee the proper governance arrangements for the school, supported by the Headteacher and staff. The governing body is accountable to the local authority for the way the school is run. The central schools support and compliance teams visit schools to provide support, advice and challenge to provide assurance on the ISB and other funding streams at each school. The schools support and compliance teams validate all schools' budgets annually and review schools' budget monitoring reports during the year. A helpline is provided to schools to provide immediate SAP applications and finance guidance where

needed. The team's use a comprehensive risk assessment tool to identify schools with higher financial risks or issues and provide them with additional support and oversight. Where progress is not made, a notice of concern can be issued advising the school of recommended actions and ultimately this could, if necessary, lead to withdrawal of (in whole or part) the delegated budget powers from a school.

44. The management accounting team reviews the spend and governance of the centrally retained DSG expenditure in CYP&F. Both management accounting and schools support are in turn supported by schools technical team responsible for the DSG funding formula calculation (and other funding streams) based on DfE guidance.

45. Schools Support, Compliance and Technical teams each have responsibilities to ensure compliance with the Financial Manual of Guidance and the Scheme for Financing Schools (section 48 of Schools Standards and Framework Act 1998) as well as the national statutory and regulatory environment governing schools finance. All local authorities are required to publish, under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009, an annual budget statement. Oxfordshire's section 251 statement for 2010/11 was published on the OCC website as per guidance. The 2011/12 s251 statement process is in progress at the time of writing.

46. Oxfordshire Schools Forum is consulted on financial and governance issues and advises the council on these from the schools' perspective as well as council officers' direct work with schools and schools' partnerships. Council officers support the work of the forum and its subcommittees and all parties benefit from the exchange of advice and views to improve and develop school governance and management and the work of the forum going forward.

Programme and Project Management

47. The County Council requires projects to be managed using the Project Management Framework which gives a comprehensive structure and processes for project management. The Directorates review projects (progress and governance) as part of quarterly performance reporting. An escalation process is in place to report significant project issues/ risks to CCMT as part of the quarterly performance reporting process and separately to the Audit Working Group. Project registers are challenged by the Chief Executive's Office as part of the quarterly corporate monitoring.

ICT and Information Security

48. The Head of ICT Business Delivery has overall responsibility for ICT development and security. The Deputy Head of Law & Governance is the Council's Data Controller and chairs the Information Governance Group with representatives from all Directorates, Human Resources and ICT. This Group reports to the Corporate Governance Working Group chaired by the Monitoring Officer.

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

Review of effectiveness

49. The County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the County Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, whistleblowing reports and comments made by the external auditors and other review agencies and inspectorates.

50. The following paragraphs describe the process that has been applied in maintaining and reviewing the effectiveness of the governance framework, and include some comment on the role of key bodies.

The Audit Committee

51. The Chairman of the Audit Committee produces an Annual Report to Council. The report for 2010 identified the following key achievements:

    - Sustained high level of governance and system of internal control as demonstrated in the outcomes of the Annual Governance Review and the results of the Audit of the Statement of Accounts where no material issues were reported.
    - Investigation into the ICT Overspend and assurance over the adequacy of the management actions taken to minimise the risk of further occurrence.
    - Ensuring improvements in the corporate overview and reporting on risk and performance.

    The Annual Report also refers to the effective role performed by the Audit Working Group. The Group has met regularly throughout the year and reviewed specific areas of governance, risk and control, reporting any significant issues identified to the Committee.

Overview and Scrutiny Committees

52. CIPFA guidance indicated that Audit Committees 'should have clear reporting lines and rights of access to …. for example scrutiny committees'. The Chairman of the Strategy and Partnerships Scrutiny Committee has a standing invitation to attend Audit Committee to provide advice in relation to the work of Scrutiny Committees.

The Standards Committee

53. The Council adopted the model Code of Conduct for Members in May 2007. With the announcement that Standards for England are to be abolished the requirement for quarterly reports has been discontinued by that body. In 2010/11, there were two complaints made against County Councillors of this Authority. In one case the decision of the Initial Assessment Panel was that no further action was required and in the further case the Monitoring Officer was instructed to take 'other action'. The Standards

Committee's Independent Chairman has produced an Annual Report to Council of its activities for 2010/11. The report was considered at a meeting of the Standards Committee on the 26 May 2011 and approved, the report concluded that the standards of conduct had remained high in the Council and that the Standards Committee had actively promoted awareness and understanding of the Code of Conduct for Members of the Council. Full Council formally received the report on 14 June 2011.

54. The Monitoring Officer has undertaken a confidential survey of Member/Officer relations and has concluded that there are no issues of concern with regards to Member intimidation or bullying or inappropriate attempts to influence Officer decision making.

55. The Members' declarations have been reviewed with no significant issues of concern identified and the Council has placed details of all Members' expenses on-line to demonstrate transparency and re-assurance to the public on these important matters.

Corporate Governance Assurance Group

56. This Group monitors and reviews the Annual Governance Statement action plan and completion of risk registers during the year. It has primary responsibility for collating all of the evidence and producing the first draft of the Annual Governance Statement. No recommendations for improvements were made by the external auditors (the Audit Commission) relating to the 2009/10 Annual Governance Statement.

57. Progress Report on AGS Action Plan 2009/10

Action	Status	
1. The effectiveness of the new structure and process changes resulting from the Schools Support and Technical Section BPR exercise to be monitored at Chief Officer level until satisfactory performance is achieved.	Action completed.	Complete
2. CYPF is to undertake a further organisational review of management in 2010. The governance arrangements in particular relating to financial management to be embedded to provide effective assurance.	This action has been superseded by further restructuring as a result of the new Business Strategy. Structural changes have been approved by Cabinet and implementation is being overseen by the Business Strategy Group. This group includes senior managers and Cabinet members.	No further action – to be kept under general review.
3. To monitor the development and effectiveness of the integrated corporate reporting of the three key business management streams: risk management; performance management and project management.	Integration was completed 31 August 2010 and Monitoring effectiveness was completed quarterly (Nov 2010, Feb 2011).	Complete
4. To monitor performance on the use of SAP in schools to ensure that the support for schools in using the application is effective.	Project now implemented. As a result year end reconciliation of schools balances has been completed for the first time. Feedback on Helpdesk service has been very positive.	Complete
5. To develop, implement and embed a robust policy and associated processes, for the governance of external data transfer.	A policy has been developed but there has been a delay in the implementation because of issues relating to the cost of encryption and the identification of resources to pay, as well as some technical issues that needed to be addressed. It is	Carried forward to 2011/12 action plan for monitoring of implementation.

	anticipated that this matter can be completed within the next month.	
6. To develop, implement and embed a robust policy and associated processes, for the governance of end user developments.	The Access Strategy and Excel Development Policy have now been drafted and will be finalised by 30 June 2011. Key controls include a general prohibition on any End-User developments unless otherwise authorised. It should be noted that implementation and embedding of this policy was delayed during 2010/11, mainly due to the significant changes to the business structure however the use of Business Continuity review process to identify business critical systems/processes and also the improvements to escalation and reporting lines for key meetings e.g. ICT Programme Board and Business Strategy Group at the back end of 2010/11 should mean that these improvements can be delivered 2011/12.	Carried forward to 2011/12 action plan for monitoring of implementation.
7. To review the adequacy & effectiveness of ICT services and their governance arrangements, to meet the needs of the organisation, and to implement any resulting actions.	Action completed.	Complete
8. To review the adequacy & effectiveness of the CRB process and the new Independent Safeguarding Authority vetting and barring scheme, as a key control in managing the safeguarding of children.	Internal Audit have completed additional testing of safer recruitment practices and identified significant improvements with the adequacy and effectiveness of processes.	Complete

Internal Audit

58. The Assistant Head of Finance (Audit) has prepared an Annual Report on the work of Internal Audit which concludes that the work plan completed by the team has been sufficient to provide reasonable assurance on the Council's system of internal control. The opinion on the Council's system of internal control is that overall it continues to operate satisfactorily; in general the key controls in place are adequate and effective such that reasonable assurance can be placed on the operation of the Council's functions.

59. In accordance with the requirements of the Accounts and Audit (England) Regulations 2011, the Monitoring Officer has carried out a review of the effectiveness of the system of internal audit. The scope of the review covered compliance with proper practice (CIPFA Code of Practice for Internal Audit 2006), reporting on performance and outcomes to the Audit Committee, External Auditor's opinion, and a survey of Senior Management on the effectiveness of Internal Audit. In the report to the Audit Committee it was concluded that there is acceptable effectiveness with no significant weaknesses identified.

Effectiveness of Governance in Schools

60. Renewed schools support, helpline and technical team structures were in operation throughout 2010/11 and supported the full roll-out of SAP in schools along with budget planning and monitoring for the financial year. These new structures have enabled staffing resources to be redirected to more effectively challenge higher risk schools and thereby improve financial management and governance across all schools.

61. The Financial Management Standard in Schools (FMSiS), which assessed financial control within schools on a three year cycle, was withdrawn by government during the financial year. All schools had achieved the minimum standards set out by FMSiS at least once and in many cases twice during the period for which it was in force. All but one school whose accreditation fell due for review during the latter half of 2010/11 agreed voluntarily to be assessed against the FMSiS standard, though not to complete the detailed self assessment which had previously been imposed by government. At the time of removal of the FMSiS standard Oxfordshire was in full compliance with the standard and guidance with some agreed management actions not yet due to be completed. Where schools had initially failed to meet the requirements they were actively assisted to ensure they did meet the standard. It is anticipated that the government will introduce a revised mandatory standard for financial management in schools during 2011/12. Schools Forum has already agreed to a continuation of the current local arrangements using the council's internal audit service to complete assessments against the new standard, which creates efficiencies and synergies for both schools and council in applying the standard. Part of these efficiencies and improved effectiveness is the

joint management of the work of the FMSiS audit staff and the Schools Compliance team.

Partnerships and other group working

62. The Oxfordshire Partnership conducted a review of governance of partnerships in 2008/09 in order to improve performance management, communication, accountability and the effective engagement of elected members (district and county) in significant partnerships. The Oxfordshire Partnership Board and Public Service Board adopted the new Oxfordshire Partnership Governance and Performance Framework in June 2010.

63. The revised framework has improved the effectiveness of partnerships by clarifying governance, improving quarterly reporting arrangements and increasing the responsibilities of the thematic partnerships for managing as well as monitoring performance. The increased transparency of role and purpose enables the Partnership Working Unit and the Council's internal auditors to undertake annual assessments of effectiveness . Partnerships were able to claim £8.6M in Local Area Agreement reward grant for targets met in the period 2006-2009. This revised framework overall improved the effectiveness of partnerships.

64. The current partnership framework is currently under review with all thematic partnerships currently reviewing their roles, remits and purpose.

Other external review/assurance mechanisms.

65. The County Council receives external reports from a range of sources that can provide assurance or indicate any issues related to internal control and governance. Reports include the Oxfordshire Area Assessment, Ofsted reports on Children's services, Care Quality Commission (CQC)[3], Surveillance Commission on the use of RIPA powers (Regulation of Investigatory Powers Act), the Annual Audit Letter and Annual External Audit Report from the external auditors and any other reports on County Council services published by the Audit Commission during the year.

66. The Care Quality Commission's annual performance assessment for 2009/10 reported that the Council is judged overall to be "performing well" in how it promotes adult social care outcomes.

67. The Children's Services annual rating for Oxfordshire for 2010 was 3 "performs well"; In addition, the annual unannounced inspection of contact, referral and assessment arrangements within Oxfordshire Children's Services by Ofsted identified. areas of strength and areas of practice that met requirements, with some areas for development. The areas for development identified at the previous inspection of contact, referral and

[3] The Care Quality Commission replaced the Commission for Social Care Inspectorate (CSCI) with effect from 1 April 2009

assessment arrangements in November 2009 have been addressed, in full or in part, and the area for priority action identified at the previous inspection has been fully addressed.

68. The latest Ofsted inspection of Oxfordshire's Safeguarding and Looked After Children's Services was conducted in March 2011. The report concludes with a view about the following areas, all of which were judged to be 'good': Overall effectiveness of safeguarding services and capacity to improve; and overall effectiveness of services for looked after children and capacity to improve.

69. There have been no major control issues raised by the Audit Commission, in their 2009/10 annual report. Recommendations for improvements were made in the areas of: Journal authorisation and review, Devolved Formula Capital to Schools, Year-end supporting information from schools, SAP to lending database reconciliations, ABACUS to SAP reconciliation , School bank reconciliations and Pension Fund Accounts – use of Authority's bank account.

Business Strategy Governance Arrangements for 2011/12

70. Key deliverables within Directorate Business Strategies are to be managed as projects as a part of the directorate business management process. Updates on projects will be reported quarterly to the Business Strategy Group, with information reported to the Policy Unit through existing quarterly business management (Performance/risk/projects) reporting procedures. The financial position will be reported monthly through the monthly Financial Monitoring Reports to Cabinet. The report name has been amended to Financial Monitoring Report and Business Strategy Delivery Report reflecting the change in emphasis of reporting.

71. Further to these monitoring arrangements, the Chief Finance Officer is meeting regularly with all Deputy Directors to ensure that support is targeted to projects as required to address exceptions arising.

72. Progress of delivering the Directorate Business Strategies is also being regularly reported to CCMT.

Improving the Quality of Governance

73. Some areas have been identified where the quality of governance could be improved, or where there are planned material changes to the governance arrangements. The action plan for 2011-12 is as follows:

Action Plan for 2011-12

Action	Timescale for Completion	Responsible Officer	Monitoring Body
<u>Actions carried forward from 2010-11:</u> 1) To monitor actions to address the improvements identified by Internal Audit in relation to information governance relating to: (a) external data transfers, which include the approval and implementation of the Secure Transfer of Information Policy (b) end user developments, which include the approval and implementation of the Access Strategy and Excel Development Policy.	1a) 30 November 2011 1b) 31 December 2011	1a) Data Controller 1b) Head of ICT Business Delivery	Corporate Governance Assurance Group Corporate Governance Assurance Group
2) To address the lack of resilience within ICT infrastructure, which include a back-up facility to be sited at Kidlington, review of priorities for recovery of applications and systems used by Group 1 Services, installation of stand-by generators in County Hall and Clarendon House, and improved Telephony resilience.	31 August 2011	Business Continuity Corporate Lead.	Corporate Governance Assurance Group
3) To implement improvements to Schemes of Delegation to reflect significant organisational change, which includes the issue of clear guidance on how changes should be made and approved.	30 September 2011	Financial Management Corporate Lead	Corporate Governance Assurance Group

Action	Timescale for Completion	Responsible Officer	Monitoring Body
4) To implement effective governance of SAP roles, to ensure management of segregation of duties.	30 September 2011	Financial Management Corporate Lead	Corporate Governance Assurance Group
5) To address improvements in respect of weaknesses identified by HSE for not having robust systems in place when awarding, managing and monitoring service provider contracts, which include improvements to health and safety clauses in contracts and related documentation, targeted training of relevant staff to increase their knowledge and ability to challenge providers, and safeguard the authority by supporting providers in improving their health and safety management system performance.	Updates to be provided at end of each quarter throughout 2011/12	Health and Safety Corporate Lead	Corporate Governance Assurance Group

74. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Oxfordshire County Council

……Date…….
Joanna Simons
Chief Executive

……Date……...
Keith R Mitchell
Leader of the Council

……Date…….
S E Scane

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Chief Financial Officer

……Date…….
P G Clark
Monitoring Officer

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AGS 2010/11 List of Acronyms

ABACUS – Abacus is a software system used to create financial assessments for clients
BPR – Business Process Re-engineering
CCMT – County Council Management Team
CG – Corporate Governance
CIPFA – Chartered Institute of Public Finance and Accountancy
CQC – Care Quality Commission
CRB – Criminal records Bureau
CYP&F – Children, Young People and Families Directorate
DfE – Department for Education
DSG – Dedicated Schools Grant
FMSiS – Financial Management Standards in Schools
HSE – Health and safety Executive
ICT – Information Communications Technology
ISB – Individual Schools Budget
OCC – Oxfordshire County Council
OFSTED – Office for standards in Education
RIPA – Regulation of Investigatory Powers Act
SAP – System Analysis and Programme Development (Financial Software System)
SMART – Specific, Measurable, Achievable, Realistic, Timely
SOLACE – Society of Local Authority Chief Executives

Bold Acronyms not included on Audit Committee List

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Division(s):

AUDIT COMMITTEE - 7 JULY 2011

STATEMENT OF ACCOUNTS 2010/11

Report by the Assistant Chief Executive and Chief Finance Officer

1. The Accounts and Audit Regulations have been revised this year and include changes to the approval process for the Statement of Accounts. The 2011 Regulations require the Assistant Chief Executive and Chief Finance Officer to sign the Statement of Accounts no later than 30 June, and certify that they give a true and fair view of the County Council's position. The regulations require that the Audit Committee considers and approves the accounts no later than 30 September, allowing members to make a better informed decision when the findings of the audit are available. This report presents the accounts certified by the Chief Finance Officer to the Audit Committee for information, before the start of the public inspection period and the commencement of the audit.

2. The 2010/11 Statement of Accounts is attached at Annex 1. An overview of the financial position of the Council at 31 March 2011 is contained in the explanatory foreword.

3. **Changes to the Statement of Accounts**

The 2010/11 Statement of Accounts is the first set of accounts to be prepared under International Financial Reporting Standards (IFRS) and has been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. There are changes to both the presentation of the accounts and the accounting policies on which they are based, which are outlined in the two following sections.

4. **Presentation of financial statements**

The IFRS-based Code defines the four key financial statements as the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement. An explanation of the purpose of each of these statements is provided in the foreword to the accounts. The order of the financial statements is recommended in the Code, with the Movement in Reserves Statement presented first as it shows the resources available to the County Council at the year end. The financial statements are more summarised than in previous years, with a breakdown of items provided in the disclosure notes. In addition, there are further narrative disclosures to support the basis on which the accounts have been compiled. Some notes presented in previous years have been removed as they are not required by the Code, to minimize the length of the accounts and keep them as user friendly as possible.

5. **Changes in accounting policy**

The main areas of difference between accounting policy under the IFRS-based Code and the previous code based on UK Generally Accepted Accounting Practice (UK GAAP) are set out below:

- Employee benefits: The IFRS-based Code places a requirement on the Council to accrue for any untaken annual leave, flexi leave or time off in lieu at the end of the financial year, which applies to all staff, including teaching staff. Legislation is in place to mitigate the impact of this accrual on the Council Tax.
- Fixed (non-current) assets: There are tighter definitions for investment properties and non-current assets held for sale. The accounting treatment of impairments and revaluation gains/losses is different under the Code. Significant components are required to be depreciated separately (with effect from 1 April 2010).
- Leases: IFRS gives slightly different definitions of operating and finance leases. It also requires that leases of property are separated into land and buildings for accounting purposes. Where contracts contain a lease-type arrangement this element of the contract is accounted for as a lease.
- Grants (and contributions): Both revenue and capital grants are recognised immediately in the Comprehensive Income and Expenditure Statement if there are no conditions attached to the grant or none remain outstanding. This is a significant change in relation to capital grants, which were previously released to revenue over the life of the asset to match depreciation. Revenue grants may be recognised as income in an earlier year than under the UK GAAP-based Code.

The new accounting policies are set out in the Summary of Significant Accounting Policies at Note 1 to the accounts. The accounting policy changes arising out of the adoption of the IFRS-based Code have been accounted for retrospectively (as if we had always been accounting on an IFRS basis), except where there are specific transitional provisions. As a result of the retrospective application, various balances and transactions relating to previous years have been restated in the financial statements. Full details of the restatements made are provided in Note 4 to the accounts.

6. **Change to the basis for up-rating pensions**

The basis for up-rating pensions has changed from the Retail Price Index (RPI) to the Consumer Price Index (CPI) with effect from 1 April 2011. This has the effect of reducing the pension liability by £119.554m and has been treated as a past service gain in the Comprehensive Income and Expenditure Statement (CIES). This large credit has been shown separately on the face of the CIES to aid the understanding of the County Council's performance as measured by the Surplus/Deficit on the Provision of Services.

7. **Summary Accounts**

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

8. Any questions of detail that members of the Committee may have regarding the accounts can be raised with Stephanie Skivington, Strategic Finance Manager (Financial Accounting & Reporting) (Tel. 01865 797443).

RECOMMENDATION

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

a) note the Statement of Accounts for 2010/11 to be submitted to the auditor; and

b) note the Summary Accounts 2010/11.

SUE SCANE
Assistant Chief Executive and Chief Finance Officer

Background Papers: Nil

Contact Officer: Stephanie Skivington, Strategic Finance Manager (Financial Accounting & Reporting) Tel: (01865) 797443

June 2011

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OXFORDSHIRE COUNTY COUNCIL

STATEMENT OF ACCOUNTS

2010/11

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FOREWORD BY THE ASSISTANT CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER

Introduction

These accounts set out the financial results of the County Council's activities for the twelve months up to 31 March 2011. They are the first set of accounts to be prepared under International Financial Reporting Standards (IFRS) and have been compiled in accordance with the statutory requirements of the Accounts and Audit Regulations 2011 and in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"). To meet statutory requirements, the Assistant Chief Executive and Chief Finance Officer is required to sign the accounts no later than 30 June 2011 and certify that they give a true and fair view of the County Council's position. This was achieved on 28 June 2011 when the Assistant Chief Executive and Chief Finance Officer authorised the accounts for issue. The County Council is required to consider and approve the accounts no later than 30 September 2011. The Audit Committee is scheduled to meet on 21 September 2011 to fulfil this requirement.

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

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

A glossary of terms is provided on page 167 to assist the reader in interpreting the accounts.

The Statements

The format of the principal financial statements has changed this year under the new IFRS-based Code. The principal statements and their purpose within the accounts are as follows:

- ***Statement of Responsibilities for the Statement of Accounts*** which outlines the respective responsibilities of the County Council and the Assistant Chief Executive and Chief Finance Officer for preparing the accounts;
- ***Movement in Reserves Statement*** which shows the movement in the year on the different reserves held by the County Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the County Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the County Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory County Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the County Council. For 2010/11 the net increase in the County Fund Balance before transfers to earmarked reserves was £18.702m and the final position was £14.737m.
- ***Comprehensive Income and Expenditure Statement*** which shows the accounting cost in the year of providing services in accordance with IFRS-based generally accepted accounting practices, rather than the amount to be funded from taxation. The County Council raises taxation to cover expenditure in accordance with regulations; this is different from the accounting cost which takes into account, for

example, charges for the use of assets. The taxation position is shown in the Movement in Reserves Statement. The Surplus on the Provision of Services for 2010/11 was £89.715m.

- ***Balance Sheet*** which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the County Council. The net assets of the County Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the County Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Unapplied reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the County Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The net assets as at 31 March 2011 were £747.789m.
- ***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 2010/11 was £27.459m.
- ***Pension Fund Accounts*** which set out the accounts of the Oxfordshire Local Government Pension Scheme and the Firefighters' Pension Scheme, both of which the County Council administer.
- ***Annual Governance Statement*** which describes the arrangements by which the County Council conducts its business. This statement does not form part of the statements on which the auditors opinion is given, but has been included as part of this document for completeness.

The accounts were previously prepared on the basis of UK Generally Accepted Accounting Practice (GAAP). The main areas of difference in the new IFRS accounting policy relate to employee benefits, land & buildings, leases, and revenue and capital grants & contributions. These new accounting policies are set out in Note 1 to the core financial statements (page 13). Accounting policy changes arising out of the adoption of the IFRS-based Code have been accounted for retrospectively, except where there are specific transitional provisions. The main exception to retrospective application relates to component accounting, which applies from 1 April 2010. As a result of the retrospective application, various balances and transactions have been restated in the financial statements. The differences between the 2009/10 financial statements based on UK GAAP and those based on IFRS are set out in Note 4 (page 31). The net total of adjustments to the 2009/10 Deficit on the Provision of Services is a reduction of £48.226m, primarily as a result of the inclusion of capital grants & contributions within income. The net total of adjustments to the net assets on the Balance Sheet as at 31 March 2010 is an increase of

£224.468m. Again the biggest element of this relates to capital grants & contributions, with £204.701m of capital grants and contributions deferred (funds that have already been applied to finance capital expenditure) being transferred from the liabilities section of the Balance Sheet to the Capital Adjustment Account within unusable reserves. In addition, £25.993m of unapplied capital grants and contributions planned to be used in future years as part of the five-year capital programme have been transferred from the liabilities section of the Balance Sheet to usable reserves.

Revenue Expenditure

The County Council set a total revenue budget for 2010/11 of £389.870m, incorporating £35.5m of efficiencies and savings, based on a Council Tax increase of 2.75%.

In terms of the County Council's actual expenditure, the Code requires the presentation set out in the Comprehensive Income and Expenditure Statement (page 10). However for internal purposes, expenditure is reported on a directorate basis. The Provisional Outturn report (summarised in the following table) shows expenditure compared to the original and latest budgets (incorporating the IFRS adjustments required).

Directorate	Original budget £'000	Latest budget £'000	Actual net expenditure £'000	Variation against latest budget £'000
Children, Young People & Families	99,050	97,899	95,071	-2,828
Social & Community Services	183,657	206,046	205,553	-493
Environment & Economy	70,408	69,931	65,414	-4,517
Oxfordshire Customer Services	28,122	1,590	284	-1,306
Chief Executive's Office	9,578	10,279	9,064	-1,215
Total for Directorates	**390,815**	**385,745**	**375,386**	**-10,359**
Strategic Measures:				
Contributions to / from (-) Reserves	3,405	4,255	13,638	9,383
Contributions to Balances	3,344	1,686	237	-1,449
Capital Financing	39,303	39,303	38,423	-880
Interest on Balances	-1,341	-1,341	834	2,175
Area Based Grant	-45,656	-39,778	-39,778	0
Budget Requirement	**389,870**	**389,870**	**388,740**	**-1,130**
General Government Grants	-13,481	-13,481	-14,159	-678
Business Rates	-92,840	-92,840	-92,840	0
Council Tax	-283,549	-283,549	-283,549	0
External Financing	**-389,870**	**-389,870**	**-390,548**	**-678**
Overall impact on County Fund				**-1,808**

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

The directorate variation comprises £6.515m in relation to grants and contributions against which expenditure will be incurred in 2011/12 and £3.844m other net underspends. During 2010/11 directorates worked hard to reduce costs to achieve savings and in readiness for the implementation of their Business Strategies from 2011/12. As a result of this firm focus on cost minimisation some revenue savings have been achieved early and through careful service management it has also been possible to absorb the impact of the £3.717m in-year revenue grant reductions.

The Provisional Outturn reported underspend of £1.808m shown in the previous table compares to a Surplus on the Provision of Services of £89.715m. The significant difference between the provisional outturn position and the surplus in the accounts relates to a number of items that are included within the Surplus or Deficit on the Provision of Services for accounting purposes but are not met from the County Fund under regulations. These items are set out in Note 5. The largest element of the surplus is a retirement benefits past service gain of £119.554m, details of which are provided in the Pension Liability section on the following page. A reconciliation between the directorates' provisional outturn and the Surplus or Deficit on the Provision of Services is provided in Note 6 (page 40).

The Surplus or Deficit on the Provision of Services includes impairment and revaluation losses totalling £48.220m where there is no balance in the Revaluation Reserve to absorb the losses. There was a material impairment during the year relating to the Oxford Academy site (former Peers Technology College). The total impairment loss recognised for this site was £16.767m arising from demolition of the existing buildings and the cost of works and fees for the new Academy over and above the new valuation.

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 2010	**11,353**	**12,929**
Additions to / calls on (-) balances	1,344	1,808
County Fund balance 31 March 2011	**12,697**	**14,737**

County Council balances as at 31 March 2011 were £2.040m higher than planned. The majority of this relates to the opening balance position being £1.576m higher than had been anticipated at the time the 2010/11 budget was set. The remaining difference (£0.464m) is as a result of the receipt of additional £0.678m revenue Performance Reward Grant partly offset by net calls on balances being £0.214m higher than budgeted. The addition to balances is after taking into account the impairment of the deposits with the Icelandic bank Landsbanki. In accordance with regulations, the impairment net of accrued interest (totalling £1.361m) which had been deferred in the preceding two years was charged to the County Fund in 2010/11 (see Note 36, page 92 for further details).

Earmarked reserves have increased from £67.674m at the start of the year to £84.739m by the year end, an increase of £17.065m. The main areas of increase relate to corporate reserves (£8.107m increase), where funds are being set aside in line with the Medium Term Financial Plan and as part of the implementation of the Council's Business Strategy, and school reserves (£8.260m increase). The increase in school reserves reflects uncertainty over future funding levels in 2010/11 and the reduction in number and value of deficit balances.

Capital

Capital spend in 2010/11 was £99.475m including £7.710m of capitalised repair and maintenance, vehicles and equipment, and £0.353m of loans for works/equipment of a capital nature. Of the total capital spend £64.203m was spent on schools and other educational buildings, children's and families centres, young people's centres and children's homes, £22.062m on highways and transport schemes and the balance, £13.210m, on a range of other projects. Details of capital spending are provided in Note 29

(page 86). The capital spend was funded from a variety of sources – borrowing (£30.102m), grants and contributions (£61.879m) and from revenue (£7.494m) (Note 31, page 89).

Pension Liability
The County Council's net liability for retirement benefits is £436.782m, which reduces the County Council's net worth by 37%. The pensions liability has reduced significantly compared to last year (by £315.258m). Part of this reduction is due to the government's announcement to change the basis for up-rating pensions from the Retail Price Index (RPI) to the Consumer Price Index (CPI) with effect from 1 April 2011. This has the effect of reducing the pension liability by £119.554m. The remainder of the reduction relates to an increase in the value of assets in the Local Government Pension Scheme and changes to actuarial assumptions. Note 18 on retirement benefits (page 63) gives a better perspective on the County Council's pension commitments and the assets and liabilities of the schemes but these have no immediate effect on Council Tax levels.

Other Liabilities
The County Council has a finance liability of £21.195m for property built by Oxfordshire Care Partnership under a service concession arrangement and for assets acquired by way of finance leases. The liability increased by a net £2.442m in 2010/11, as a result of liabilities for a new property (£4.066m) and equipment acquired by way of finance leases (£0.136m), offset by repayment of principal (£1.760m).

The County Council has recognised liabilities due to fall in 2011/12 totalling £6.958m for redundancy costs. £2.083m is recognised within creditors and £4.875m within provisions.

Plans for future service delivery
The agreed budget for 2011/12 and the Medium Term Financial Plan (MTFP) to 2015/16 reflect the County Council's strategic objectives of Efficient Public Services, World Class Economy, Healthy and Thriving Communities and Environment & Climate Change and the principles of low taxes, real choice and value for money.

A Business Strategy programme has been developed to enable the County Council to deliver its required savings and to facilitate the shift to a slimmer, more dynamic and empowered organisation. The Strategy and MTFP take account of the anticipated national budget reductions and build upon the planning assumptions used as part of the 2010/11 Service and Resource Planning process. Following the National Emergency budget in June 2010, revised savings targets were issued to directorates reflecting the need to make additional savings in line with the planned reduction in Government departmental spending totals of 25% over a four year period to 2014/15.

A budget requirement of £408.616m for 2011/12 was approved by Council on 15 February 2011, along with the Medium Term Financial Plan recommended by Cabinet. This was based on a zero Council Tax increase for 2011/12 following receipt of Government funding to freeze the Council Tax. The 2011/12 budget includes £50.5m of identified directorate savings. The capital programme also approved by Council on 15 February included planned expenditure of £78.0m for 2011/12. The majority of this expenditure relates to school buildings and highways improvements. This capital expenditure will be funded, in the main, by grants and contributions (£65.5m), prudential borrowing (£9.8m) and capital receipts (£2.7m). As at 31 March 2011 the County Council was contractually committed to £13.215m worth of capital scheme expenditure.

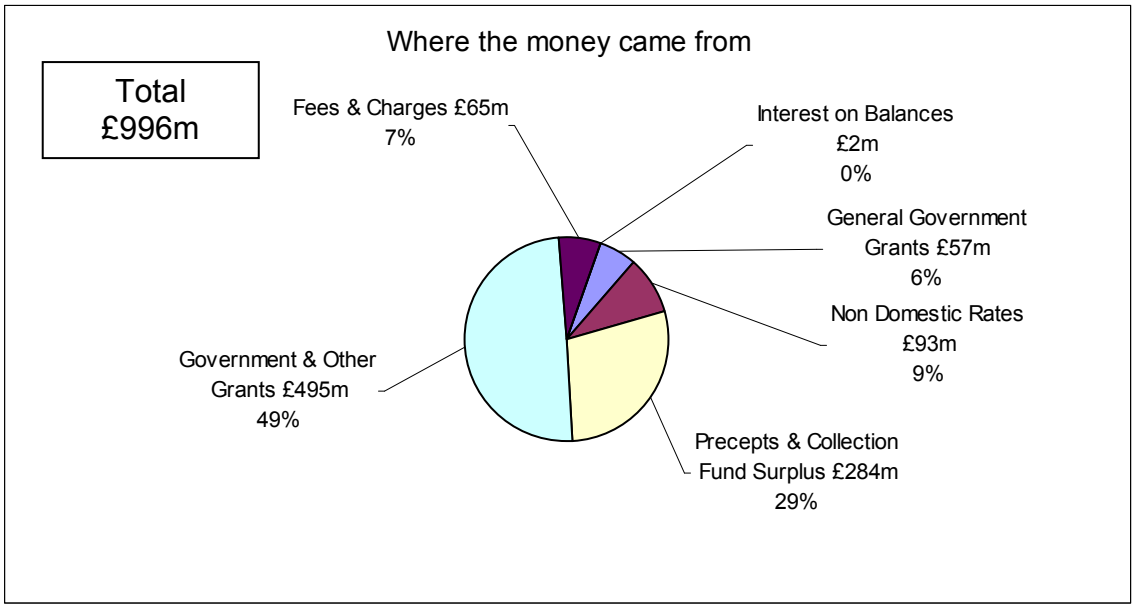
The County Council's wider use of borrowing powers is defined in the approved Treasury Management Strategy Statement and Annual Investment Strategy. This currently sets an authorised limit for borrowing (an upper limit) of £593m for 2011/12, and an operational limit (the target limit for day to day activity) of £583m. The authorised limit is derived from the anticipated borrowing approved by central government to support capital investment, 'prudential' borrowing to support the County Council's own initiatives, long-term financial liabilities and day to day cash flow. Borrowing to support the capital programme is currently £439.5m although it will be noted from the balance sheet that this is part-funding assets valued in excess of £1.5bn.

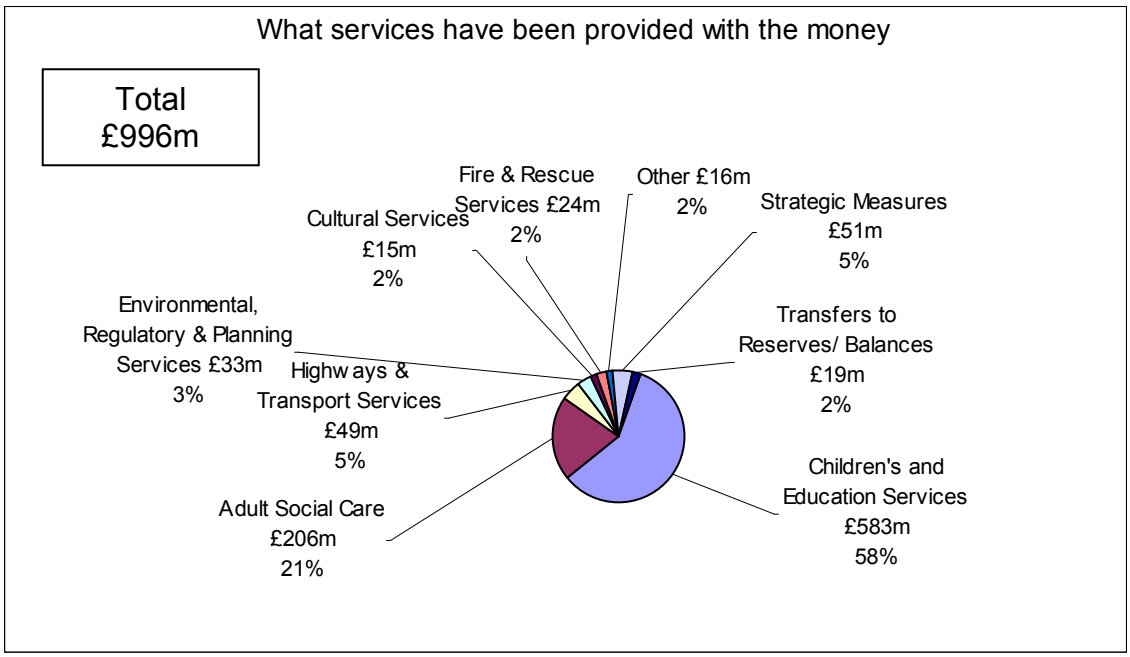
Summary accounts

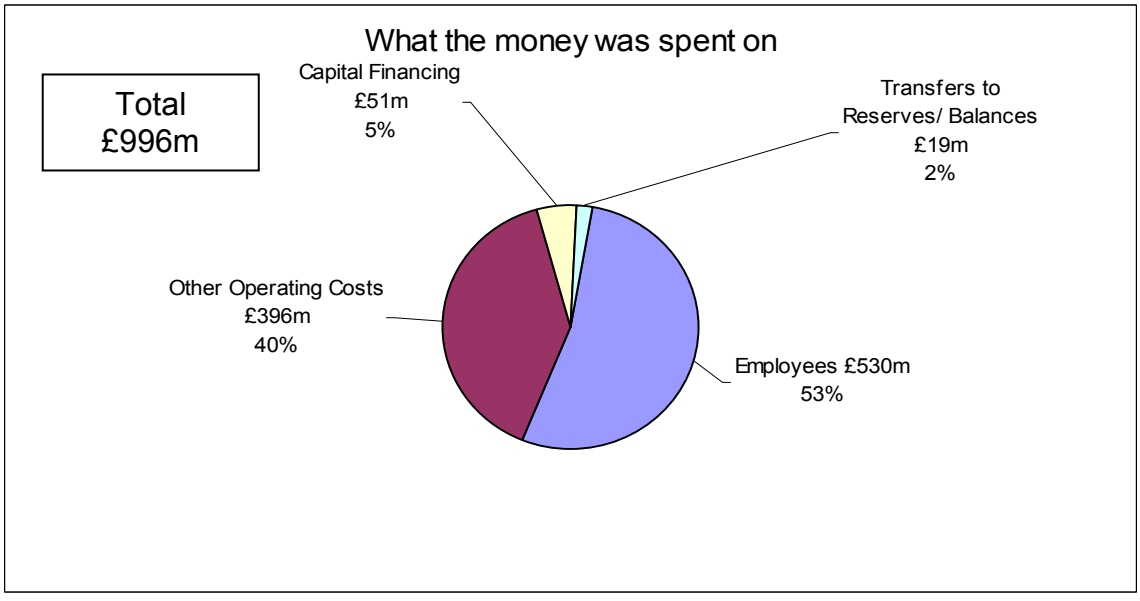
Whilst the detail of the Statement of Accounts is prescribed by legislation and is therefore long and complex, a summary version (available on the County Council's website) aims to simplify the presentation.

Conclusion

The County Council's financial position as at 31 March 2011 was close to the budgeted expectations, with elements of the savings programme being delivered ahead of schedule. Some funding from 2010/11 has been carried forward to provide the capacity to deliver the challenging savings required through the 2011/12 service and resource planning and budget strategy process. The Council remains in a robust financial position overall, and is well positioned to deliver its services, many in transformed ways, within the reduced funding required by the national financial position.


Where the money came from
Total £996m
Fees & Charges £65m 7%
Interest on Balances £2m 0%
General Government Grants £57m 6%
Non Domestic Rates £93m 9%
Precepts & Collection Fund Surplus £284m 29%
Government & Other Grants £495m 49%


What services have been provided with the money
Total £996m
Fire & Rescue Services £24m 2%
Other £16m 2%
Strategic Measures £51m 5%
Cultural Services £15m 2%
Environmental, Regulatory & Planning Services £33m 3%
Transfers to Reserves/ Balances £19m 2%
Highways & Transport Services £49m 5%
Children's and Education Services £583m 58%
Adult Social Care £206m 21%


What the money was spent on
Total £996m
Capital Financing £51m 5%
Transfers to Reserves/ Balances £19m 2%
Other Operating Costs £396m 40%
Employees £530m 53%

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The County Council's Responsibilities

The County Council is required to:

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

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

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

The Responsibilities of the Assistant Chief Executive and Chief Finance Officer

The Assistant Chief Executive and Chief Finance Officer is responsible for the preparation of the County Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 ('the Code of Practice').

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

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

The Assistant Chief Executive and Chief Finance Officer has also:

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

Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the County Council and its income and expenditure for the year ended 31 March 2011.

Signed: …… Date ……

SUE SCANE
Assistant Chief Executive and Chief Finance Officer

MOVEMENT IN RESERVES STATEMENT

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

	Notes	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbns Unapplied £'000	**Total Usable Reserves £'000**	**Total Unusable Reserves £'000**	**Total Reserves £'000**
Balance at 31 March 2009		**21,556**	**59,989**	**2,980**	**25,184**	**109,709**	**525,655**	**635,364**
Movement in reserves during 2009/10								
Surplus (+) or Deficit (-) on Provision of Services		-70,101				-70,101		-70,101
Other Comprehensive Income and Expenditure			2,016	-8,974		-6,958	-143,572	-150,530
Total Comprehensive Income and Expenditure		**-70,101**	**2,016**	**-8,974**	**0**	**-77,059**	**-143,572**	**-220,631**
Adjustments between accounting basis & funding basis under regulations	5	67,143		7,703	809	75,655	-75,655	0
Net increase/decrease before transfers to Earmarked Reserves		**-2,958**	**2,016**	**-1,271**	**809**	**-1,404**	**-219,227**	**-220,631**
Transfers to/from Earmarked Reserves	50	-5,669	5,669			0		0
Increase (+)/Decrease (-) in Year		**-8,627**	**7,685**	**-1,271**	**809**	**-1,404**	**-219,227**	**-220,631**
Balance at 31 March 2010		**12,929**	**67,674**	**1,709**	**25,993**	**108,305**	**306,428**	**414,733**
Movement in reserves during 2010/11								
Surplus (+) or Deficit (-) on Provision of Services		89,715				89,715		89,715
Other Comprehensive Income and Expenditure			171			171	243,170	243,341
Total Comprehensive Income and Expenditure		**89,715**	**171**	**0**	**0**	**89,886**	**243,170**	**333,056**
Adjustments between accounting basis & funding basis under regulations	5	-71,013		5,957	2,645	-62,411	62,411	0
Net increase/decrease before transfers to Earmarked Reserves		**18,702**	**171**	**5,957**	**2,645**	**27,475**	**305,581**	**333,056**
Transfers to/from Earmarked Reserves	50	-16,894	16,894			0		0
Increase (+)/Decrease (-) in Year		**1,808**	**17,065**	**5,957**	**2,645**	**27,475**	**305,581**	**333,056**
Balance at 31 March 2011		**14,737**	**84,739**	**7,666**	**28,638**	**135,780**	**612,009**	**747,789**

Schools' balances are held within Earmarked Reserves (see Note 50).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2009/10				Notes	2010/11		
Gross Expenditure £'000	Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Income £'000	Net Expenditure £'000
631,354	-453,072	178,282	Children's and Education Services	8,9	655,260	-495,747	159,513
221,529	-58,746	162,783	Adult Social Care	10	215,030	-39,347	175,683
64,309	-7,016	57,293	Highways and Transport Services	11	61,527	-13,027	48,500
30,695	-3,620	27,075	Environmental, Regulatory and Planning Services		33,972	-3,491	30,481
16,779	-1,435	15,344	Cultural Services		16,742	-1,304	15,438
27,083	-721	26,362	Fire and Rescue Services		27,193	-571	26,622
3,558	-1,234	2,324	Central Services to the Public		3,454	-1,597	1,857
10,925	-243	10,682	Other Corporate Services	12,13	8,603	-90	8,513
			Retirement benefits past service gain	18	-119,554	0	-119,554
1,006,232	**-526,087**	**480,145**	**Cost of Services**	6,7,20	**902,227**	**-555,174**	**347,053**
8,191	-7,425	766	Other Operating Expenditure	14	20,745	-5,848	14,897
66,162	-8,032	58,130	Financing and Investment Income and Expenditure	15,16,17	56,177	-9,339	46,838
0	-468,940	-468,940	Taxation and Non-Specific Grant Income	19,20	0	-498,503	-498,503
1,080,585	**-1,010,484**	**70,101**	**Surplus (-) or Deficit (+) on Provision of Services**	6	**979,149**	**-1,068,864**	**-89,715**
		-25,501	Surplus or deficit on revaluation of non-current assets	54			-14,135
		169,073	Actuarial gains (-) or losses (+) on pension assets and liabilities	18			-233,164
		0	Allowance for future fire-fighters injury pensions	18			4,129
		0	Surplus or deficit on revaluation of available for sale financial assets				0
		6,958	Other gains or losses				-171
		150,530	**Other Comprehensive Income and Expenditure**				**-243,341**
		220,631	**Total Comprehensive Income and Expenditure**				**-333,056**

BALANCE SHEET

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

As at 31 March 2009 £'000	As at 31 March 2010 £'000		Notes	As at 31 March 2011 £'000	
		Long Term Assets			
1,498,689	1,497,169	Property, Plant and Equipment	22	1,507,142	
5,029	4,653	Investment Property	23	4,780	
3,198	5,056	Intangible Assets	25	3,487	
2,994	18,639	Long Term Investments	34,43	29,866	
6,628	8,306	Long Term Debtors	38	5,880	
1,516,538	**1,533,823**	**Total Long Term Assets**			**1,551,155**
		Current Assets			
0	0	Landfill Allowance Asset Account	39	1,352	
4,075	5,357	Assets Held for Sale	24	984	
424	379	Inventories	40	347	
38,759	39,392	Debtors	41	44,239	
194,463	165,360	Short Term Investments	34,43	170,711	
18,916	0	Cash and Cash Equivalents	42	25,600	
256,637	**210,488**	**Total Current Assets**			**243,233**
		Current Liabilities			
-21,783	-21,489	Short Term Borrowing	34,43	-33,742	
-90,321	-78,483	Short Term Creditors	44	-84,193	
-26,081	0	Cash held on behalf of the Pension Fund		0	
-3,162	-1,692	Provisions due within 1 year	45,46	-8,605	
-17,440	-25,634	Short Term Capital Grants Receipts in Advance	48	-21,643	
	-1,859	Cash Overdrawn	42	0	
-158,787	**-129,157**	**Total Current Liabilities**			**-148,183**
		Long Term Liabilities			
0	0	Long Term Creditors		0	
-1,903	-4,028	Provisions due after 1 year	45,46	-3,392	
-385,383	-395,414	Long Term Borrowing	34,43	-405,742	
-557,554	-752,040	Pension liability	18	-436,782	
-14,916	-18,753	Finance liability	27,28	-21,195	
0	-6,092	Deferred income	47	-5,868	
0	0	Donated Assets Account		0	
-19,268	-24,094	Long Term Capital Grants Receipts in Advance	48	-25,437	
-979,024	**-1,200,421**	**Total Long Term Liabilities**			**-898,416**
635,364	**414,733**	**Net Assets**			**747,789**
		Financed from:			
109,709	**108,305**	**Usable Reserves**	49-52		**135,780**
525,655	**306,428**	**Unusable Reserves**	53-58		**612,009**
635,364	**414,733**	**Total Reserves**			**747,789**

CASH FLOW STATEMENT

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

2009/10 £'000		Notes	2010/11 £'000
70,101	Net surplus (-) or deficit (+) on the provision of services		-89,715
-116,791	Adjust net surplus or deficit on the provision of services for non-cash movements	59	7,862
49,931	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		41,297
3,241	Net cash flows from Operating Activities	60	-40,556
450	Investing Activities	61	33,673
17,084	Financing Activities	62	-20,576
20,775	**Net increase (-) or decrease (+) in cash and cash equivalents**		**-27,459**
18,916	Cash and cash equivalents at the beginning of the reporting period		-1,859
-1,859	**Cash and cash equivalents at the end of the reporting period**		**25,600**

1. Summary of Significant Accounting Policies

General

The Statement of Accounts summarises the County Council's transactions for the 2010/11 financial year and its position at the year-end 31 March 2011. It has been compiled in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 - based on International Financial Reporting Standards (the Code)*, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and with the Best Value Accounting Code of Practice 2010/11 (BVACOP) also issued by CIPFA.

Basis of Accounting

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

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

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

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

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

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

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

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

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

Events After the Balance Sheet Date
Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the end of the reporting period (31 March 2011) and the date the Statement of Accounts is authorised for issue. There are two types of event:
- Those that provide evidence of conditions that existed at the Balance Sheet date – the

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

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

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

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

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

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

Area Based Grant is a general grant allocated by central government directly to the County Council as additional revenue funding. It is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement in the same way as other non-ringfenced revenue grants and contributions.

Council Tax income

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

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

- The current service cost of pensions – the increase in the present value of a scheme's liabilities expected to arise from employee service in the current period. This is included in the relevant service line within the Cost of Services.
- Past service costs – the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period. This is included in Non Distributed Costs within the Cost of Services. The change of future pension increases from an RPI to CPI basis is a past service gain in 2010/11 which has been shown separately within Cost of Services because of its significance.
- Gains/losses on settlements and curtailments – changes in liabilities relating respectively to actions that relieve the County Council of primary responsibility for a pension obligation or events that reduce the expected years of future service of employees or reduce the accrual of defined benefits over the future service for some employees.

The net of the interest cost and the expected return on scheme assets (if any) is included in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. Actuarial gains and losses are recognised in Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement, along with an allowance for future fire-fighters injury pensions.

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

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

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

Overheads and Support Services
Overheads are charged to services and the corporate and democratic core in accordance with the Best Value Accounting Code of Practice (BVACOP).

The costs of central support services supplied by the Chief Executive's Office, Oxfordshire Customer Services and Property & Facilities are charged to services on the basis of time spent and the level of services provided.

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

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

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

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

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

Property, Plant and Equipment
Assets that have a physical substance and are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. These include operational land and buildings, vehicles 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 direct 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 County Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

Property, Plant and Equipment is subsequently carried in the Balance Sheet using the following measurement bases:
- Infrastructure, community assets and assets under construction – depreciated historic cost
- All other Property, Plant and Equipment assets – fair value, determined as the amount that would be paid for the asset in its existing use

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

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

A *de minimis* level of £20,000 is applied for land and buildings and £15,000 for vehicles and plant, other than for schools local capital spend where a de minimis of £2,000 is applied. Revaluations of property assets are undertaken on a five-year rolling programme, although material changes to asset valuations are adjusted in the interim periods.

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

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

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

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

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

- Buildings: 60 years
- Vehicles and equipment: between 5 and 15 years
- IT equipment and infrastructure: between 3 and 5 years
- Infrastructure (roads and bridges): 35 years

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

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

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

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

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

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

- Available for immediate sale in its present condition
- The sale must be highly probable

- Actively marketed at a reasonable sale price
- The sale should be expected to be completed within 1 year

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

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

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

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

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

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

Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount which the asset could be exchanged between knowledgeable parties in an arm's-length transaction (i.e. market value). Investment properties are not depreciated and are revalued annually according to market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, as are gains and losses on disposal. 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.

Intangible Assets: Software Licenses

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

The County Council policy is to capitalise software licenses for major applications. For this purpose an application is a major application where the initial cost exceeds £20,000.

Intangible assets are measured at cost. The cost is amortised and charged to the relevant service revenue account within the Comprehensive Income and Expenditure Statement over a period of up to 6 years using the straight-line method. Amortisations are reversed out of the County Fund Balance in the same way as depreciation, so that there is no impact on Council Tax.

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

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

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

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

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

(See also the accounting policy on debt redemption.)

Leases

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

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

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

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

(See also the accounting policy on debt redemption.)

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

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is required under statute to be treated as a capital receipt. Where a premium has been received, this is posted out of the County Fund Balance to the Capital Receipts Unapplied reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future years, this is posted out of the County Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital

receipt for the disposal of the asst is used to write down the long-term debtor and the deferred capital receipts are transferred to the Capital Receipts Unapplied reserve. The written-off carrying amount of the asset on disposal is appropriated to the Capital Adjustment Account from the County Fund Balance in the Movement in Reserves Statement so that there is no impact on Council Tax.

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

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

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

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

Financial Assets
Financial assets are classified into three types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Food and catering supplies	historical cost
Cleaning and other supplies	historical cost
Library books	written off as incurred
Audio-visual stock	net realisable value
Road salt	historical cost

Fire and rescue stocks average cost

New audio visual purchases in the year have been treated as consumables and not treated as inventories.

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

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

Landfill Allowance Trading Scheme
Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the County Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

- In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The County Council considers the change to be a change in benefit entitlement because a constructive obligation to increase benefits in line with RPI existed as a result of past practice and past communications with members of the pension schemes. Accordingly the £119.554m reduction in liability has been recognised as a past service gain.

- The County Council is deemed to control the residential care services provided under the agreement with Oxfordshire Care Partnerhsip (OCP) and the residual value of all but one of the homes at the end of the agreement. Except for the home where the residual value at the end of the contract rests with OCP, the accounting policies for PFI and similar contracts have been applied to the arrangement and the homes (valued at £12.496m as at 31 March 2011) are recognised as Property, Plant and Equipment on the Balance Sheet.

- Payment of the fourth quarter instalment of the Sure Start Early Years Capital Grant has been withheld by the Department for Education pending resolution of the 2009/10 grant claim following audit qualification relating to £0.910m of the claim. The County

Council has accrued the £4.757m instalment in the 2010/11 accounts on the basis that it has complied with the conditions attached to its payment and that the 2009/10 audit qualification will be satisfactorily resolved and therefore payment will be received.

- The County Council has not recognised Standards Fund Grant income of £1.371m on the basis of notification from the Department for Education that the final instalment of the 2010/11 grant (due in April 2011) would not be paid. Although the DfE has notified local authorities that any expenditure pressures arising can be offset against Dedicated Schools Grant underspends, there is no assurance that the grant instalment will eventually be received and therefore it has not been accrued.

- The County Council has deposited £5m with the Icelandic bank Landsbanki which went into administration in October 2008 (see note 36 for further details). The County Council has assumed that the deposit enjoys preferential creditor status and will recover 94.85p in the £. Preferential creditor status has been confirmed by the court but this is being appealed. The County Council has therefore not provided for possible losses arising from non-preferential creditor status, estimated to be £2.280m.

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

- The County Council has entered into a conditional contract with a company for the disposal of residual waste. Planning permission granted by the Secretary of State is the subject of a legal challenge. If at 30 December 2011 there is not planning permission in place which is free from challenge the company may determine the agreement and seek damages. As this is a possible obligation arising from entering into the contract whose existence will be confirmed only by the occurrence of uncertain future events not within the County Council's control it has been treated as a contingent liability and no provision has been made.

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 2011 for which there is significant risk of material adjustment in the forthcoming year are as follows:

Pensions Liability

Estimation of the net liability to pay pensions (£436.782m as at 31 March 2011) depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, mortality rates and expected returns on pension fund assets. The assumptions used are set out in Note 18 on Retirement Benefits. The County Council uses a firm of actuaries, Barnett Waddingham Public Sector Consulting, to provide expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in the discount rate or mortality rates are provided in the table on page 72 in the Retirement Benefits note. However, the assumptions interact in complex ways. During 2010/11, the County Council's actuaries advised that the net pensions liability had reduced by £63.010m as a result of estimates being corrected as a result of experience and by £170.154m attributable to updating of the assumptions.

Debtors

As at 31 March 2011 the County Council had a balance for current debtors of £51.602m and had estimated an impairment allowance for doubtful debts of £7.363m. The impairment allowance comprises £1.560m for the County Council's own debts based on the age and type of each debt and £5.803m for the County Council's share of Council Tax debts within the Collection Funds administered by the district councils. However, if collection rates deteriorate this impairment allowance may not be sufficient. A 10% increase in the amount of the impairment allowance for doubtful debts would require an additional £0.156m to be set aside as an allowance by the County Council and £0.580m from the Collection Funds.

Provisions

As at 31 March 2011 the County Council made a provision of £4.875m for redundancy costs arising from restructuring of services to meet budget reductions, based on assumptions about numbers, grades of posts and average length of service. Costs may change dependent on which individuals are actually made redundant. A 10% variation in the average redundancy cost would have a £0.487m effect on the provision needed.

As at 31 March 2011 the County Council made a provision of £4.152m 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 £0.415m effect on the provision required.

Property, Plant and Equipment

As at 31 March 2011 the County Council had £1.113bn of land and buildings on its Balance Sheet. Buildings are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance of those buildings. Reductions in the budget for repairs and maintenance spending brings into doubt the useful lives assigned to buildings. If the useful life of buildings is reduced, depreciation increases and the carrying amount of the building falls. It is estimated that the annual depreciation charge for buildings would increase by £0.380m for every year that useful lives had to be reduced.

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

4. Adjustments to prior year comparatives

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different to the equivalent figures presented in the published Statement of Accounts for 2009/10 which was prepared in accordance with the Statement of Recommended Practice (SORP) under UK Generally Accepted Accounting Practice (GAAP).

The following tables set out the adjustments required between the amounts presented in the published 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements. An explanation of each of the changes A - E is provided after the tables.

2009/10	Published £'000	A	B	C	D	E	Restated £'000
Comprehensive Income and Expenditure Statement							
Children's and Education Services	174,947	1,623	-7,399	8,646	465		178,282
Adult Social Care	159,625	13	-180	1,525	1,800		162,783
Highways and Transport Services	52,183	181	-27	4,071	885		57,293
Environmental, Regulatory and Planning Services	26,572	10	-131	635	-13	2	27,075
Cultural Services	15,140	9	28	135	32		15,344
Fire and Rescue Services	26,550	20	-400	216	-24		26,362
Court Services*	693						693
Central Services to the Public	1,531	-2		100	2		1,631
Other Corporate Services	9,470	18	1,184		10		10,682
Cost of Services	**466,711**	**1,872**	**-6,925**	**15,328**	**3,157**	**2**	**480,145**
Other Operating Expenditure	2,066		-2,339	1,039			766
Financing and Investment Income and Expenditure	57,725		305	102		-2	58,130
Taxation and Non-Specific Grant Income	-408,175			-58,343	-2,422		-468,940
Surplus (-) or Deficit (+) on Provision of Services	**118,327**	**1,872**	**-8,959**	**-41,874**	**735**	**0**	**70,101**
Surplus or deficit on revaluation of non-current assets	-34,899		9,398				-25,501
Actuarial gains or losses on pension assets and liabilities	169,073						169,073
Surplus or deficit on revaluation of available for sale financial assets	0						0
Other gains or losses	6,956		2				6,958
Other Comprehensive Income and Expenditure	**141,130**	**0**	**9,400**	**0**	**0**	**0**	**150,530**
Total Comprehensive Income and Expenditure	**259,457**	**1,872**	**441**	**-41,874**	**735**	**0**	**220,631**

* Court Services is included within Central Services to the Public from 2010/11

	Published £'000	A	B	C	D	E	Restated £'000
Balance Sheet as at 1 April 2009							
Long term assets:							
Net fixed assets	1,509,690		-1,509,690				0
Property, plant & equipment			1,498,689				1,498,689
Investment property			5,029				5,029
Intangible fixed assets	3,198						3,198
Long term investments	2,994						2,994
Long term debtors	6,628						6,628
	1,522,510	**0**	**-5,972**	**0**	**0**	**0**	**1,516,538**
Current assets:							
Assets held for sale			4,075				4,075
Inventories	424						424
Debtors	38,759						38,759
Short term investments	194,463						194,463
Cash and cash equivalents	18,916						18,916
	252,562	**0**	**4,075**	**0**	**0**	**0**	**256,637**
Current liabilities:							
Borrowing under 12 months	-21,783						-21,783
Creditors	-89,840	-8,125			7,644		-90,321
Cash held on behalf of the Pension Fund	-26,081						-26,081
Provisions due within one year						-3,162	-3,162
Short term capital grants RIA				-17440			-17,440
Cash overdrawn							0
	-137,704	**-8,125**	**0**	**-17,440**	**7,644**	**-3,162**	**-158,787**
Long term liabilities:							
Provisions due over one year	-5,065					3,162	-1,903
Long term borrowing	-385,383						-385,383
Pensions liability	-557,554						-557,554
Finance liability	-14,114		-802				-14,916
Deferred income							0
Grants & contributions deferred	-163,638			163,638			0
Grants & contributions unapplied	-61,892			61,892			0
Long term capital grants RIA				-19,268			-19,268
	-1,187,646	**0**	**-802**	**206,262**	**0**	**3,162**	**-979,024**
Net assets	**449,722**	**-8,125**	**-2,699**	**188,822**	**7,644**	**0**	**635,364**
Usable reserves:							
County Fund balance	21,556						21,556
Earmarked reserves	52,345				7,644		59,989
Capital receipts unapplied	2,980						2,980
Capital grants and contributions unapplied				25,184			25,184
	76,881	**0**	**0**	**25,184**	**7,644**	**0**	**109,709**
Unusable reserves:							
Revaluation Reserve	55,040		-4,150				50,890
Pensions Reserve	-557,554						-557,554
Capital Adjustment Account	875,366		1,451	163,638			1,040,455
Financial Instrument Adjustment Account	-1,615						-1,615
Collection Fund Adjustment Account	1,604						1,604
Accumulated Absences Account		-8,125					-8,125
	372,841	**-8,125**	**-2,699**	**163,638**	**0**	**0**	**525,655**
Total Reserves	**449,722**	**-8,125**	**-2,699**	**188,822**	**7,644**	**0**	**635,364**

	Published £'000	A	B	C	D	E	Restated £'000
Balance Sheet as at 31 March 2010							
Long term assets:							
Net fixed assets	1,509,586		-1,509,586				0
Property, plant & equipment			1,497,169				1,497,169
Investment property			4,653				4,653
Intangible fixed assets	5,056						5,056
Long term investments	18,639						18,639
Long term debtors	8,306						8,306
	1,541,587	**0**	**-7,764**	**0**	**0**	**0**	**1,533,823**
Current assets:							
Assets held for sale			5,357				5,357
Inventories	379						379
Debtors	39,392						39,392
Short term investments	165,360						165,360
Cash and cash equivalents							0
	205,131	**0**	**5,357**	**0**	**0**	**0**	**210,488**
Current liabilities:							
Borrowing under 12 months	-21,489						-21,489
Creditors	-75,396	-9,997			6,910		-78,483
Cash held on behalf of the Pension Fund	0						0
Provisions due within one year						-1,692	-1,692
Short term capital grants RIA				-25,634			-25,634
Cash overdrawn	-1,859						-1,859
	-98,744	**-9,997**	**0**	**-25,634**	**6,910**	**-1,692**	**-129,157**
Long term liabilities:							
Provisions due over one year	-5,720					1,692	-4,028
Long term borrowing	-395,414						-395,414
Pensions liability	-752,040						-752,040
Finance liability	-18,021		-732				-18,753
Deferred income	-6,092						-6,092
Grants & contributions deferred	-204,701			204,701			0
Grants & contributions unapplied	-75,721			75,721			0
Long term capital grants RIA				-24,094			-24,094
	-1,457,709	**0**	**-732**	**256,328**	**0**	**1,692**	**-1,200,421**
Net assets	**190,265**	**-9,997**	**-3,139**	**230,694**	**6,910**	**0**	**414,733**
Usable reserves:							
County Fund balance	12,929						12,929
Earmarked reserves	60,764				6,910		67,674
Capital receipts unapplied	1,709						1,709
Capital grants and contributions unapplied				25,993			25,993
	75,402	**0**	**0**	**25,993**	**6,910**	**0**	**108,305**
Unusable reserves:							
Revaluation Reserve	85,171		-6,903				78,268
Pensions Reserve	-752,040						-752,040
Capital Adjustment Account	781,861		3,764	204,701			990,326
Financial Instrument Adjustment Account	-2,231						-2,231
Collection Fund Adjustment Account	2,102						2,102
Accumulated Absences Account		-9,997					-9,997
	114,863	**-9,997**	**-3,139**	**204,701**	**0**	**0**	**306,428**
Total Reserves	**190,265**	**-9,997**	**-3,139**	**230,694**	**6,910**	**0**	**414,733**

A: Short-term accumulating compensated absences
Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the County Council. Benefits include pay for annual leave, time off in lieu and flexi-time. Employees build up entitlement as they work. Under the Code the cost of providing these benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the County Council is required to accrue for any annual leave, time off in lieu and flexi-time earned but not taken at 31 March each year. Under the previous accounting arrangements no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund annual leave and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

B: Non-current assets and finance leases
Under the Code, net fixed assets have been recategorised as property, plant and equipment (PPE), investment property and assets held for sale. Not all assets previously classified as surplus met the definition of assets held for sale and these have been retained within PPE as surplus assets.

For property, plant and equipment, the Code requires that all revaluation losses and impairment losses for individual assets are recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset and thereafter in the Surplus or Deficit on the Provision of Services. Previously impairment losses due to the clear consumption of economic benefits were recognised in the Surplus or Deficit on the Provision of Services regardless of whether any credit balance existed in the Revaluation Reserve for the asset. Under the Code, a revaluation decrease charged to the Surplus or Deficit on the Provision of Services is reversed where there is a subsequent gain on the same asset. Previously, the reversal of a revaluation decrease was conditional on the events that resulted in the decrease and the subsequent gain being linked.

Under the Code changes in the fair value of investment property are taken to the Surplus or Deficit on the Provision of Services. Previously, revaluations of investment property were adjusted through the Revaluation Reserve in the first instance.

Under the Code, assets classified as held for sale are measured at the lower of their carrying value and fair value less costs to sell. Previously (as part of surplus assets) the assets were measured at market value less expected selling costs. As a result, the asset valuations have been amended. Under the Code, any decrease in the fair value less costs to sell is recognised in the Surplus or Deficit on the Provision of Services, even where there is a balance in the Revaluation Reserve. Previously impairment or revaluation losses were recognised in the Revaluation Reserve. Following the change in accounting policy, revaluation gains for assets held for sale are limited to the cumulative impairment loss or revaluation loss that has been recognised in the Surplus or Deficit on the Provision of Services. Previously, revaluation gains were not limited.

The Code specifies the accounting treatment for arrangements containing a lease. Previously this was not covered by the SORP. Following this change a contractual arrangement was identified as containing an operating lease and a finance lease. The equipment acquired under the finance lease has been recognised as an asset within PPE

with a corresponding finance liability. Finance and interest costs for the finance lease have been removed from the Cost of Services and recognised as principal repayments (MRP) and interest charges within Financing and Investment Income and Expenditure respectively. Under regulations the annual charge to the County Fund remains unchanged.

The comparative figures have been adjusted for all of the changes to non-current assets set out above.

C: Capital grants and contributions

Under the Code capital grants and contributions are recognised immediately as income in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement when they become receivable, unless there is a condition that has not been satisfied. Where a condition remains outstanding the grant or contribution is held in the Capital Grants Receipts in Advance account until the condition is met. Previously, all capital grants and contributions receivable were held in the Capital Grants & Contributions Unapplied account within the liabilities section of the Balance Sheet until applied to fund capital expenditure. Following the change in accounting policy capital grants and contributions without outstanding conditions have been recognised as income and any unused amounts transferred to the Capital Grants & Contributions Unapplied reserve within the usable reserves section of the Balance Sheet.

Previously, capital grants and contributions used to meet capital expenditure were held in the Grants & Contributions Deferred account and recognised as income over the life of the assets which they were used to fund. Following the change in accounting policy the balance on the Grants & Contributions Deferred Account has been transferred to the Capital Adjustment Account. Portions of capital grants & contributions deferred previously recognised as income within the Cost of Services in 2009/10 have been removed in the comparative figures.

Previously, capital grants and contributions applied to revenue expenditure funded by capital under statute were recognised as income in the Cost of Services. Following the change in accounting policy they have been recognised as income within Taxation and Non-Specific Grant Income in the same way as other capital grants and contributions.

There is no change to the County Fund balance arising from these changes, as capital grants and contributions income is transferred out of the County Fund under both the previous and the current accounting policies.

D: Revenue grants and contributions

Under the Code revenue grants and contributions are recognised immediately as income when they become receivable, unless there is a condition that has not been satisfied. Where a condition remains outstanding the grant or contribution is held in receipts in advance (within the creditors figure on the Balance Sheet). Previously, all unused specific grants and contributions that did not have to be returned to the provider were treated as receipts in advance and recognised as income when the matching expenditure took place. Following the change in accounting policy specific revenue grants and contributions without outstanding conditions have been recognised in the year they were receivable and any unused amount transferred to earmarked reserves within the Balance Sheet.

Under the Code non-ringfenced revenue grants are included in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement. Non-ringfenced grants previously recorded within the Cost of Services have been reclassified in the comparative figures.

E: Other reclassifications
Under the Code investment property income and expenditure is included within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. Previously it was included within the Cost of Services.

Under the Code provisions within the Balance Sheet are split between those due within one year and those due over one year. Previously provisions were reported as one amount within the Balance Sheet.

5. 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.

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

2010/11 continued	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contributions Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving Capital Grants and Contributions Unapplied					
Capital grants and contributions unapplied credited to the CIES	-5,766			5,766	
Adjustments primarily involving Capital Receipts Unapplied					
Transfer of sale proceeds credited as part of the gain/loss on disposals	-5,773		5,773		
Adjustments primarily involving the Pensions Reserve					
Net charge made for retirement benefits debited or credited to the CIES	-86,223				86,223
Adjustments primarily involving the Financial Instrument Adjustment Account					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in accordance with statutory requirements	-1,552				1,552
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	-1,475				1,475
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-337				337
Total	**-71,013**	**0**	**5,957**	**2,645**	**62,411**

2009/10	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contributions Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and amortisation	29,985				-29,985
Charges for impairment and revaluation losses	79,977				-79,977
Movement in the market value of investment property	268				-268
Capital grants and contributions applied	-51,387			-5,166	56,553
Revenue expenditure funded from capital under statute	10,403				-10,403
Amount of non-current assets written off on derecognition as part of the gain/loss on disposal	7,521				-7,521
Inclusion of items not debited or credited to the CIES					
Statutory provision for the repayment of debt	-17,841				17,841
Capital expenditure charged to the County Fund Balance	-5,852				5,852
Repayment of loans			344		-344
Adjustments primarily involving Capital Grants and Contributions Unapplied					
Capital grants and contributions unapplied credited to the CIES	-5,975			5,975	
Adjustments primarily involving Capital Receipts Unapplied					
Transfer of sale proceeds credited as part of the gain/loss on disposals	-7,359		7,359		
Adjustments primarily involving the Pensions Reserve					
Net charge made for retirement benefits debited or credited to the CIES	25,413				-25,413

2009/10 continued	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contributions Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving the Financial Instrument Adjustment Account					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in accordance with statutory requirements	616				-616
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	-498				498
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,872				-1,872
Total	**67,143**	**0**	**7,703**	**809**	**-75,655**

6. Amounts reported internally

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

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

compensated absences.

- Directorate expenditure includes transfers to earmarked reserves and some costs that fall outside of the Cost of Services such as principal and interest payable in relation to finance leases and service concession arrangements.

The income and expenditure of the County Council's directorates recorded in the Provisional Outturn report for the year is as follows:

2010/11	Children, Young People & Families £'000	Social & Community Services £'000	Environment & Economy £'000	Oxfordshire Customer Services £'000	Chief Executive's Office £'000	Total £'000
Fees, charges & other service income	-53,218	-53,794	-32,167	-53,836	-13,013	**-206,028**
Government grants and contributions	-502,405	-14,594	-9,360	-7,084	-1,267	**-534,710**
Total income	**-555,623**	**-68,388**	**-41,527**	**-60,920**	**-14,280**	**-740,738**
Employee expenses	397,927	81,435	23,996	31,776	12,563	**547,697**
Other operating expenses	230,510	155,992	75,485	23,173	4,419	**489,579**
Support service recharges	22,257	36,514	7,460	6,255	6,362	**78,848**
Total operating expenses	**650,694**	**273,941**	**106,941**	**61,204**	**23,344**	**1,116,124**
Directorate Provisional Outturn	**95,071**	**205,553**	**65,414**	**284**	**9,064**	**375,386**

Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement

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

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

Reconciliation to Subjective Analysis

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

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

Comparative figures for 2009/10 for the directorate analysis and reconciliations are set out below. The directorate income and expenditure analysis relates to the Provisional Outturn report for that year and has not been restated as a result of the directorate restructurings that took place during 2010/11.

2009/10	Children, Young People & Families £'000	Social & Community Services £'000	Environment & Economy £'000	Community Safety & Shared Services £'000	Corporate Core £'000	Total £'000
Fees, charges & other service income	-44,267	-49,282	-29,051	-29,330	-36,757	**-188,687**
Government grants and contributions	-452,316	-34,401	-6,135	-2,827	-1,654	**-497,333**
Total Income	**-496,583**	**-83,683**	**-35,186**	**-32,157**	**-38,411**	**-686,020**
Employee expenses	377,306	64,050	22,475	39,944	22,034	**525,809**
Other operating expenses	191,351	153,527	76,910	13,972	20,415	**456,175**
Support service recharges	25,214	33,987	6,739	8,201	7,747	**81,888**
Total operating expenses	**593,871**	**251,564**	**106,124**	**62,117**	**50,196**	**1,063,872**
Directorate Provisional Outturn	**97,288**	**167,881**	**70,938**	**29,960**	**11,785**	**377,852**

Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement

2009/10	£'000
Directorate provisional outturn	**377,852**
Add services not included in main analysis	-83
Add amounts not reported in provisional outturn	149,317
Remove amounts reported in the provisional outturn not included in Comprehensive Income and Expenditure Statement	-46,941
Cost of Services in Comprehensive Income and Expenditure Statement	**480,145**

Reconciliation to Subjective Analysis

2009/10	Directorate Analysis £'000	Services not in Analysis £'000	Not reported in provisional outturn £'000	Not included in Cost of Services £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	-188,687	-168	-4,043	4,324	129,579	**-58,995**	-1,575	**-60,570**
Proceeds from the disposal of non-current assets						**0**	-7,425	**-7,425**
Interest and investment income						**0**	-2,255	**-2,255**
Income from council tax						**0**	-274,849	**-274,849**
Government grants and contributions	-497,333	0	1,715	3,611	24,915	**-467,092**	-198,293	**-665,385**
Total Income	**-686,020**	**-168**	**-2,328**	**7,935**	**154,494**	**-526,087**	**-484,397**	**-1,010,484**
Employee expenses	525,809	5	30,505	-43,967	-10,513	**501,839**	2,593	**504,432**
Other service expenses	456,175	80	7,066	-10,909	-57,980	**394,432**	2,077	**396,509**
Support service recharges	81,888		4,113		-86,001	**0**		**0**
Depreciation, amortisation, impairments and revaluations			109,961			**109,961**	268	**110,229**
Pension interest costs and expected return on assets						**0**	39,458	**39,458**
Interest payable and similar charges						**0**	21,766	**21,766**
Costs from the disposal of non-current assets						**0**	8,191	**8,191**
Total operating expenses	**1,063,872**	**85**	**151,645**	**-54,876**	**-154,494**	**1,006,232**	**74,353**	**1,080,585**
Surplus or deficit on the provision of services	**377,852**	**-83**	**149,317**	**-46,941**	**0**	**480,145**	**-410,044**	**70,101**

7. Service Expenditure Analysis

The net Cost of Services within the Comprehensive Income and Expenditure Statement is presented using the service expenditure analysis set out in the Best Value Accounting Code of Practice (BVACOP). Set out below is a breakdown by division of service:

Service	Division of Service	2009/10 £'000	2010/11 £'000
Children's and Education Services	Nursery schools	295	456
	Primary schools	57,460	59,034
	Secondary schools	49,995	39,521
	Special schools	5,964	3,130
	Non-School Funding	23,153	18,136
	Service strategy	1,054	1,196
	Children's services – commissioning & social work	6,646	2,338
	Children looked after	19,264	19,679
	Family support services	6,929	7,390
	Youth justice	1,622	5,814
	Other children's & family services	5,900	2,819
	Total Children's and Education Services	178,282	159,513
Adult Social Care	Service strategy	465	379
	Older people (aged 65 and over)	94,408	93,839
	Adults under 65 with a physical disability or sensory impairment	16,177	15,051
	Adults under 65 with learning disabilities	40,298	45,932
	Adults under 65 with mental health needs	10,214	8,752
	Other adult services	1,221	11,730
	Total Adult Social Care	162,783	175,683
Highways & Transport Services	Transport planning, policy & strategy	5,839	5,386
	Structural Maintenance	13,322	8,424
	Environment, Safety & Routine Maintenance	19,965	18,353
	Street lighting (including energy costs)	4,152	4,075
	Winter Service	2,416	2,544
	Traffic management & road safety	4,245	3,441
	On street parking services	-850	-1,143
	Off street parking services	1,326	1,270
	Public transport	6,878	6,150
	Total Highways & Transport Services	57,293	48,500
Environmental, Regulatory & Planning Services	Regulatory services	3,125	3,005
	Flood defence & land drainage	482	480
	Waste disposal	15,000	17,612
	Trade waste	7	47
	Recycling	4,527	4,395
	Waste minimisation	168	127
	Planning (including development control)	2,076	2,494
	Economic development	907	974
	Environmental initiatives	385	908
	Community Development	398	439
	Total Environmental & Planning Services	27,075	30,481

Service	Division of Service	2009/10 £'000	2010/11 £'000
Cultural Services	Culture & heritage	4,547	3,490
	Library service	10,633	11,784
	Other	164	164
	Total Cultural Services	15,344	15,438
Fire and Rescue Services	Fire-fighting and Rescue Operations	25,217	25,489
	Safer Communities	1,145	1,133
	Total Fire and Rescue Services	26,362	26,622
Central Services to the Public	Registration of Births, Deaths & Marriages	802	380
	Emergency Planning	355	413
	Coroners Court Services	693	682
	Other	474	382
	Total Central Services to the Public	2,324	1,857
Other Corporate Services	Democratic Representation & Management	3,894	3,834
	Corporate Management	3,969	3,602
	Non Distributed Costs	2,819	1,077
	Total Other Corporate Services	10,682	8,513
Retirement benefits past service gain			-119,554
	Total Net Cost of Services	**480,145**	**347,053**

The retirement benefits past service gain is explained in Note 18.

8. Dedicated Schools Grant (DSG)

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

2009/10		2010/11						
		Individual Schools Budgets (ISB)					Central	Total
		Primary	Secondary	Special	Unallo-cated	Total ISB		
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
321,733	Final DSG allocation	153,527	119,891	14,995	828	289,241	44,230	333,471
1,188	Brought forward from previous year					0	1,417	1,417
0	Carry forward to next year agreed in advance					0		0
322,921	Agreed budgeted distribution	153,527	119,891	14,995	828	289,241	45,647	334,888
275,779	Actual ISB deployed to schools	153,527	119,891	14,995	828	289,241		289,241
45,725	Actual central expenditure						44,686	44,686
0	County Council contribution					0		0
1,417	Carry forward to next year	0	0	0	0	0	961	961

9. Youth Offending Service

The Youth Offending Service was set up under the Crime and Disorder Act 1998. It is a multi-agency service comprising the County Council, Thames Valley Police Authority, National Probation Service, the Oxfordshire Primary Care Trust, Huntercombe Young Offenders Institute and the Youth Justice Board. The service operates a pooled budget and in 2010/11 the gross income and expenditure were £4.559m and £4.578m respectively (2009/10 £4.100m and £4.067m). The County Council's contribution to the pooled budget was £1.986m (£1.612m in 2009/10).

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

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

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

For 2010/11, the County Council contributed £88.945m to the pooled budget (2009/10 £90.112m). A summary of the pooled budget memorandum account shows:

2009/10		2010/11			
		Older People	Physical Disability	Equipment	Total
£'000		£'000	£'000	£'000	£'000
120,876	Gross income	102,620	11,113	1,481	115,214
122,005	Gross expenditure	102,708	10,265	1,918	114,891
90,112	Authority's contribution	80,710	7,066	1,169	88,945

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

- The County Council and the Oxfordshire Primary Care Trust have a joint commissioning and pooled budget arrangement for Learning Disabilities. The County Council is the lead in this arrangement, which in the main commissions both care and support and residential/supported living placements for learning disabilities clients. In 2010/11 the gross income and expenditure were £74.858m and £76.284m respectively (2009/10 £74.089m and £73.988m). The County Council contributed £42.424m to the pooled budget (2009/10 £42.903m).

- The County Council has a pooled budget arrangement with the Oxfordshire and Buckinghamshire Mental Health Partnership NHS Trust for the provision of mental health services. The NHS Trust is the lead in this arrangement. In 2010/11 the gross income and expenditure were £28.354m and £28.354m respectively (2009/10 £28.766m and £28.448m). The County Council contributed £2.804m to the pooled budget via the mental health commissioning pooled budget. (2009/10 £2.825m).

- The County Council and the Oxfordshire Primary Care Trust have a joint commissioning and pooled budget arrangement to streamline mental health commissioning. The Oxfordshire Primary Care Trust is the lead in this arrangement. In 2010/11 the gross income and expenditure were £43.810m and £43.728m respectively (2009/10 £42.581m and £42.525m). The County Council contributed £7.014m to this pool, of which £2.804m was paid to the Oxfordshire and Buckinghamshire Mental Health Partnership NHS Trust as the County Council's contribution to the mental health provision pooled budget above. (The County Councils' contribution in 2009/10 was £7.280m, including £2.825m relating to the mental health provision pooled budget).

11. Agency Services

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

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

(i)	All District Councils (except Oxford City Council see (ii) below)	Verge maintenance – within town boundaries. Charged to the Surplus or Deficit on the Provision of Services: £277,745 (£223,436 in 2009/10)
(ii)	Oxford City Council only	Highways Act 1980 Section 42. All maintenance work undertaken by the City Council on all highways not deemed to be classified numbered or non-classified un-numbered designated routes. Charged to the Surplus or Deficit on the Provision of Services: £938,385 (£856,670 in 2009/10) Charged to capital : £432,261 (£487,193 in 2009/10)

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

The County Council operates ICT services on an agency basis on behalf of Oxford City Council. There are two parts to the agency agreement with Oxford City Council – provision of services and replacement of equipment. The revenue expenditure for 2010/11 was £1,011,993 (including a contribution to the County Council's overheads of £531,019) (£771,835 for 2009/10 including a contribution to the County Council's overheads of £396,768). This was matched by income for 2010/11 of £1,011,993 (£771,835 for 2009/10). Capital expenditure under the agreement for 2010/11 was £275,254 (£1,297,981 for 2009/10 as stated in the published note, but subsequently revised to £896,315). The cost of the capital expenditure is being repaid by the City Council over the life of the contract, with £248,077 being paid in 2010/11 (£259,596 in 2009/10).

12. Members' Allowances

Allowances & expenses	2009/10 £'000	2010/11 £'000
Basic Allowance	840	868
Travel and subsistence	44	49
Total	**884**	**917**

Members allowances were frozen in 2010/11 at their 2009/10 rates.

13. Audit and Inspection Fee

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

Fees	2009/10 £'000	2010/11 £'000
Code of Practice Work	223	273
Statutory Inspection	18	0
Certification of Grant Claims and Returns	-26	17
Other Related Costs	9	-2
Total	**224**	**288**

The Code of Practice work fees exclude those for the Pension Fund. There was no statutory inspection work in 2010/11 following cessation of the Comprehensive Area Assessment. Certification of grant claim fees charged in 2010/11 relate to that and the preceding year.

11. Senior Officers' Remuneration

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

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

The number of employees whose remuneration (excluding employer) pension contributions exceeded £50,000 were:

Band (£)	Number of Employees					
	School	Non-School	Total	School	Non-School	Total
	2009/10	2009/10	2009/10	2010/11	2010/11	2010/11
50,000-54,999	121	93	214	141	100	241
55,000-59,999	79	65	144	81	58	139
60,000-64,999	46	16	62	55	27	82
65,000-69,999	16	15	31	25	16	41
70,000-74,999	10	18	28	5	17	22
75,000-79,999	10	8	18	10	5	15
80,000-84,999	5	3	8	12	1	13
85,000-89,999	2	3	5	2	4	6
90,000-94,999	5	2	7	2	0	2
95,000-99,999	1	0	1	2	2	4
100,000-104,999	2	1	3	1	0	1
105,000-109,999	0	1	1	1	0	1
110,000-114,999	1	0	1	0	0	0
115,000-119,999	0	0	0	1	0	1
120,000-124,999	1	0	1	0	0	0

In accordance with the 2011 regulations, the figures exclude senior employees whose remuneration is disclosed separately.

The change in the profile of number of employees within each band reflects salary increments and compensation for loss of office, early retirements 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 as follows:

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

2010/11 continued Post Holder Information	Salary (Including Fees & Allowances) £	Expense Allowances £	Other Emoluments £	Compensation for loss of employment £	Total Remuneration Excluding Pension Contributions £	Employer's Pension Contribution £	Total Remuneration Including Pension Contributions £
Head of Sustainable Development - from Aug 2010 to Nov 2010	25,126				25,126	4,849	29,975
Deputy Director Growth & Infrastructure - from Dec 2010	31,377				31,377	6,056	37,433
Head of Property - to Dec 2010	60,221	36	2,464	88,016	150,737	11,579	162,316
Associate Director for Shared Services - to Feb 2011	68,364	268			68,632	0	68,632
Head of Shared Services - to July 2010	28,583		1,645	69,538	99,766	5,517	105,283
Deputy Director - Oxfordshire Customer Services - from Jan 2011	22,771				22,771	4,395	27,166
Head of Strategy & Transformation	85,750				85,750	16,550	102,300
Head of Community Services - to Aug 2010	36,878				36,878	7,118	43,996
Head of Major Programmes - to March 2011(1)	42,875				42,875	8,275	51,150
Head of Adult Social Care - to March 2011	97,180				97,180	18,756	115,936
Chief Fire Officer and Head of Community Safety - from June 2010	94,840		252		95,092	20,201	115,293
Deputy Chief Fire Officer:							
Post holder to June 2010	20,902		68		20,970	4,452	25,422
Post holder from June 2010	76,006		706		76,712	16,189	92,901
Assistant Chief Fire Officer and Head of Service Support:							
Post holder to June 2010	20,739		201		20,940	4,417	25,357
Post holder from June to Oct 2010	31,803	60			31,863	6,774	38,637
Post holder from Nov 2010 to Jan 2011	22,018				22,018	4,690	26,708
Post holder from Feb 2011	14,679				14,679	3,127	17,806
Head of Community Safety - to Dec 2010	55,738			85,751	141,489	10,757	152,246
	2,488,390	**609**	**8,504**	**595,045**	**3,092,548**	**472,640**	**3,565,188**

2009/10 Post Holder Information	Salary (Including Fees & Allowances) £	Expense Allowances £	Other Emoluments £	Compensation for loss of employment £	Total Remuneration Excluding Pension Contributions £	Employer's Pension Contribution £	Total Remuneration Including Pension Contributions £
Chief Executive - Joanna Simons (Includes £6,727 Returning Officer fee)	189,158				189,158	36,507	225,665
Assistant Chief Executive (Strategy)	106,282	44			106,326	20,512	126,838
Assistant Chief Executive & Chief Finance Officer	106,282				106,282	20,512	126,794
Director for Community Safety & Shared Services and Chief Fire Officer	123,369		137		123,506	23,896	147,402
Director for Environment & Economy	128,194				128,194	24,741	152,935
Director for Children, Young People & Families:							
Post holder to October 2009	65,475				65,475	12,637	78,112
Post holder from February 2010 (2)	16,369				16,369	3,159	19,528
Director for Social & Community Services	128,194				128,194	24,741	152,935
Head of Children & Families - to September 2009 (3)	42,111				42,111	8,128	50,239
Head of Commissioning, Strategy & Locality Development - to May 2009 (4)	12,051				12,051	2,133	14,184
Head of Service - Southern Area, Young People & Access to Education	97,180				97,180	18,756	115,936
Head of Service - Northern Area, Raising Achievement	97,180				97,180	18,756	115,936
Deputy Chief Fire Officer	97,964		588		98,552	20,866	119,418
Assistant Chief Fire Officer and Head of Service Support	89,512		1,107		90,619	19,063	109,682
Head of Community Safety	74,917				74,917	14,343	89,260
Head of Shared Services	85,750				85,750	16,550	102,300
Monitoring Officer and Head of Legal & Democratic Services	97,180				97,180	18,756	115,936
Head of Human Resources	85,750				85,750	16,550	102,300

2009/10 continued Post Holder Information	Salary (Including Fees & Allowances) £	Expense Allowances £	Other Emoluments £	Compensation for loss of employment £	Total Remuneration Excluding Pension Contributions £	Employer's Pension Contribution £	Total Remuneration Including Pension Contributions £
Head of ICT Service	97,180				97,180	18,756	115,936
Head of Strategy	82,136				82,136	15,852	97,988
Head of Communications, Marketing & Public Affairs - from May 2009	76,299				76,299	14,726	91,025
Head of Partnership Working	74,317				74,317	14,343	88,660
Head of Finance & Procurement	82,317	35			82,352	15,887	98,239
Head of Transport	97,180				97,180	18,756	115,936
Head of Sustainable Development	85,750	20			85,770	16,550	102,320
Head of Property	80,295	41			80,336	15,497	95,833
Head of Strategy & Transformation	85,750				85,750	16,550	102,300
Head of Community Services	96,610				96,610	18,646	115,256
Head of Major Programmes (1)	42,875				42,875	8,275	51,150
Head of Adult Social Care	97,180				97,180	18,756	115,936
	2,640,807	**140**	**1,832**	**0**	**2,642,779**	**513,200**	**3,155,979**

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Notes to both tables

The tables exclude categories that are nil (bonuses).

(1) Post is part-time - 50%.
(2) Post covered in the interim by an interim manager.
(3) Post currently covered by an interim manager.
(4) Post covered by an interim manager to September 2010.

12. Termination Benefits

In addition to the compensation for loss of office for senior employees disclosed in Note 11, the County Council paid a further £2.088m in termination benefits in 2010/11.

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 2009/10.

2010/11	Plant, Vehicles & Equipment £'000	Short leaseholds £'000	Long leaseholds £'000	Total land and buildings £'000
Minimum lease payments charged in year	2,412	3,883	43	**3,926**
Contingent rents charged in year	561	46	7	**53**
Sublease payments received in year	0	-45	-2	**-47**
Future minimum lease payments:				
Within 1 year	2,094	3,643	38	**3,681**
Within 2nd - 5th years	2,350	8,826	63	**8,889**
6th year and beyond	6	8,000	465	**8,465**
Total commitments	4,450	20,469	566	**21,035**
Total future sublease payments receivable	0	-13	-131	**-144**

2009/10	Plant, Vehicles & Equipment £'000	Short leaseholds £'000	Long leaseholds £'000	Total land and buildings £'000
Minimum lease payments charged in year	2,119	3,576	39	**3,615**
Contingent rents charged in year	409	66	7	**73**
Sublease payments received in year	0	-18	-2	**-20**
Future minimum lease payments:				
Within 1 year	1,985	3,723	38	**3,761**
Within 2nd - 5th years	2,605	10,745	63	**10,808**
6th year and beyond	13	9,457	473	**9,930**
Total commitments	4,603	23,925	574	**24,499**
Total future sublease payments receivable	0	-37	-131	**-168**

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 2009/10. The County Council leases out property under operating leases for the provision of accommodation for services, such as Children's Centres, Homes for Older People, pre-schools and waste re-cycling centres.

2010/11	Plant, Vehicles & Equipment £'000	Short leaseholds £'000	Long leaseholds £'000	Total land and buildings £'000
Minimum lease payments receivable in year	0	670	357	**1,027**
Contingent rents receivable in year	0	42	2	**44**
Future minimum lease payments receivable:				
Within 1 year	0	536	394	**930**
Within 2nd-5th years	0	899	1,710	**2,609**
6th year and beyond	0	242	15,481	**15,723**
Total receivable	0	1,677	17,585	**19,262**

2009/10	Plant, Vehicles & Equipment £'000	Short leaseholds £'000	Long leaseholds £'000	Total land and buildings £'000
Minimum lease payments receivable in year	0	508	273	**781**
Contingent rents receivable in year	0	39	2	**41**
Future minimum lease payments receivable:				
Within 1 year	0	533	357	**890**
Within 2nd-5th years	0	1,104	1,676	**2,780**
6th year and beyond	0	343	15,908	**16,251**
Total receivable	0	1,980	17,941	**19,921**

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 net of other receipts as a charge against the County Fund.

Gain/loss on derecognition	**2009/10** £'000	**2010/11** £'000
Net capital receipts	-7,359	-5,773
Other receipts	-66	-75
	-7,425	-5,848
Carrying value of non-current assets derecognised	7,521	20,596
Disposal costs charged to the County Fund	670	149
	8,191	20,745
Gain (-) or loss (+) on derecognition	**766**	**14,897**
Adjustments between accounting basis and funding basis	-162	-14,823
Net charge to County Fund	**604**	**74**

The net charge to the County Fund has reduced in 2010/11 in part because new regulations permit disposal costs of up to 4% of the sale proceeds to be charged against the capital receipt.

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**:**

	2009/10 £'000	**2010/11 £'000**
Surplus/deficit on trading operations	267	367
Interest payable and similar charges	21,766	21,628
Interest receivable and similar income	-2,255	-1,750
Income and expenditure in relation to investment properties and changes in their fair value	266	-313
Pensions interest cost and expected return on pensions assets	39,458	29,173
Net fire-fighters Pension Fund Top-Up Grant	-1,372	-2,267
Total Financing and Investment Income & Expenditure	**58,130**	**46,838**

16. Trading Operations

The County Council operates trading accounts for a number of services supplied to directorates and schools within the authority. Details of their financial performance during 2010/11 are as follows:

2009/10		2010/11		
Surplus (-) / Deficit £'000	Trading Unit	Turnover £'000	Expenditure £'000	Surplus (-) / Deficit £'000
0	**Central Support Services** Provision of financial, legal, personnel, IT, printing, property and other support to services within the County Council	73,490	73,689	199
83	**Catering** Provision of school meals and catering services in the central offices	7,908	7,857	-51
-72	**Cleaning** Provision of cleaning services for schools and County Council establishments	2,678	2,610	-68
256	**Integrated Transport Unit** Provision of transport to older people and those with learning disabilities and commissioning of home to school transport	3,178	3,465	287
267	**Total**	**87,254**	**87,621**	**367**

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), temporary loans and borrowings. The Code requires financial instruments to be classified into defined categories of assets and liabilities. These are explained in the Summary of Significant Accounting Policies in Note 1.

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

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

Details of the Icelandic bank deposits impairment are provided in Note 36.

Comparative figures for 2009/10 are as follows:

	2009/10				
	Financial Liabilities	Financial Assets			Total
	Liabilities at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	Assets at fair value through profit & loss £'000	£'000
Interest expense	20,479				20,479
Losses on derecognition					0
Reductions in fair value					0
Impairment losses		1,250			1,250
Fee expense	8			42	50
Total expense in Surplus or Deficit on the Provision of Services	**20,487**	**1,250**	**0**	**42**	**21,779**
Interest income		-1,812			-1,812
Interest income accrued on impaired financial assets		-250			-250
Increases in fair value				-175	-175
Gains on derecognition		-18			-18
Fee income		-20			-20
Total income in Surplus or Deficit on the Provision of Services	**0**	**-2,100**	**0**	**-175**	**-2,275**
Gains/losses on revaluation					0
Amounts recycled to the Surplus or Deficit on the Provision of Services					0
Surplus/deficit arising on the revaluation of financial assets in Other Comprehensive Income and Expenditure			**0**		**0**
Net gain(-)/loss for the year	**20,487**	**-850**	**0**	**-133**	**19,504**

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 needs to be disclosed at the time that employees earn their future entitlement.

The County Council participates in three pension schemes:

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

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

- The Teachers' Pension Scheme. This is an unfunded scheme administered by the Teachers' Pension Agency and provides teachers with defined benefits upon their retirement. The County Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2010/11 the County Council paid £25.533m (2009/10 £24.945m) to the Teachers' Pension Agency in respect of teachers' pension costs. The percentage of pensionable pay was 14.1% (14.1% in 2009/10). As at 31 March 2011 there was £3.083m owed to the Teachers' Pension Agency in respect of accrued pensions contributions (£3.049m in 2009/10). The County Council did not award any termination benefits during the year.

The Local Government Pension Scheme and Fire-fighters' Pension Scheme are classified as defined benefit final salary schemes for accounting purposes (see Post-Employment Benefits within the Summary of Significant Accounting Policies, page 17). Both the Local Government Pension Scheme and the Fire-fighters Pension Scheme have their own fund accounts through which pension transactions are paid (see pages 124 and 142 respectively).

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

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

	Local Government Pension Scheme		Fire-fighters' 1992 Pension Scheme		Fire-fighters' 2006 Pension Scheme		Fire-fighters' Injury Pensions & unfunded ill health retirements		Teacher's Added Years		Total	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Cost of Services												
Current service cost	25,329	44,102	2,529	3,887	279	510					28,137	48,499
Past service costs		-94,918		-12,984		-285		-557		-10,810		-119,554
Curtailments & settlements	565	857									565	857
	25,894	-49,959	2,529	-9,097	279	225		-557		-10,810	28,702	-70.198
Financing and Investment Income & Expenditure												
Pension interest cost	51,011	54,931	7,476	7,650	130	141	315	301	3,325	3,137	62,257	66,160
Expected return on assets in the scheme	-22,799	-36,987									-22,799	-36,987
Government Top-Up Grant/Surplus payable to Government			-2,094	-2,934	722	667					-1,372	-2,267
Surplus/Deficit on the Provision of Services	54,106	-32,015	7,911	-4,381	1,131	1,033	315	-256	3,325	-7,673	66,788	-43,292
Amounts by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	-18,261	69,326	-6,355	5,874	-810	-688	-59	642	72	11,069	-25,413	86,223
Actual amount charged against the County Fund Balance for pensions in the year:												
Employer's contributions payable to the scheme	35,845	37,311	1,556	1,493	321	345					37,722	39,149
Retirement benefits payable to pensioners							256	386	3,397	3,396	3,653	3,782

The total contributions expected to be made by the County Council to the Local Government Pension Scheme (LGPS) in 2011/12 are £34.427m for funded benefits and £1.398m for unfunded benefits (£35.233m and £1.375m in 2010/11 respectively). Expected contributions to the Fire-fighters Pension Scheme in 2011/12 (including Government Top-Up Grant) are £4.564m for the 1992 Scheme and a credit of £0.345m (due to the Top-Up Grant arrangement) for the 2006 Scheme (£3.447m and £0.331m in 2010/11 respectively). Expected payments to beneficiaries in 2011/12 are £3.720m for Teachers Added Years and £0.284m for Fire-fighters' injury pensions and Unfunded Ill Health Retirements (£3.690m and £0.265m in 2010/11 respectively).

The liabilities set out in the following table show the underlying long-term commitments that the County Council has to pay retirement benefits. The total net liability of £436.782m (2009/10 £752.040m) after taking into account pension scheme assets, has a substantial impact on the net worth of the County Council as recorded in the Balance Sheet, reducing it by 37% (2009/10 64%). However, the statutory arrangements for funding the deficit ensure that:

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

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the County Council's pension scheme liabilities by £119.554m and has been recognised as a past service gain in accordance with guidance set down in the Urgent Issues Task Force Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the County Fund.

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

	Local Government Pension Scheme (funded benefits)		Local Government Pension Scheme (unfunded benefits)		Fire-fighters' 1992 Pension Scheme		Fire-fighters' 2006 Pension Scheme		Fire-fighters' Injury Pensions & unfunded ill health retirements		Teachers' Added Years		Total	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Opening balance at 1 April	747,256	1,072,522	20,463	23,148	113,721	135,286	1,641	2,149	4,894	5,675	52,920	59,844	940,895	1,298,624
Current service cost	25,329	44,102			2,529	3,887	279	510					28,137	48,499
Interest cost	49,705	53,695	1,306	1,236	7,476	7,650	130	141	315	301	3,325	3,137	62,257	66,160
Contributions by scheme participants	11,573	11,831			810	776	249	266					12,632	12,873
Actuarial gains and losses	263,098	-210,583	2,753	-1,702	15,211	-14,419	-302	-492	722	343	6,996	-8,273	288,478	-235,126
Allowance for future injury pensions										4,129				4,129
Benefits paid	-25,004	-28,597	-1,374	-1,361	-2,367	-2,269	-570	-611	-256	-386	-3,397	-3,396	-32,968	-36,620
Past service cost		-90,652		-4,266		-12,984		-285		-557		-10,810	0	-119,554
Curtailments	565	857											565	857
Fire-fighters pension scheme top-up grant					-2,094	-2,934	722	667					-1,372	-2,267
Closing balance at 31 March	**1,072,522**	**853,175**	**23,148**	**17,055**	**135,286**	**114,993**	**2,149**	**2,345**	**5,675**	**9,505**	**59,844**	**40,502**	**1,298,624**	**1,037,575**

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

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Present value liabilities:					
Local Government Pension Scheme (funded benefits)	677,090	673,345	747,256	1,072,522	853,175
Local Government Pension Scheme (unfunded benefits)	18,297	19,628	20,463	23,148	17,055
Fire-fighters' 1992 Pension Scheme	131,543	108,891	113,721	135,286	114,993
Fire-fighters' 2006 Pension Scheme	145	977	1,641	2,149	2,345
Fire-fighters' Injury Pensions	5,190	4,685	4,894	5,675	9,505
Teachers' Added Years	51,805	50,687	52,920	59,844	40,502
Total present value liabilities	**884,070**	**858,213**	**940,895**	**1,298,624**	**1,037,575**
Fair value of assets in the Local Government Pension Scheme	**484,207**	**481,783**	**383,341**	**546,584**	**600,793**
Deficit in the scheme:					
Local Government Pension Scheme (funded)	192,883	191,562	363,915	525,938	252,382
Local Government Pension Scheme (unfunded)	18,297	19,628	20,463	23,148	17,055
Fire-fighters' 1992 Pension Scheme	131,543	108,891	113,721	135,286	114,993
Fire-fighters' 2006 Pension Scheme	145	977	1,641	2,149	2,345
Fire-fighters' Injury Pensions	5,190	4,685	4,894	5,675	9,505
Teachers' Added Years	51,805	50,687	52,920	59,844	40,502
Total Net Deficit	**399,863**	**376,430**	**557,554**	**752,040**	**436,782**

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

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

	2009/10 £'000	2010/11 £'000
Opening balance at 1 April	383,341	546,584
Expected rate of return	22,799	36,987
Actuarial gains and losses	119,405	-1,962
Employer contributions	34,470	35,950
Contributions by scheme participants	11,573	11,831
Benefits paid	-25,004	-28,597
Closing balance 31 March	**546,584**	**600,793**

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

	31 March 2010 %	31 March 2011 %
Equities	73	72
Gilts	12	9
Other bonds	6	5
Property	5	6
Cash	4	3
Other assets	0	5
Total	**100**	**100**

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2010 for the year to 31 March 2011). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields. The assumed rate of return on each asset class is set out in the next table. The actual gain on scheme assets in the year was £45.659m (£142.204m in 2009/10).

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

	Local Government Pension Scheme (funded)		Local Government Pension Scheme (unfunded)		Fire-fighters' 1992 Pension Scheme		Fire-fighters' 2006 Pension Scheme		Fire-fighters' Injury Pensions		Teachers' Added Years	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Long-term expected rate of return on assets in the scheme:												
Equities	7.5%	7.4%	-	-	-	-	-	-	-	-	-	-
Gilts	4.5%	4.4%	-	-	-	-	-	-	-	-	-	-
Other Bonds	5.5%	5.5%	-	-	-	-	-	-	-	-	-	-
Property	6.5%	6.4%	-	-	-	-	-	-	-	-	-	-
Cash	3.0%	3.0%	-	-	-	-	-	-	-	-	-	-
Other assets	-	7.4%	-	-	-	-	-	-	-	-	-	-
Mortality assumptions*:												
Men:												
Base Table (in 2007)	PNMA00 with allowance for MC improvement factors to 2007	S1PA Heavy with allowance for medium cohort projection	PNMA00 with allowance for MC improvement factors to 2007	S1PA Heavy with allowance for medium cohort projection	S1NA for 2007		S1NA for 2007		S1NA for 2007		PNMA00 with allowance for MC improvement factors to 2007	S1PA Heavy with allowance for medium cohort projection
Cohort improvement factors (from 2007)	80% of LC	N/A	80% of LC	N/A	80% of LC		80% of LC		80% of LC		80% of LC	N/A
Minimum improvement factors	1.25%	1.00%	1.25%	1.00%	1.25%		1.25%		1.25%		1.25%	1.00%
Longevity from 65 (currently aged 65) (yrs)	23.1	21.5	23.1	21.5	25.08	25.2	25.08	25.2	25.08	25.2	23.1	21.5
Longevity from 65 (currently aged 45) (yrs)	25.4	23.4	25.4	23.4	27.52	28.3	27.52	28.3	27.52	28.3	25.4	23.4

	Local Government Pension Scheme (funded)		Local Government Pension Scheme (unfunded)		Fire-fighters' 1992 Pension Scheme		Fire-fighters' 2006 Pension Scheme		Fire-fighters' Injury Pensions		Teachers' Added Years	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Women:												
Base Table	PNFA00 with allowance for MC improvement factors to 2007	S1PA Heavy with allowance for medium cohort projection	PNFA00 with allowance for MC improvement factors to 2007	S1PA Heavy with allowance for medium cohort projection	S1NA for 2007		S1NA for 2007		S1NA for 2007		PNFA00 with allowance for MC improvement factors to 2007	S1PA Heavy with allowance for medium cohort projection
Cohort improvement factors (from 2007)	60% of LC	N/A	60% of LC	N/A	60% of LC		60% of LC		60% of LC		60% of LC	N/A
Minimum improvement factors	1.25%	1.00%	1.25%	1.00%	1.25%		1.25%		1.25%		1.25%	1.00%
Longevity from 65 (currently aged 65) (yrs)	25.0	24.1	25.0	24.1	28.2	28.3	28.2	28.3	28.2	28.3	25.0	24.1
Longevity from 65 (currently aged 45) (yrs)	27.3	25.9	27.3	25.9	30.7	30.8	30.7	30.8	30.7	30.8	27.3	25.9
Financial Assumptions:												
Retail Price Index (RPI) increases	3.9%	3.5%	3.9%	3.5%	3.9%	3.5%	3.9%	3.5%	3.9%	3.5%	3.9%	3.5%
Consumer Price Index (CPI) increases	N/A	2.7%	N/A	2.7%	N/A	2.7%	N/A	2.7%	N/A	2.7%	N/A	2.7%
Rate of increase in salaries	5.4%	5.0%	5.4%	5.0%	5.4%	5.0%	5.4%	5.0%	N/A	N/A	5.4%	5.0%
Rate of increase in pensions and deferred pensions	3.9%	2.7%	3.9%	2.7%	3.9%	2.7%	3.9%	2.7%	3.9%	2.7%	3.9%	2.7%
Rate for discounting scheme liabilities	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%

*Explanations of abbreviations are given in the glossary

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

- Members will exchange half of their commutable pension for cash at retirement
- Active members retire one year later than they are first able to do so without reduction
- There is a pay freeze for all members earning over £21,000 per annum until 31 March 2012

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

	Local Government Pension Scheme (funded)		Local Government Pension Scheme (unfunded)		Fire-fighters 1992 Pension Scheme		Fire-fighters 2006 Pension Scheme		Fire-fighters' Injury Pensions & Ill Health Retirements		Teachers Added Years	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Adjustment to discount rate:												
+0.1%												
Reduction in Scheme Liabilities	22,137	21,221	218	217	2,290	3,047	54	100	53	81	555	499
Reduction in Projected Service Cost	1,425	1,426	-	-	130	143	21	26	-	-	-	-
-0.1%												
Increase in Scheme Liabilities	22,662	21,827	221	219	2,338	3,144	56	104	54	83	561	505
Increase in Projected Service Cost	1,463	1,470	-	-	133	148	21	27	-	-	-	-
Adjustment to mortality age rating assumption:												
+1 year												
Reduction in Scheme Liabilities	35,417	31,348	825	635	1,851	4,054	27	76	82	193	2,096	1,461
Reduction in Projected Service Cost	1,767	1,708	-	-	64	121	10	19	-	-	-	-
-1 year												
Increase in Scheme Liabilities	35,744	31,762	834	643	8,219	4,093	119	75	367	197	2,118	1,479
Increase in Projected Service Cost	1,782	1,730	-	-	282	121	45	20	-	-	-	-

In addition to the gains and losses included in the Surplus or Deficit on the Provision of Services, there was also an actuarial gain of £233.164m (loss of £169.073m in 2009/10) included in Other Comprehensive Income and Expenditure. The cumulative amount of actuarial losses recognised in Other Comprehensive Income and Expenditure is £214.854m (£448.018m in 2009/10). An additional allowance of £4.129m for future fire-fighters injury pensions was also included in Other Comprehensive Income and Expenditure in 2010/11.

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

2009/10 £'000		2010/11 £'000
-557,554	Balance as at 1 April	-752,040
-25,413	Net charge made for retirement benefits in accordance with IAS19	86,223
-169,073	Actuarial gains and losses	233,164
0	Additional allowance for fire-fighters injury pensions	-4,129
-752,040	**Balance as at 31 March**	**-436,782**

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

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Experience gains and losses on liabilities:					
Local Government Pension Scheme (funded benefits)	-0.20	-3.10	-0.35	0.00	6.44
Local Government Pension Scheme (unfunded benefits)		-13.67	-1.20	0.00	-6.49
Fire-fighters 1992 Pension Scheme	-0.24	6.63	-0.55	16.71	0.00
Fire-fighters 2006 Pension Scheme		-10.24	0.00	62.96	0.00
Fire-fighters Injury Pensions & Ill health*		-1.07	-1.23	-1.07	-6.88
Teachers' Added Years	-0.57	-3.39	-1.18	0.00	2.85
Difference between the expected and actual return on assets in the local government pension scheme	0.54	-11.62	-39.77	21.85	1.44

* For the first year of its operation, the experience gains and losses for the Fire-fighters' 2006 Pension Scheme were not shown separately from those of the 1992 Scheme, so the 2006/07 experience is a combined figure.

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:

	2009/10 £'000	2010/11 £'000
Council Tax income	274,849	285,025
Non-domestic rates	85,163	92,840
Non-ringfenced government grants	50,585	56,897
Capital grants and contributions	58,343	63,741
Total Taxation and Non-Specific Grant Income	**468,940**	**498,503**

20. Grant Income

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

Credited to Taxation and Non Specific Grant Income:

	2009/10 £'000	2010/11 £'000
Revenue Support Grant	19,657	13,481
Area Based Grant	27,058	39,778
Other revenue grants	3,870	3,638
Capital grants	50,413	57,947
Developer contributions	5,746	4,282
Other capital contributions	2,184	1,512
Total	**108,928**	**120,638**

Credited to Services:

	2009/10 £'000	2010/11 £'000
Dedicated Schools Grant	321,733	333,471
Sixth Form and Further Education Funding	29,336	44,490
Standards Fund	25,938	34,222
Schools Standards Grant	17,704	17,963
Supporting People (part of ABG from 2010/11)	17,018	
Sure Start	14,669	18,194
Pothole Grant		3,525
Adult Learning	3,895	3,493
Asylum Seekers	2,105	2,071
Other grants	9,730	9,174
Total	**442,128**	**466,603**

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 grants, national non-domestic rates and specific grants. Note 60 on Cash Flow Statement – Operating Activities summarises the main transactions with central government and details of revenue government grant receipts are provided in Note 63.

Members of the County Council have direct control over the County Council's financial and operating policies. The Chief Executive and directors who are members of the County Council Management Team, deputy directors and heads of service may have some influence on the direction of these policies. Wherever applicable, transactions have been made following proper consideration of declarations of interest. The former Assistant Chief Executive (Strategy) is a non-executive director of the Ridgeway Partnership for which he receives remuneration of £6,005 per annum. He has had no involvement in the County Council's commissioning of services from the Ridgeway Partnership (see over). There are no other related party transactions to disclose between the County Council and members, directors, deputy directors or heads of service.

The County Council administers the Oxfordshire Pension Fund and this is a related party. During the year ended 31 March 2011, the County Council made employer contributions totalling £35.784m to the Fund (£34.583m in 2009/10). The County Council charged the Fund £1.051m (£1.023m in 2009/10) for expenses incurred in administering the Fund. As at 31 March 2011 £1.177m was due to the Pension Fund and £0.790m by the Pension Fund.

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 2010/11 are as follows:

Cherwell	West Oxfordshire	Vale of White Horse
Alyas Ahmed	Louise Chapman	Jenny Hannaby
Maurice Billington	Pete Handley	Zoé Patrick
Norman Bolster	David Harvey	Melinda Tilley
Ann Bonner	Steve Hayward	
Catherine Fulljames	Hilary Hibbert-Biles	
Michael Gibbard	Ian Hudspeth	
Timothy Hallchurch MBE	Neil Owen	
Kieron Mallon		
George Reynolds		
Keith Strangwood		
Lawrie Stratford		
Nicholas Turner		

Oxford City	South Oxfordshire
Mohammed Altaf-Khan	Patrick Greene
Alan Armitage	Tony Harbour
Roy Darke	Anne Purse
Jean Fooks	Bill Service
John Goddard	David Turner
Saj Malik	
Susanna Pressel	
Val Smith	
John Tanner	

Some members of the County Council are also members of Thames Valley Police Authority and these are considered to be related parties. Details for the financial year 2010/11 are as follows:

Judith Heathcoat (to June 2010)
Kieron Mallon
Zoé Patrick

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

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

2009/10	**Collection Fund Transactions**		**Other Transactions**	
District Council	**Rates £'000**	**Precepts £'000**	**Payments £'000**	**Receipts £'000**
Cherwell	1,203	-57,047	2,635	-189
Oxford City	2,125	-52,212	5,104	-1,535
South Oxfordshire	1,358	-62,657	1,278	-377
Vale of White Horse	1,065	-54,982	1,284	-103
West Oxfordshire	1,046	-47,452	1,320	-383
Total	**6,797**	**-274,350**	**11,621**	**-2,587**

Note that for 2009/10 rates paid by primary schools through local bank accounts were not separately identified.

Other related party transactions in 2010/11, not disclosed elsewhere in the accounts, are as follows:

- Payments of £23.911m (2009/10 £24.231m) were made to The Ridgeway Partnership for the provision of health care and social support services for people who have a learning disability. Note the Surplus or Deficit on the Provision of Services only reflects the County Council's contribution to the pooled budget not all payments relating to the pool arrangement. As at 31 March 2011 £0.049m (2009/10 £0.097m) was due to the Ridgeway Partnership and £0.002m (2009/10 £0.020m) from the Ridgeway Partnership.

No other related parties have been identified.

22. Movement of Property, Plant and Equipment

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

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

2009/10	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
Cost or Valuation as at 1 April	**1,238,475**	**39,186**	**340,938**	**2,629**	**9,154**	**1,630,382**	**12,709**
Additions	34,443	8,518	23,663	0	23,749	90,373	4,552
Donations						0	
Revaluation increases recognised in the Revaluation Reserve	7,069			666		7,735	2,087
Revaluation decreases recognised in the Revaluation Reserve	-101,845			-72		-101,917	-7,633
Revaluation increases recognised in the Surplus/Deficit on Provision of Services	4,040			544		4,584	
Revaluation decreases recognised in the Surplus/Deficit on Provision of Services	-31,191			-1,493		-32,684	
Derecognition - disposals	-3,705	-1,421				-5,126	
Derecognition - other						0	
Assets reclassified to/from Held for Sale	-2,924			-4,327		-7,251	-700
Assets reclassified to/from Investment Properties	384					384	
Transfers	1,646	573		3,418	-5,637	0	
Cost or Valuation as at 31 March	**1,146,392**	**46,856**	**364,601**	**1,365**	**27,266**	**1,586,480**	**11,015**
Depreciation as at 1 April	**-47,485**	**-18,500**	**-54,538**	**0**	**0**	**-120,523**	**-326**
Depreciation charge	-15,125	-4,053	-9,799	-56		-29,033	-176
Depreciation written out to the Revaluation Reserve	59,903			60		59,963	385
Depreciation written out to the Surplus/Deficit on Provision of Services				-1		-1	
Derecognition - disposals	120	1,264				1,384	
Derecognition - other						0	
Assets reclassified to/from Held for Sale	27			44		71	1
Assets reclassified to/from Investment Properties	1					1	
Depreciation on transfer	47			-47		0	
Depreciation as at 31 March	**-2,512**	**-21,289**	**-64,337**	**0**	**0**	**-88,138**	**-116**

2009/10 continued	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
Impairment as at 1 April	**-11,170**	**0**	**0**	**0**	**0**	**-11,170**	**0**
Impairment losses recognised in the Revaluation Reserve	-24,364			-212		-24,576	-1,560
Impairment loss reversals recognised in the Revaluation Reserve						0	
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-48,851			66	-938	-49,723	-5,832
Impairment loss reversals recognised in the Surplus/Deficit on the Provision of Services						0	
Impairment written out to the Revaluation Reserve	84,150			146		84,296	7,392
Impairment written out to the Surplus/Deficit on the Provision of Services						0	
Derecognition - disposals						0	
Derecognition - other						0	
Assets reclassified to/from Held for Sale						0	
Impairment on transfer						0	
Impairment as at 31 March	**-235**	**0**	**0**	**0**	**-938**	**-1,173**	**0**
Net Book Value at 31 March 2009	1,179,820	20,686	286,400	2,629	9,154	1,498,689	12,383
Net Book Value at 31 March 2010	1,143,645	25,567	300,264	1,365	26,328	1,497,169	10,899

23. Movement in the Fair Value of Investment Properties

2009/10 £'000		2010/11 £'000
5,029	**Balance at 1 April**	**4,653**
277	Additions – subsequent expenditure	
-1	Derecognition	-135
-268	Net gains (+)/losses (-) from fair value adjustments	312
-384	Assets reclassified to/from Investment Properties	-50
4,653	**Balance at 31 March**	**4,780**

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.

24. Movement in the value of Assets Held for Sale

2009/10			2010/11	
Assets held for Sale £'000	**Service Concession Assets included in AhS £'000**		**Assets held for Sale £'000**	**Service Concession Assets included in AhS £'000**
4,075	**1,998**	**Balance at 1 April**	**5,357**	**667**
		Assets newly classified as held for sale:		
7,180	699	- Property, Plant and Equipment	322	
-2,153	-32	Revaluation losses	-130	
		Revaluation gains recognised in the Surplus/Deficit on the Provision of Services	98	
		Revaluation gains recognised in the Revaluation Reserve	200	
		Assets declassified as held for sale:		
		- Property, Plant and Equipment	-417	
-3,778	-1,998	Assets derecognised	-4,462	-667
33		Additions	16	
5,357	**667**	**Balance at 31 March**	**984**	**0**

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

25. Movement in the value of Intangible Assets

The County Council capitalised £0.229m of purchased software licenses in 2010/11 (£2.810m in 2009/10). The movement in the carrying value of intangible assets for the year was as follows:

2009/10 £'000		2010/11 £'000
3,880	Gross Carrying Value at 1 April	6,690
2,810	Additions	229
6,690	**Gross Carrying Value at 31 March**	**6,919**
-682	Amortisation at 1 April	-1,634
-952	Amortisation for the year	-1,798
-1,634	**Amortisation at 31 March**	**-3,432**
3,198	Net Book Value at 1 April	5,056
5,056	**Net Book Value at 31 March**	**3,487**

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

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

2009/10 £'000	Service Line	2010/11 £'000
393	Children's and Education Services	730
354	Adult Social Care	697
69	Highways and Transport Services	185
23	Environmental, Regulatory and Planning Services	65
1	Cultural Services	3
3	Fire and Rescue Services	116
109	Central Services to the Public	2
0	Other Corporate Services	0
952	**Total**	**1,798**

26. Valuation of non-current assets

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

Year 1: Secondary and special schools

Year 2: Primary, nursery, junior and infant schools

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

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

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

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

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

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

As part of the rolling programme primary, nursery, infant and junior schools were revalued as at 1 April 2010. In addition, indexation increases were applied to all property assets as at 31 March 2011 to adjust for increases in property values over the year.

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

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

In 2010/11 the County Council was a party to two PFI type contracts (service concession arrangements) with external operators in relation to the provision of residential care homes and care services:

- Provision of residential care services in 17 homes across Oxfordshire under a 25 year contract with Oxfordshire Care Partnership which came into operation in 2001. The County Council has an average of 70% of the beds in these homes. Under this arrangement, nine of the homes are subject to long term leases and these assets had previously been excluded from the County Council's Balance Sheet. A further ten homes were transferred to the contractor but with short term leases as the homes did not meet current property standards and were planned, through a redevelopment programme, to be reprovided. The operator has built 7 new homes through the redevelopment programme. Some homes have since been disposed of under this redevelopment programme. Under the Code, the County Council is required to recognise homes that meet tests in respect of control of services and control of the residual interest in property on its Balance Sheet. All homes under the contract are included on the County Council's Balance Sheet, with exception of one home that does not meet the control tests specified in the Code. At the end of the contract, all properties currently on the Balance Sheet revert to County Council ownership. The operation of the contract and the services provided through it are currently subject to review and significant changes are likely during 2011/12.

- Provision of residential care services at a home in Abingdon under a 25 year contract which came into operation in 1995. The home built by the operator on County Council land was recognised on the Balance Sheet as it met the control tests specified by the Code. During 2010/11 this arrangement ceased and the County Council acquired the property.

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) and the movement to Assets held for Sale (Note 24).

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

2009/10 £'000		2010/11 £'000
14,114	Balance at 1 April	18,021
4,552	Increase in liability in the year	4,066
-645	Liability repaid in the year	-1,666
18,021	**Balance at 31 March**	**20,421**

Details of payments due to be made under the service concession arrangement are as follows, with comparative figures for 2009/10 provided below. These are based on the current financial model and may change as a result of the current review of the contract.

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

2009/10	Service Costs £'000	Principal Repayments £'000	Interest Costs £'000	Lifecycle Replacement Payments £'000	Total £'000
Within 1 year	15,753	1,481	1,273	596	19,103
2 – 5 years	72,501	1,577	4,772	2,607	81,457
6 – 10 years	112,034	2,730	5,206	3,891	123,861
11 – 15 years	127,588	3,913	4,023	4,734	140,258
16 – 20 years	79,574	8,320	1,641	3,319	92,854
Total	**407,450**	**18,021**	**16,915**	**15,147**	**457,533**

28. Finance Leases

The County Council has acquired some equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment on the Balance Sheet at the following amounts:

At 1 April 2009 £'000	At 31 March 2010 £'000		At 31 March 2011 £'000
776	694	Vehicles, plant and equipment	717

Contingent rents recognised as an expense in 2010/11 totalled £0.002m (none in 2009/10). The minimum lease payments, comprising settlement of the liability and finance costs, are made up of the following amounts:

At 1 April 2009 £'000	At 31 March 2010 £'000		At 31 March 2011 £'000
801	732	Finance lease liabilities	774
208	171	Finance costs payable in future years	155
1,009	**903**	**Total future minimum lease payments**	**929**

The minimum lease payments are payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	At 31 March 2010 £'000	At 31 March 2011 £'000	At 31 March 2010 £'000	At 31 March 2011 £'000
Within 1 year	106	139	72	100
Within 2nd – 5th years	425	524	324	429
6th year and beyond	372	266	336	245
Total	**903**	**929**	**732**	**774**

29. Capital Spending 2010/11

The County Council's capital spending in respect of directorate schemes in 2010/11 was £91.402m. Included within the capital expenditure is £12.458m of work in progress as at 31 March 2011. In addition £7.710m of structural repairs and maintenance of buildings, structural highways maintenance, purchase of vehicles/equipment and ICT was capitalised, £0.353m of loans for capital works/equipment and £0.010m for the repayment of a capital grant/contribution, giving a total capital spend of £99.475m.

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

	£'000	£'000
Children, Young People & Families		
Charlton-on-Otmoor, replacement of temporary classrooms	593	
Barley Hill, Thame, replacement of temporary classrooms	737	
Launton, hall, classrooms and pre-school accommodation	844	
Tackley, 2 classroom extension and pre-school accommodation	561	
Wood Farm, Oxford, replacement of existing buildings	3,295	
Marlborough, Woodstock, new science block and replacement of temporary buildings	1,746	
Chipping Norton, new science block	2,340	
Burford Community College, 8 classroom block and drama studio	1,524	
Fitzwaryn, Wantage, phase 2 (modernisation & new post-16 accommodation)	569	
Oxford Academy	15,611	
Henry Box, Witney, new music block	644	
St Nicholas, Oxford, 2 classroom extension and extension to hall	697	
Cooper, Bicester, new 6th form centre	2,459	
New Marston, Oxford, phase 1 (foundation stage and key stage 1)	612	
Temporary classrooms – new units for basic need	509	
Flexibility of Childcare	2,363	
Rainbow pre-School (Glory Farm), replacement building	514	
Bampton Children's Centre	572	
Eynsham Children's Centre	562	
Sonning Common Children's Centre (Chiltern Edge School)	580	
Banbury New Futures Centre	736	
Schools Access Initiative	913	
Thornbury House Children's Home, replacement of buildings	1,026	
14-19 Rural Areas – West Oxon Skills Centre	500	
14-19 Diploma, Abingdon – Fitzharry's 6th Form Centre	547	
Play Pathfinder	862	
Short Breaks (Aiming High)	744	
Retentions	701	
Devolved Formula Capital	10,602	
Other Schemes under £500,000	9,502	
		63,465
Social & Community Services		
Radio Frequency Identification – self service in libraries	710	
Residential care home – Deficit Funding Agreement	1,215	
Extra Care Housing - Banbury	675	
Other Schemes under £500,000	2,966	
		5,566
Environment & Economy		
London Road Oxford Stage 3	1,951	
Witney Cogges Link	773	

	£'000	£'000
Non-principal road task order	726	
Value engineered schemes task order	1,812	
Tranche 2 value engineered schemes	1,133	
Footways Programme	1,167	
Safety resurfacing	978	
Routine pre-patching	568	
Street Lighting Column Replacement	506	
A40 Wheatley Services overbridge to B4027 Forest Hill junction drainage scheme	1,148	
Other Schemes under £500,000	11,609	
		22,371
Sub Total Directorate Schemes		**91,402**
Capitalised Structural Repairs & Maintenance of Buildings		1,571
Capitalised Highways Maintenance		3,606
Capitalised Purchase of Vehicles / Equipment		1,229
Capitalised ICT		1,304
Capitalised loans for capital works/equipment		353
Repayment of capital grants and contributions		10
Sub Total		**8,073**
Total		**99,475**

30. Summary of capital expenditure

Capital expenditure by asset class is as follows:

	2009/10 £'000	2010/11 £'000
Property, Plant and Equipment	90,373	92,328
Investment Properties	277	
Assets held for Sale	33	16
Intangible Assets	2,810	229
Revenue Expenditure Funded from Capital under Statute	10,403	12,856
Capital loans	1,502	353
Repayment of finance liability		1,152
Repayment of capital grants and contributions		10
	105,398	106,944
Less assets acquired under service concession arrangements	-4,552	-4,066
Less assets transferred from capital prepayment account		-2,866
Less assets acquired under finance leases		-136
Less adjustment re capital loan		-401
Total capital expenditure	**100,846**	**99,475**

31. Capital Financing

The capital expenditure of £99.475m has been financed from the following sources:

	2009/10 £'000	2010/11 £'000
SCE(R) Single Capital Pot	29,741	26,057
Prudential and other unsupported borrowing	8,701	4,045
Capital Receipts	0	0
Grants & Contributions	56,552	61,869
Repayment of capital grants and contributions	0	10
Revenue	5,852	7,494
Total	**100,846**	**99,475**

32. 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:

2009/10 £'000		2010/11 £'000
426,171	Capital Financing Requirement at 1 April	451,854
29,741	New supported borrowing	26,057
8,701	New unsupported borrowing	4,045
4,552	Assets acquired under service concession arrangements	4,066
	Assets acquired under finance leases	136
598	Service concession arrangements – lifecycle prepayments	490
43	Residual interest – asset accumulation prepayments	43
-111	Loan repayments and fair value adjustments	116
	Repayment of finance liability	-1,152
-17,841	Minimum Revenue Provision for the year	-19,051
25,683	Increase/(decrease) in Capital Financing Requirement	14,750
451,854	**Capital Financing Requirement at 31 March**	**466,604**

33. Capital Commitments

As at 31 March 2011 the Council was contractually committed to £13.215m (£22.424m as at 31 March 2010) on the following schemes:

	2010/11 £'000	
Children, Young People & Families		
Northern House School – New classroom block	1,200	
Lord Williams, Thame - Skills Centre	595	
The Oxford Academy	2,125	
Chipping Norton School – New science facilities	541	
Chipping Norton Young People & Adult Learning Centre	541	
Wood Farm Primary Schools and Slade Nursery, Headington	682	
Banbury New Future Centre	1,387	
Fitzwaryn School, Wantage – Phase 2A, B and D	902	
Cooper School, Post 16 Unit	1,157	
Schemes under £500,000	2,208	
		11,338
Social & Community Services		
Schemes under £500,000		219
Environment & Economy		
Schemes under £500,000		1,658
Total		**13,215**

As at 31 March 2011 there were no commitments relating to investment property or intangible assets.

34. 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) and capital grants and contributions receipts in advance. The Code specifies the categorisation of these assets (see pages 24 – 26 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:

Total		Long Term		Current	
At 1 April 2009 £'000		At 31 March 2010 £'000	At 31 March 2011 £'000	At 31 March 2010 £'000	At 31 March 2011 £'000
222,009	Loans and receivables	22,122	33,256	167,392	188,546
0	Available-for-sale financial assets	0	0	0	12,249
23,435	Financial assets at fair value through profit and loss	0	0	23,983	24,271
245,444	**Total Financial Assets**	**22,122**	**33,256**	**191,375**	**225,066**
554,851	Financial liabilities at amortised cost	419,508	431,179	102,042	114,221
554,851	**Total Financial Liabilities**	**419,508**	**431,179**	**102,042**	**114,221**

£6.688m of the loans and receivables as at 31 March 2011 has been secured on property (£5.742m at 31 March 2010). Of this, £2.417m was new in 2010/11 (£2.091m in 2009/10). The County Council is not permitted to sell or re-pledge this collateral.

In 2010/11 there have been no reclassifications of financial assets between categories and no transfers of financial assets that do not qualify for derecognition.

The County Council has not pledged any collateral for liabilities or contingent liabilities and, as at 31 March 2011, there were no defaults or breaches relating to loans payable.

35. Financial Instrument Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair values can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The discount rate for Public Works Loans Board (PWLB) loans is the rate for new borrowing on 31 March for the period. Soft loans have been discounted at the estimated market rate as at 31 March for the period.

- Where a fixed rate instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.

- The carrying value of short-term debtors and creditors is assumed to approximate to fair value.

The fair values calculated are as follows:

	At 31 March 2010		At 31 March 2011	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and receivables	189,514	189,630	221,802	221,826

The fair value and the carrying value for loans and receivables are broadly the same. As at 31 March 2011, the fair value of investments is slightly lower than the carrying amount because the County Council's portfolio of investments includes a number of fixed rate loans where the interest receivable is lower than the rates available for similar loans as at the same date. This guarantee to receive interest below current market rates reduces the amount that the County Council would receive if it agreed to early repayment of the loans. The fair value of other loans and receivables is slightly higher than the carrying amount because the interest rates used to calculate amortised cost are higher than rates available for similar loans at the Balance Sheet date.

	At 31 March 2010		At 31 March 2011	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities	521,550	538,957	545,400	524,070

As at 31 March 2011 the fair value is lower than the carrying amount because the County Council's portfolio of loans includes a number of fixed rate loans where the interest payable is lower than the rates available for similar loans at the Balance Sheet date. This is mainly due to the increase premium added to all maturity bands of PWLB borrowing following the Government's Spending Review. This commitment to pay interest below current market rates reduces the amount that the County Council would have to pay if the lender requested or agreed to early repayment of the loans.

36. Impairment of Investments

Early in October 2008, the Icelandic bank Landsbanki collapsed and went into administration. The County Council had £5m deposited with this institution, with varying maturity and interest rates as follows:

Date Invested	Maturity Date	Amount Invested £'000	Interest Rate	Carrying amount £'000	Impairment £'000
01/09/2008	05/12/2008	2,000	5.83%	1,525	730
10/09/2008	28/11/2008	3,000	5.73%	2,293	1,080
Total		**5,000**		**3,818**	**1,810**

All monies with this institution are currently subject to the administration process. The amounts and timing of payments to depositors such as the County Council will be determined by the administrators.

Based on the latest information with regards to recovery of the sums deposited the County Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators, it is likely that further adjustments will be made in the accounts in future years.

Landsbanki Islands HF is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. Current estimates are that the recovery rate could be approximately 94.85%, the Council has therefore decided to recognise an impairment based on a recovery of 94.85p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status. This has been confirmed by the Reykjavik District Court, but the decision is being appealed through the Icelandic Supreme Court.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the County Council's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a "bond" which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 38.21p in the £.

An agreement between Landsbanki and the successor bank in Iceland has been reached regarding the way in which the successor will compensate Landsbanki for the assets taken over. Using this information, a model of the estimated recovery profile has been produced. It is estimated that the first repayment will occur in December 2011, followed by 7 subsequent annual payments, with the final payment being received in December 2018.

Recoveries are expressed as a percentage of the County Council's claim in the administration. The Reykjavik District Court has confirmed the claim should include accrued interest up to 22 April 2009.

The impairment loss recognised in the Comprehensive Income and Expenditure Statement in 2010/11, £0.037m (in addition to £0.824m in 2009/10 and £0.949m in 2008/09), has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the County Council until monies are recovered. The requirement to use the original interest rate and not the prevailing market rate is specified by the Code. The additional impairment is due to slippage of 2 months in each of the expected repayment dates from the position assumed

for the 2009/10 accounts. Adjustments will be made in future accounts as more information becomes available.

In previous years the County Council took advantage of the Capital Finance Regulations to defer the impact of the impairment on the County Fund. The regulations do not allow the impairment to be carried forward beyond 31 March 2011 and a sum of £1.361m (£1.773m impairment less £0.412m accrued interest) has been transferred from the Financial Instruments Adjustment Account and charged against the County Fund in the year.

37. Investment Impairment Allowance Account

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

2009/10 £'000		2010/11 £'000
-949	Balance at 1 April	-1,773
0	Decrease in allowance	0
-824	Increase in allowance	-37
-1,773	**Balance at 31 March**	**-1,810**

38. Long Term Debtors

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

At 1 April 2009 £'000	At 31 March 2010 £'000		At 31 March 2011 £'000
446	435	Key Worker Loans	462
103	94	Car Loans to Employees	65
1,532	1,746	Chronically Sick & Disabled Persons Act – loans	1,900
365	406	Children's Act: loans to foster carers	445
0	721	Oxford City Council ICT contract	467
0	81	Other	51
2,446	3,483		3,390
4,182	4,823	Capital Prepayment Account	2,490
6,628	**8,306**	**Total**	**5,880**

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

The Capital Prepayment Account holds prepayments for lifecycle replacement costs relating to the service concession arrangement. As lifecycle replacements actually take place the value of the works is transferred to Property, Plant and Equipment (£2.866m was transferred in 2010/11). For one property that the County Council has control over the residual interest but not control over the services (and therefore does not meet the tests of a service concession arrangement), the account also holds an amount for the excess of the expected fair value of the property at the end of the arrangement over the amount the

County Council is required to pay upon reversion. This is built up from payments made by the County Council over the life of the arrangement.

39. Landfill Allowance Asset Account

The Landfill Allowance Trading Scheme is a "cap and trade" scheme which allocates tradable landfill allowances to each waste disposal authority in England. The balance of £1.352m on the Landfill Allowance Asset Account as at 31 March 2011 represents the 2010/11 allowances allocated by the Government, valued at £12.50 per tonne. In the preceding two years allowances were valued at zero. The value of the allowances issued is a government grant which has been recognised as income within the Cost of Services.

40. Inventories

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

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

2009/10	Balance at 1 April 2009 £000	Purchases £000	Recognised as an expense in the year £000	Written Off Balances £000	Balance at 31 March 2010 £000
Food & catering supplies	85	1,889	-1,866	0	108
Cleaning and other supplies	41	142	-137	0	46
Libraries - Audio Visual Stock	112	0	0	-81	31
Road salt	126	0	0	0	126
Fire & Rescue Service equipment	60	81	-73	0	68
Total	**424**	**2,112**	**-2,076**	**-81**	**379**

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

41. Debtors

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

At 1 April 2009 £'000	At 31 March 2010 £'000		At 31 March 2011 £'000
7,666	8,222	Government Departments	10,619
6,287	5,420	Other Local Authorities	7,089
1,480	3,377	Health Authorities	3,236
0	0	Public Corporations and Trading Funds	13
3,423	2,657	Payments in Advance	3,452
26,620	27,086	Sundry	27,193
45,476	**46,762**		**51,602**
-6,717	-7,370	Less Impairment Allowance Account	-7,363
38,759	**39,392**	**Total**	**44,239**

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

2009/10 £'000		2010/11 £'000
-6,717	Balance at 1 April	-7,370
364	Decrease in allowance	398
-1,017	Increase in allowance	-391
-7,370	**Balance at 31 March**	**-7,363**

Movement on the investment impairment allowance is given in note 37.

42. 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 1 April 2009 £'000	At 31 March 2010 £'000		At 31 March 2011 £'000
18,910	-24,663	Cash at bank and in hand	-6,715
6	22,804	Call Accounts	20,066
0	0	Money Market Funds	12,249
18,916	**-1,859**	**Total**	**25,600**

43. Risks arising from financial instruments

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

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

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

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

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

Credit Risk

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

Longer-term deposits of 1 year or more are restricted to the higher rated institutions with a minimum short-term FITCH rating of F1+, long-term rating AA-, individual rating B and support rating 2, or other Government bodies (e.g. other local authorities).However, the Landsbanki deposit, which has an F1 rating, is now classed as partly short-term, as the first repayment is expected in December 2011, and the remainder long-term as full and final repayment is not expected until 2018.

The following analysis summarises the County Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years.

Amount at 1 April 2009 £'000	Amount at 31 March 2010 £'000		Amount at 31 March 2011 £'000	Historical experience of default and uncollectability %	Historical experience adjusted for market conditions at 31 March 2011 %	Estimated maximum exposure to default and uncollectability £'000
		Deposits with banks and financial institutions				
		Short-term loans				
		Short-term rating				
127,215	126,670	F1+	145,488	0.0%	0.0%	0
43,813	14,707	Short-term rating F1	952	*	*	952
171,028	141,377		146,440			952
		Long-term loans				
		Short-term rating				
2,994	15,000	F1+	27,000	0.0%	0.0%	0
0	3,639	Short-term rating F1	2,866	*	*	2,866
2,994	18,639		29,866			2,866
174,022	**160,016**	**Total Deposits**	**176,306**			**3,818**
		Short term debtors (excluding tax				
26,625	26,015	debtors)	28,755	6.4%	5.7%	1,560
200,647	**186,031**	**Total**	**205,061**			**5,378**

FITCH ratings are as at 31 March.

*The estimated exposure to default and uncollectability includes £3.818m currently at risk with Landsbanki Island HF (£5m original deposit plus £0.628m accrued interest less £1.810m already impaired).

As at 31 March 2011 the County Council's deposits included £3.818m (£3.639m at 31 March 2010) invested with an institution that met the minimum credit rating criteria at the time of the investment, but had since fallen below the minimum criteria at the balance sheet date. These investments are with Landsbanki.

The County Council had £12.249m invested in Money Market Funds at 31 March 2011. The County Council has no experience of default for Money Market Funds. The County Council also had £20.066m of instant access deposits with institutions with a short term rating of F1+. The County Council has no experience of default on instant access accounts. These deposits are shown under Cash and Cash Equivalents.

£24.271m was invested in externally managed funds at 31 March 2011 (£23.983m at 31 March 2010). The County Council has no experience of default for any instrument held by external fund managers.

Within the £28.755m short-term debtors included in loans and receivables, £13.614m were past due at 31 March 2011 (£13.485m at 31 March 2010). The past due amount can be analysed by age as follows:

At 1 April 2009 £'000	At 31 March 2010 £'000		At 31 March 2011 £'000
9,218	7,031	Less than 1 month	6,387
1,088	1,555	Between 1 and 3 months	1,302
1,974	1,503	Between 3 and 6 months	2,113
944	1,178	Between 6 months and 1year	1,222
1,685	1,653	Between 1 and 3 years	2,008
468	565	Over 3 years	582
15,377	**13,485**	**Total**	**13,614**

None of these past-due short-term debtors have been individually impaired. An impairment allowance of £1.560m has been provided for past due debtors that are financial instruments based on past experience (£1.557m at 31 March 2010) of which £1.440m is based on collective assessments of debtors with similar characteristics. An individual impairment allowance has been provided for overdue library fines (£0.120m). There have been improvements in the collection of debts in recent years, hence the current estimate of uncollectability is lower than the average for the previous 5 years. The past due debtors analysis and impairment allowance quoted above exclude those for Council Tax debtors as these are not considered to be financial instruments.

With the exception of car loans, the City ICT contract and "other" long-term debtors, long-term debtor financial instruments are secured on property. Details of this collateral are provided in Note 34.

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 is as follows:

At 1 April 2009 £'000	At 31 March 2010 £'000		At 31 March 2011		
			Fixed rate £'000	Variable rate £'000	Total £'000
21,783	21,489	Less than 1 year	17,815	15,927	33,742
16,000	21,686	Between 1 and 2 years	8,353	10,000	18,353
51,000	35,346	Between 2 and 5 years	19,006	20,000	39,006
33,000	58,000	Between 5 and 10 years	58,000	5,000	63,000
285,383	280,382	More than 10 years	285,383	0	285,383
407,166	**416,903**		**388,557**	**50,927**	**439,484**

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

Market Risk

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

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

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

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

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

2009/10 £'000		2010/11 £'000
10	Increase in interest payable on new borrowings	206
0	Decrease in interest receivable on variable and structured investments	-89
-1,390	Increase in interest receivable on fixed rate investments	-1,046
-1,380	**Impact on Surplus/Deficit on Provision of Services**	**-929**

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

2009/10 £'000		2010/11 £'000
-10	Decrease in interest payable on new borrowings	-206
0	Increase in interest receivable on variable and structured investments	131
890	Decrease in interest receivable on fixed rate investments	812
880	**Impact on Surplus/Deficit on Provision of Services**	**737**

Where prevailing rates were below 1% for new debt or investments, 0% return has been assumed where a reduction in interest rates by 1% would imply a negative return.

Price Risk

The County Council does not generally invest in equity shares but does have investments in two externally managed funds which may include investments in gilts. The fund managers monitor price fluctuations and have strategies for limiting the impact of adverse price movements.

Foreign Exchange Risk

The County Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

As part of the waste treatment contract the County Council takes the impact of the foreign exchange rate risk, on an element of facility costs within the financial model, up to the point of Notice to Proceed. To maintain within Value for Money the Council has the opportunity, through the contract, to request Viridor to transact a foreign exchange (FX) option to fix the exchange rate, for which the Council would be required to pay a premium. Notice to Proceed should take place before December 2011 at which point the FX risk transfers to the contractor.

44. Creditors

A breakdown of the items within the creditors category on the Balance Sheet is as follows:

At 1 April 2009 £'000	At 31 March 2010 £'000		At 31 March 2011 £'000
		Receipts in Advance	
4,731	6,792	Government Departments	4,924
0	0	Other Local Authorities	99
3	13	Health Authorities	128
9	7	Public Corporations and Trading Funds	0
1,473	2,027	Sundry	3,503
6,216	**8,839**		**8,654**
		Creditors	
12,989	13,231	Government Departments	13,339
5,684	6,730	Other Local Authorities	4,959
726	1,517	Health Authorities	478
80	0	Public Corporations and Trading Funds	159
64,626	48,166	Sundry	56,604
84,105	**69,644**		**75,539**
90,321	**78,483**	**Total**	**84,193**

45. 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:

2010/11	Balance at 31 March 2010 £'000	Reclass-ification between short and long term £'000	Additional provisions made in 2010/11 £'000	Amounts used in 2010/11 £'000	Unused amounts reversed in 2010/11 £'000	Balance at 31 March 2011 £'000
Provision due within 1 year						
Insurance	650	2,290	3,095	-4,287	-988	760
Older People Pool	756	0	696	-311	0	1,141
Fire Fighters	225	0	0	-179	-46	0
Redundancy	41	0	4,875	-41	0	4,875
Landfill Usage	0	0	1,024	0	0	1,024
Other	20	0	805	-2	-18	805
	1,692	**2,290**	**10,495**	**-4,820**	**-1,052**	**8,605**
Provision due after 1 year						
Insurance	4,028	-2,290	2,418	-329	-435	3,392
Total	**5,720**	**0**	**12,913**	**-5,149**	**-1,487**	**11,997**

2009/10	Balance at 31 March 2009 £'000	Reclass-ification between short and long term £'000	Additional provisions made in 2009/10 £'000	Amounts used in 2009/10 £'000	Unused amounts reversed in 2009/10 £'000	Balance at 31 March 2010 £'000
Provision due within 1 year						
Insurance	1,732	0	2,042	-2,565	-559	650
S117 Provision	126	0	0	-114	-12	0
Older People Pool	1,304	0	170	-718	0	756
Fire Fighters	0	0	225	0	0	225
Redundancy	0	0	41	0	0	41
Landfill Usage	0	0	0	0	0	0
Other	0	0	20	0	0	20
	3,162	**0**	**2,498**	**-3,397**	**-571**	**1,692**
Provision due after 1 year						
Insurance	1,903	0	2,772	-265	-382	4,028
Total	**5,065**	**0**	**5,270**	**-3,662**	**-953**	**5,720**

- Details of the insurance provision are given in Note 46 below.

- The Older People Pool provision reflects the County Council's share of the estimated liability to pay claims in respect of continuing care assessments (under both the old and new frameworks) in its capacity as host of the Older People's Pooled Budget arrangement.

- The Firefighters' provision relates to compensation payments to Retained Firefighters, which were settled in 2010/11.

- The redundancy provision reflects the estimated liability for redundancy costs arising from service redesign in the Children, Young People and Families directorate and closure of the Internal Home Care Service, both expected to take place in 2011/12. The estimates are based on assumptions about numbers, grades of post and average length of service and are subject to change.

- The landfill usage provision reflects the County Council's estimated liability for waste disposed in landfill sites for the year, under the Landfill Allowance Trading Scheme. The landfill usage is verified in the following year and the amount discharged against the landfill allowances held in the Landfill Allowance Asset Account. There is therefore an annual cycle of discharging the liability for the previous year and "topping up" the provision with the estimated landfill allowance usage for the year of account. At 31 March 2009 and 2010 allowances were valued at zero, so there was no balance on the provision at the end of 2008/09 or 2009/10.

- Other provisions include an estimated liability of £0.750m for the settlement of a dispute relating to defects works, which is expected to be resolved within the next 12 months.

- The S117 provision related to refunds to clients charged for care when it should have been provided free under S117 of the Mental Health Act.

46. Insurance Provision

The County Council has a policy of self-insurance of claims across its main insurance categories. In accordance with the Code the insurance provision is set aside to cover insurance claims actually received and awaiting resolution that have been advised to the County Council and which it has been decided to be insured internally rather than externally. Subject to the contingent liabilities listed in Note 64, there are no significant unfunded risks.

These claims will be managed by the County Council's Insurance Team, working with external insurers and legal advisors to achieve a satisfactory outcome. The time required to settle these claims will depend upon the complexity of each case and the approach adopted by each claimant but the expectation is that these cases will be settled within 18 months to 2 years. In a small number of cases where the final liability is dependent on a long term medical prognosis, the claim may take longer to settle to ensure all the medical facts are known. Debtors totalling £0.378m have been raised for reimbursements due from external insurers as a result of the breach of the stop-loss for property insurance and for claims that have breached individual claim deductibles.

47. Deferred Income

The deferred income balance of £5.868m at 31 March 2011 (£6.092m at 31 March 2010) relates to lease premiums received under the service concession arrangement with Oxfordshire Care Partnership and in relation to another lease, which are being released to the Comprehensive Income and Expenditure Statement over the lives of the arrangements.

48. 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 2010/11, split between short term and long term is as follows:

2010/11	Capital Grants	Developer Contributions	Other Contributions	Total
	£'000	£'000	£'000	£'000
Short term:				
Balance at 1 April 2010	21,766	3,834	34	25,634
Received/refunded during the year	16,438	23	-34	16,427
Transferred to the Comprehensive Income and Expenditure Statement during the year	-21,453	-2,954		-24,407
Reclassification between short and long term	126	3,863		3,989
Balance at 31 March 2011	**16,877**	**4,766**	**0**	**21,643**
Long term:				
Balance at 1 April 2010	2,865	21,164	65	24,094
Received/refunded during the year	1,037	3,348		4,385
Transferred to the Comprehensive Income and Expenditure Statement during the year		947		947
Reclassification between short and long term	-126	-3,863		-3,989
Balance at 31 March 2011	**3,776**	**21,596**	**65**	**25,437**
Total at 31 March 2011	**20,653**	**26,362**	**65**	**47,080**

The comparative amounts for 2009/10 are given in the following table:

2009/10	Capital Grants	Developer Contributions	Other Contributions	Total
	£'000	£'000	£'000	£'000
Short term:				
Balance at 1 April 2009	13,362	3,218	860	17,440
Received/refunded during the year	21,968	409	16	22,393
Transferred from earmarked reserves	-639			-639
Transferred to the Comprehensive Income and Expenditure Statement during the year	-12,925	-3,354	-842	-17,121
Reclassification between short and long term		3,561		3,561
Balance at 31 March 2010	**21,766**	**3,834**	**34**	**25,634**
Long term:				
Balance at 1 April 2009	169	19,034	65	19,268
Received/refunded during the year	2,738	5,283		8,021
Transferred to the Comprehensive Income and Expenditure Statement during the year	-42	408		366
Reclassification between short and long term		-3,561		-3,561
Balance at 31 March 2010	**2,865**	**21,164**	**65**	**24,094**
Total at 31 March 2010	**24,631**	**24,998**	**99**	**49,728**

49. County Fund Balance

The opening and closing balance on the County Fund and the movements during the year are shown in the Movement in Reserves Statement, with details in Note 5.

50. Earmarked Reserves

Balance At 1 April 2009 £'000	Contribution From Reserve £'000	Contribution To Reserve £'000	Balance At 31 March 2010 £'000		Balance At 1 April 2010 £'000	Contribution From Reserve £'000	Contribution To Reserve £'000	Balance At 31 March 2011 £'000
14,209	-6,775	5,876	13,310	Local Management of Schools	13,310	-3,845	12,105	21,570
149	-592	1,042	599	Miscellaneous Education	599	-4,377	4,383	605
-1,488	-625	945	-1,168	School Loans	-1,168	-368	349	-1,187
805	-220	390	975	Schools Partnerships	975	-696	13	292
374		36	410	Youth Management Committees	410	-288	186	308
1,203	-572	419	1,050	Food with Thought/QCS	1,050	-433	756	1,373
1,000	-1,523	523	0	CYPF General Reserve	0			0
1,130	-1,130		0	Older People Pooled Budget	0			0
760	-500	12	272	S117 Reserve	272	-250		22
1,847	-1,396	1,127	1,578	On-Street Parking Account	1,578	-1,566	1,082	1,094
532		167	699	Dix Pit Engineering Works	699		167	866
835		1,681	2,516	Waste Management - General	2,516	-2,789	2,185	1,912
487	-320		167	OWP Joint Reserve	167	-124	78	121
206	-50	50	206	Miscellaneous Fire	206		212	418
532	-26		506	Fire control/Fire Link	506		10	516
35	-35	131	131	Fire Service IT Reserve	131	-82	111	160
788	-223	359	924	IT Equipment Reserve	924	-130	196	990
332	-160		172	SAP for schools Reserve	172	-172		0
1,811	-383		1,428	School ICT funding Reserve	1,428	-1,419		9
576	-104	197	669	Vehicle Renewals Reserve	669	-10	70	729
1,055		203	1,258	Change Fund Reserve	1,258	-637	247	868
2,024	-3,000	2,231	1,255	Shared Services Funding	1,255	-1,681	426	0
73		124	197	Gypsy & Traveller Services	197			197
-479		580	101	OP and LD Pooled Budgets	101	-101	1,424	1,424
115		65	180	Registration Reserve	180			180
0		123	123	Salix energy schemes Reserve	123		6	129
0		251	251	Ox Highways Central Reserve	251			251
0		142	142	Shared Services Development	142		330	472

Balance At 1 April 2009 £'000	Contribution From Reserve £'000	Contribution To Reserve £'000	Balance At 31 March 2010 £'000		Balance At 1 April 2010 £'000	Contribution From Reserve £'000	Contribution To Reserve £'000	Balance At 31 March 2011 £'000
807	-807		0	ICT Development Reserve	0			0
0		75	75	Oxfordshire Safeguarding Children Board Reserve	75		47	122
0		89	89	Tourism Signing Reserve	89		13	102
356	-261		95	OCC Elections Reserve	95		112	207
0	-2	50	48	Adult Social Care Personal Budgets Reserve	48		140	188
0			0	Landfill Allowance Trading Scheme (LATS) Reserve	0		328	328
0			0	Customer Service Centre Reserve	0		1,884	1,884
0			0	Property Disposal Costs Reserve	0		114	114
0			0	Developer Funding (Revenue) Reserve	0	-52	243	191
0			0	West End Partnership Reserve	0		218	218
0			0	Oxford Bucks Partnership Reserve	0		332	332
0			0	Youth Offending Service Reserve	0		147	147
0			0	Joint Use Reserve	0		171	171
962	-2,174	1,747	535	Other Reserves less than £100,000[1]	535	-242	139	432
4,604	-43	1,466	6,027	Insurance Reserve	6,027		222	6,249
3,849	-3,849	5,931	5,931	Budget Reserve	5,931	-5,931	6,107	6,107
944	-605	452	791	LABGI Reserve	791	-294	0	497
1,350	-59	1,350	2,641	Prudential Borrowing Reserve	2,641	-106	1,350	3,885
0	-1,062	2,581	1,519	Efficiency Savings Reserve	1,519	-4,307	6,564	3,776
10,179	-10,072	7,956	8,063	Carry Forward Reserve	8,063	-8,063	9,891	9,891
8,027		5,882	13,909	Capital Reserve	13,909	-142	2,812	16,579
59,989	**-36,568**	**44,253**	**67,674**	**Total Revenue Reserves**	**67,674**	**-38,105**	**55,170**	**84,739**

[1] Other Reserves figure balance at 1 April 2010 has been adjusted for reserves that have fallen below £0.100m at 31 March 2011 and for those reserves that have increased to over £0.100m that have been included in the table above.

The purposes of the earmarked reserves are as follows:-

Local Management of Schools

In accordance with the Education Reform Act 1988, the scheme of Local Management of Schools provides for the carry forward of individual school surpluses and deficits. These reserves are committed to be spent on the education service.

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

	Balance at 31 March 2010		Balance at 31 March 2011	
	No. of Schools	Balance £'000	No. of Schools	Balance £'000
Primary Schools				
Schools in surplus	218	8,647	223	12,671
Schools in deficit	29	-718	24	-391
Secondary Schools				
Schools in surplus	23	5,343	30	7,470
Schools in deficit	11	-1,430	4	-589
Special Schools				
Schools in surplus	13	1,258	11	1,241
Schools in deficit	1	-32	3	-21
Sub-Total	**295**	**13,068**	**295**	**20,381**
Schools Contingency & Schools Forum		242		1,189
Total		**13,310**		**21,570**

The schools' reserves balances include balances for 7 closed schools which are due to be written off during the 2011/12 academic year.

Miscellaneous Education
These reserves cover a number of miscellaneous education activities.

School Loans
Amounts loaned to individual schools against schools reserves, operating under Fair Funding regulations.

Schools Partnerships
School Partnership accounts are operated in respect of inter-school activities, primarily relating to training and staff development, and curriculum initiatives. The use of the monies is agreed by the schools in each of the partnerships.

Youth Management Committees Reserve
Funds raised by youth management committees to fund locally determined activities.

FWT/QCS Reserve
Food With Thought and QUEST Cleaning Services are the County Council's in-house trading undertakings that provide catering and cleaning services to schools and other establishments. This reserve will be used to fund future investment in these services.

S117 Reserve
This reserve is to meet potential future claims in respect of refunds to clients under S117 of the Mental Health Act.

On-Street Parking Account
This surplus has arisen under the operation of the Road Traffic Regulation Act 1984 (Section 55). The purposes for which these monies can be used are defined by statute.

Dix Pit Engineering Works
This reserve is to meet engineering work at Dix Pit waste management site. The level of work required is dependent on future levels of waste deposited.

Waste Management – General Reserve
This reserve is to fund future initiatives to minimise the potential impact of Landfill Allowance Trading Scheme fines.

OWP Joint Reserve
This reserve holds the revenue proportion of the unutilised element of the performance reward grant secured by the Oxfordshire Waste Partnership (OWP).

Miscellaneous Fire
These reserves have been established to fund the replacement of protective clothing, breathing apparatus and rescue equipment and the requirement that all personnel attend refresher training in the use of breathing apparatus. They also include funds to smooth the budgetary impact of year-on-year fluctuations in the cost of fire hydrant repairs and to meet anticipated future budget pressures.

Fire Control/ Fire Link
This reserve has been created to hold funding for agreed spending in future years on the Fire Control and Fire Link projects.

Fire Service IT Reserve
This reserve will be used for the purchase of 2 management systems for Community Safety. The purchase of one has been delayed and the funding carried forward from 2008/09.

IT Equipment
This reserve has been established for funding future purchases of IT equipment.

SAP for schools
This reserve was established to assist with funding the rollout of SAP to schools.

Schools ICT funding reserve
This reserve holds funding for the development of a Learning Platform for Schools.

Vehicle Renewals
This reserve is to fund future replacements of vehicles.

Change Fund
This reserve is held for projects that meet criteria set by the Chief Executive for modernisation and change management agendas.

Shared Services Funding Reserve
The reserve was established to meet the set up costs of Shared Services. The set up costs were to be repaid from savings arising from the operation of Shared Services. The monies have now been repaid in full.

Gypsy & Traveller Services
This reserve will be used for the refurbishment/extension of 14 amenity units at the Gypsy & Traveller site at Redbridge Hollow.

Older People and Learning Disabilities Pooled Budget Reserves
This reserve holds the Winter Pressures funding received from the Department of Health to be used to meet the on-going costs of the relevant clients in 2011/12 and future years.

Registration Service
This reserve is for the refurbishment of registrars premises.

Salix Energy Schemes
This reserve is ringfenced to energy saving schemes in the future.

Oxfordshire Highways Central
This reserve will be used for future repair and maintenance of road signs. It will also be used to meet the cost of removing any sign relating to a business which ceases to trade.

Shared Services Development Reserve
This reserve is to be used to fund Oxfordshire Customer Services projects.

ICT Development Reserve
This reserve was created to fund ICT developments.

Oxfordshire Safeguarding Children Board Reserve
This reserve is to hold contributions from participants in the Board. The balance will be drawn down as required.

Tourism Signing Reserve
This reserve is for the future maintenance of tourism signs.

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

Adult Social Care Personal Budgets Reserve
This reserve holds the balance of clients' unspent personal budgets at year end. The balance can be spent by the relevant clients in the next financial year.

Landfill Allowance Trading Scheme (LATS) Reserve
This reserve represents the value of unused Landfill Allowances under the Landfill Allowance Trading Scheme**.**

Customer Service Centre Reserve
This reserve has been established to fund the Customer Service Centre Project.

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.

Developer Funding (Revenue) Reserve
This reserve is used to meet the costs of monitoring Section 106 agreements.

West End Partnership Reserve
This reserve has been established to ring-fence funding relating to the West End Project.

Oxfordshire/Buckinghamshire Partnership Reserve
This reserve has been set up to ring-fence funding for the Oxfordshire & Buckinghamshire Partnership graduate teacher training programme.

Youth Offending Reserve
This reserve will be used to meet costs relating to temporary Youth Offending Service Officers/Bail Support Officers.

Joint Use Reserve
This reserve has been established to hold the balance of funds for the joint-use agreements with the district councils.

Other Reserves less than £100,000
These reserves cover a number of services and have been established to fund future revenue expenditure.

Insurance Reserve
This reserve covers the County Council for insurance claims that, based on the previous experience of the County Council, are likely to be received, as well as a number of insurance related issues.

An independent actuary, Heath Lambert, carries out a full valuation of the County Council's employer's and public liability, motor, property and personal accident liability every three years using generally accepted actuarial methods. Interim valuations take place annually in between. The last full valuation was completed as at 31 March 2010.

The actuaries projected the standard claims arising in future years in respect of the period up to 31 March 2011 at £2.072m. In addition to these claims the actuaries have also highlighted a range of non-standard claims – for example exceptional claims, latent claims and an amount to reflect the Municipal Mutual Insurance (MMI) clawback – for which the County Council is advised to provide additional cover – this has been assessed at £4.077m (to also cover the potential for an unfavourable claims experience in any one year impacting upon the Fund) and is shown in the table below. The reserve also includes £0.100m for the implementation of risk management initiatives throughout directorates.

At 31 March 2010 £'000		At 31 March 2011 £'000
3,054	Standard claims likely to be received as at 31 March	2,072
1,520	Additional non-standard claims/latent claims as assessed by actuarial review	2,512
1,353	MMI clawback as assessed by actuarial review	1,565
100	Risk management initiatives	100
6,027	**Total**	**6,249**

Budget Reserve
The creation of a budget reserve was agreed as part of the budget setting process. This sum will be available to spend on a one-off basis in future years when there are limited resources available to allocate in the Medium Term Financial Plan.

LABGI Reserve
This reserve contains Local Authority Business Growth Incentive funding that is either yet to be allocated by Cabinet/Council or has been allocated to directorates but will not be spent until 2012/13.

Prudential Borrowing Reserve
This reserve was created as part of the 2008/09 budget setting process to meet the costs of borrowing for increased funding for the capital programme. Similar contributions are to be made each year with draw downs being required as costs are incurred.

Efficiency Savings Reserve
This reserve is to help deliver the savings in the medium term through one-off investment or to enable potential redundancy costs to be met without putting further pressure on service budgets.

Carry Forward Reserve
This reserve allows budget managers to carry forward under and over spent budgets between financial years in accordance with the County Council's budget management arrangements, subject to Cabinet approval. Following the change in accounting treatment of grants and contributions, the reserve holds unspent revenue grants and contributions where no condition remains outstanding. A summary of the carry-forwards for each directorate is as follows:

At 31 March 2010 £'000	Directorate	At 31 March 2011 £'000
3,042	Children, Young People & Families	2,828
1,921	Social & Community Services	353
1,070	Environment & Economy	4,374
1,062	Oxfordshire Customer Services	1,306
861	Chief Executive's Office	1,030
107	Retained centrally	0
8,063	**Total**	**9,891**

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

51. Useable Capital Receipts

2009/10 £'000		2010/11 £'000
2,980	Balance as at 1 April	1,709
7,359	Net receipts from sale of assets	5,773
344	Net receipts from repayment of loans	184
-8,974	Correction to previous treatment of lease premiums	0
0	Receipts applied to finance capital expenditure	0
1,709	**Balance as at 31 March**	**7,666**

This reserve has been established for the purpose of financing capital expenditure in future years. Unutilised capital receipts at 31 March 2011 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
Orchard House, Littlemore	696
Macclesfield House	3,470
Stanbridge Hall	912
Other receipts under £500,000	695
Total	**5,773**

52. 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.

2009/10 £'000		2010/11 £'000
25,184	Balance as at 1 April	25,993
-5,166	Applied during the year	-3,121
5,975	Recognised as income but not applied during the year	5,766
25,993	**Balance as at 31 March**	**28,638**

53. Unusable Reserves

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

At 1 April 2009 £'000	At 31 March 2010 £'000		At 31 March 2011 £'000
50,890	78,268	Revaluation Reserve	93,105
0	0	Available-for-Sale Financial Instruments Reserve	0
-557,554	-752,040	Pensions Reserve	-436,782
1,040,455	990,326	Capital Adjustment Account	962,448
-1,615	-2,231	Financial Instruments Adjustment Account	-679
1,604	2,102	Collection Fund Adjustment Account	3,577
-8,125	-9,997	Accumulated Absences Account	-9,660
525,655	**306,428**	**Total**	**612,009**

The Available-for-Sale Financial Instruments Reserve had no movements during the year. Movements on the Pensions Reserve are set out in the Retirement Benefits note 18.

54. Revaluations Reserve

2009/10 £'000			2010/11 £'000	
	50,890	Opening Balance as at 1 April		78,268
7,735		Upward revaluation of assets	9,670	
-101,917		Downward revaluation of assets	-5,358	
-24,576		Impairment of assets	-12,945	
59,963		Write back of accumulated depreciation on revaluations	8,807	
84,296		Write back of accumulated impairment on revaluations	13,961	
	25,501	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		14,135
2,043		Difference between fair value depreciation and historical cost depreciation	1,346	
-1,110		Accumulated gains on assets sold or scrapped	-644	
384		Balance on reclassification of Investment Properties to Property, Plant & Equipment		
560		Correction to Revaluation Reserve/Capital Adjustment Account balance		
	1,877	Amounts written off to the Capital Adjustment Account		702
	78,268	**Balance as at 31 March 2011**		**93,105**

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.

55. Capital Adjustment Account

2010/11 £'000			2010/11 £'000	
	1,040,455	Balance as at 1 April		990,326
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
-29,033		Charges for depreciation for non-current assets	-32,248	
-49,723		Charges for impairment for non-current assets	-35,913	
-32,685		Revaluation losses on Property, Plant and Equipment	-47,249	
4,584		Reversal of revaluation losses on Property, Plant and Equipment	34,974	
-952		Amortisation of Intangible Assets	-1,798	
-10,403		Revenue expenditure funded from capital under statute	-12,856	
-3,742		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on derecognition	-15,999	
	-121,954			-111,089
		Adjusting amounts written out of the Revaluation Reserve:		
-2,043		Difference between fair value depreciation and historical cost depreciation	-1,346	
1,110		Accumulated gains on assets sold or scrapped	242	
-384		Balance on reclassification of Investment Properties to PPE		
-560		Correction to Revaluation Reserve/Capital Adjustment Account balance		
	-1,877			-1,104
	916,624	Net written out amount of the cost of non-current assets consumed in the year		878,133
		Capital financing applied in the year:		
		Use of the Capital Receipts Unapplied reserve to finance new capital expenditure		
52,368		Capital grants and contributions credited to the CIES that have been applied to capital financing	58,915	
4,185		Application of grants to capital financing from the Capital Grants Unapplied account	2,954	
17,841		Statutory provision for the financing of capital investment charged against the County Fund balance	19,051	
5,852		Capital expenditure charged against the County Fund balance	7,494	
	80,246			88,414
	-268	Movements in the market value of Investment Properties debited or credited to the CIES		312
	-1	Amounts of Investment Properties written off on disposal or sale as part of the gain/loss on derecognition		-135
	-2,153	Revaluation losses on Assets held for Sale		-130
		Revaluation gains on Assets held for Sale		98
		Accumulated gains on Assets held for Sale sold or scrapped		402
	-3,778	Amounts of Assets held for Sale written off on disposal or sale as part of the gain/loss on derecognition		-4,462
	-344	Repayment of loans treated as capital receipts		-184
	990,326	**Balance as at 31 March**		**962,448**

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.

56. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefits from gains per statutory provisions. The account holds the reversal of write-downs/write-ups for soft loans and stepped interest loans and the reversal of interest charged at effective interest rates. Regulations require that the impairment on Icelandic bank deposits and accrued interest on those deposits that had been deferred in 2008/09 and 2009/10 be charged against the County Fund in 2010/11.

2009/10 £'000		2010/11 £'000
-1,615	Balance at 1 April	-2,231
5	Write-down/write-ups to amortised cost	17
-186	Write-down/write-ups to fair value	-51
139	Effective interest rate adjustments	225
-824	Icelandic bank impairment	1,773
250	Icelandic bank interest	-412
-616	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,552
-2,231	**Balance at 31 March**	**-679**

57. Collection Fund Adjustment Account

The account holds the difference between the accrued Council Tax income included in the Comprehensive Income and Expenditure Statement (CIES) and the amount required by regulations to be credited to the County Fund. The movement on the account is as follows:

2009/10 £'000		2010/11 £'000
1,604	Balance at 1 April	2,102
-380	Decreases in Council Tax surpluses/increases in deficits	-414
878	Increases in Council Tax surpluses/reductions in deficits	1,889
498	Amount by which Council Tax income credited to the CIES is different from Council Tax income for the year calculated in accordance with statutory requirements	1,475
2,102	**Balance at 31 March**	**3,577**

58. Accumulated Absences Accounts

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.

2009/10 £'000		2010/11 £'000	
-8,125	Balance at 1 April		-9,997
8,125	Settlement or cancellation of previous year's accrual	9,997	
-9,997	Amount accrued at the end of the current year	-9,660	
-1,872	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute		337
-9,997	**Balance at 31 March**		**-9,660**

59. 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:

2009/10 £'000		2010/11 £'000
-29,985	Depreciation/amortisation of fixed assets	-34,046
-79,977	Impairment charges/revaluation losses	-48,220
-25,413	Retirement benefit adjustments	86,223
-179	Impairment allowance for doubtful debts	-3
-309	Other financial instrument adjustments	702
-1,725	Provisions set aside in the year	-7,533
2,882	Deferred income released	224
-268	Movement in value of investment properties	312
-7,521	Carrying amount of non-current asset sold	-20,596
16,755	Transfers from Capital Grants Receipts in Advance	23,460
0	Increase(-)/decrease in landfill allowances	1,352
-45	Increase(-)/decrease in inventories	-32
-1,394	Increase(-)/decrease in debtors	6,067
10,388	Increase/decrease(-) in creditors	-48
-116,791	**Total adjustments for non-cash movements**	**7,862**

60. Cash Flow Statement – Operating Activities

The cash flows for operating activities are as follows:

2009/10 £'000		2010/11 £'000	
	Cash outflows		
514,893	Cash paid to and on behalf of employees	523,497	
411,141	Other operating costs	408,004	
926,034			931,501
	Cash inflows		
-274,350	Council Tax receipts	-283,549	
-85,163	Non-domestic rate income	-92,840	
-19,657	Revenue Support Grant	-13,481	
-500,709	Other government grants and contributions	-539,129	
-60,081	Other cash received for goods and services	-63,379	
-939,960			-992,378
	Cash outflows		
19,400	Interest paid	19,871	
1,088	Interest element of finance lease rental payments	1,304	
20,488			21,175
	Cash Inflows		
-3,321	Interest received		-854
3,241	**Total operating activities**		**-40,556**

61. Cash Flow Statement – Investing Activities

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

2009/10 £'000		2010/11 £'000
90,460	Purchase of property, plant and equipment, investment property and intangible assets	79,195
676,721	Purchase of short-term and long-term investments	519,604
1,985	Other payments for investing activities	885
-7,359	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-5,773
-72,986	Capital grants	-56,336
-688,027	Proceeds from short-term and long-term investments	-503,661
-344	Other receipts from investing activities	-241
450	**Total investing activities**	**33,673**

62. Cash Flow Statement – Financing Activities

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

2009/10 £'000		2010/11 £'000
-21,710	Cash receipts of short and long-term borrowing	-30,015
0	Other receipts from financing activities	0
713	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet service concession arrangements	1,760
12,000	Repayments of short and long-term borrowing	7,679
26,081	Other payments for financing activities	0
17,084	**Total financing activities**	**-20,576**

63. Analysis of Government Grants

The total cash received for revenue government grants (other than Revenue Support Grant and National Non-Domestic Rate receipts) is £510.750m. An analysis is set out in the following table:

2009/10 £'000	Government Grants	2010/11 £'000
321,733	Dedicated Schools Grant (Dept for Children, Schools & Families)	333,471
29,336	Sixth Form and Further Education Funding (Young People's Learning Agency)	44,482
27,058	Area Based Grant (Dept for Communities & Local Govt)	39,778
27,967	Standards Fund (Dept for Children, Schools & Families)	34,182
17,704	School Standards Grant (Dept for Children, Schools & Families)	18,231
14,615	Sure Start Grant (Dept for Children, Schools & Families)	18,167
3,895	Adult Learning (Skills Funding Agency)	3,814
	Pothole Grant (Dept for Transport)	3,525
1,751	Asylum Seekers (Home Office)	2,647
1,894	Social Care Reform Grant (Dept of Health)	2,315
	Emergency Winter Damage Funding (Dept for Transport)	1,477
1,132	Youth Offending Service (Youth Justice Board)	1,148
	Graduate Teacher Programme (Teachers' Development Agency)	1,356
17,018	Supporting People (Dept for Communities & Local Govt)(Part of Area Based Grant in 2010/11)	
2,141	Performance Reward Grant (Dept for Communities & Local Government)	
8,511	Other grants less than £1m	6,157
474,755	**Total**	**510,750**

64. Contingent Liabilities

Sheltered Housing with Care Schemes

The County Council is providing 27 permanent residential and nursing places, based in Banbury and Faringdon, in conjunction with a Housing Association. The schemes involve

the use of County Council land with the Association raising loans to finance development costs. To offer further assistance the County Council has agreed to underwrite the development costs and will become liable for outstanding liabilities previously approved by the County Council should the association cease to operate. In the event of the Association ceasing to operate the County Council would seek to find an alternative Association to take on and operate the scheme and to include outstanding liabilities. The schemes came into operation between 1991 and 1995 and are still with the original Housing Association. The County Council agreed to underwrite around £2.3m of schemes costing £3.25m. The total liability outstanding for the year ending 31 March 2011 is £0.754m.

Municipal Mutual Insurance Plc

The County Council has claims outstanding with Municipal Mutual PLC to the value of £0.372m. If the company were to become insolvent during the run down of its business, a scheme of arrangement would be triggered to wind up the business. It could be possible under these circumstances that the County Council would have to repay all or part of the claims settled since the company ceased to trade. The County Council's maximum liability would be £2.808m. As this situation is very unlikely to occur a specific provision has not been made in the County Council's accounts.

The Independent Insurance Company

The County Council has placed its employer's and public liability insurance with the Independent Insurance Company between 1992 and 1994. This company has ceased trading leaving a possibility that the County Council may be exposed to a large claim relating to the period of cover. No significant claims have been received to date. The usual legal principles relating to limitations should apply if any claim is now made against the County Council.

Nettlebed School site

OCC sold the site some months ago so as to hold the proceeds of sale free from any trust under the School Sites Act. A claim has been received from the purported beneficiaries which has been rebuffed following Counsel’s advice. If legal proceedings are issued the claim for the proceeds of sale could be £1.35m.

Residual waste contract

The County Council has entered into a conditional contract on 10 March 2011 with Viridor Oxfordshire Limited for the disposal of residual waste. Following appeal, the Secretary of State has granted planning permission for the waste disposal facility, which is the subject of legal challenge. If at 30 December 2011 there is not in place planning permission which is free from challenge then Viridor may determine the agreement and seek compensation for significant liquidated costs in damages, estimated to be around £2m.

Landsbanki deposit

The carrying value of the deposit with Landsbanki (£3.818m – see note 36) assumes preferential creditor status. If preferential creditor status is not achieved then the recoverable amount would reduce to £1.538m, a reduction of £2.280m. Preferential creditor status has been confirmed by the Reykjavik District Court, but the decision is being

appealed through the Icelandic Supreme Court. Legal advice remains that preferential creditor status will be achieved and therefore this further impairment has not been recognised in the accounts. Repayment is to be made in instalments with the final payment not expected until December 2018.

65. Material Post Balance Sheet Events

There are no material non-adjusting post balance sheet events to report.

66. Changes in accounting policy

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the County Council, which will need to be fully adopted by the County Council in the 2011/12 financial statements.

The County Council is required to disclose information relating to the impact of an accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the County Council, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the County Council is required to disclose the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Balance Sheet.

Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. The heritage assets held by the County Council are historical buildings and museum and history collections. The museum collections comprise approximately 1 million items relating to archaeology, history, natural history, rural, textiles and pictures and photographs. The history collections comprise approximately 8 linear kilometres of archives, documents, printed materials and photographic collections.

The historical buildings are operational assets and are valued in the same way as other buildings. These assets do not fall within the scope of the heritage assets section of the Code.

The museum and history collections are not currently recognised on the Balance Sheet as information is not available on the cost of the assets, other than for a very small number of items, as the majority have been donated or acquired by excavation.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements. However, where this information 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. It is the County Council's view that obtaining valuations for the museum and history collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the financial statements and therefore will not be recognising the collections on the Balance Sheet.

67. Authorisation of the Accounts

The Statement of Accounts was authorised for issue on 28 June 2011 by Sue Scane, Assistant Chief Executive and Chief Finance Officer. Events after the balance sheet date have been considered up to this time.

68. 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.

		2009/10	2010/11	
Trust Funds where Oxfordshire County Council acts as sole trustee		**Value of Fund £'000**	**No. of Funds**	**Value of Fund £'000**
Children, Young People & Families	Funds for the Development of Hill End Residential Centre	71	1	82
	Oxford Boys	21	1	22
	Criminal Injuries Compensation Awards	126	11	127
	Other (under £10,000)	9	9	10
Chief Executive's Office	Bequest of Property at Watlington	7	1	3
Total		**234**	**23**	**244**

		2009/10	2010/11	
Trust Funds where Oxfordshire County Council acts as joint trustees		**Value of Fund £'000**	**No. of Funds**	**Value of Fund £'000**
Children, Young People & Families	Funds to be used for the benefit of Wallingford School	3,177	3	3,235
	Other (under £10,000)	4	3	4
Social & Community Services	Junior Citizens Trust	8	1	7
Total		**3,189**	**7**	**3,246**

		2009/10	2010/11	
Other Funds		**Value of Fund £'000**	**No. of Funds**	**Value of Fund £'000**
Children, Young People & Families	A grant for Hill End Residential Centre for Innovation	22	1	6
	Thomas Gifford Charity	347	1	348
	City Lectureship Scholarship	17	1	17
	Other (under £10,000)	41	24	33
Social & Community Services	Other (under £10,000)	13	2	11
Total		**440**	**29**	**415**

THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS: FUND ACCOUNT

Fund Account for the year ended 31 March			
	Notes	2010 £'000	2011 £'000
Contributions and Benefits			
Contributions Receivable	2	-81,443	-86,635
Transfers from Other Schemes	3	-10,423	-7,293
Income Sub Total		**-91,866**	**-93,928**
Benefits Payable	4	54,785	58,874
Payments to and on account of leavers	5	9,284	6,118
Administrative expenses borne by the Scheme	7	1,103	1,134
Expenditure Sub Total		**65,172**	**66,126**
Net Additions from dealings with members		**-26,694**	**-27,802**
Returns on Investments			
Investment Income	6	-24,686	-22,949
Commission Recapture		-5	-3
Profits and losses on disposal of investments and changes in Market Value of Investments		-266,878	-85,891
Less Investment Management Expenses	7	2,843	3,152
Less Taxes on Income	6	434	287
Net returns on investments		**-288,292**	**-105,404**
Net increase in the net assets available for benefits during the year		**-314,986**	**-133,206**
Opening Net Assets of the Scheme		796,635	1,111,621
Closing Net Assets of the Scheme		**1,111,621**	**1,244,827**

LOCAL GOVERNMENT PENSION FUND ACCOUNTS: NET ASSETS STATEMENT

Net Assets as at 31 March			
	Notes	2010 £'000	2011 £'000
Investment Assets	10		
Fixed Interest Securities		114,276	130,276
Equities		395,823	443,438
Index Linked Securities		53,033	62,860
Pooled Investment Vehicles		435,624	495,366
Private Equity		61,912	76,979
Derivative Assets		192	43
Loans		0	3,100
Cash		49,001	23,765
Other Investment Balances		5,812	5,792
Investment Liabilities			
Derivative Liabilities		-750	-1,000
Other Investment Liabilities		-4,847	-3,290
Total Investments		**1,110,076**	**1,237,329**
Current Assets and Current Liabilities			
Other Debtors	11	3,667	9,348
Other Creditors	12	-2,122	-1,850
Net current assets		**1,545**	**7,498**
Net Assets of the scheme available to fund benefits at year end		**1,111,621**	**1,244,827**

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 140.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Fund Description

The Oxfordshire County Council Local Government Pension Fund is a statutory, funded final salary pension scheme. It is "contracted-out" of the state scheme and is termed a defined benefit scheme. The scheme is principally governed by the Local Government Pension Scheme Regulations 2007/2008 [as amended]. 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 be employers in the Scheme.

This defined benefit scheme provides benefits related to salary for its members. Pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. The amount is determined by the Secretary of State.

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 at rates between 5.5% and 7.5% of whole time equivalent pensionable earnings.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years.

Six admitted bodies and one scheduled body joined the scheme in 2010/11. There was no significant impact on the membership of the scheme because the majority of the new bodies are small and some members already existed in the scheme with another employer.

There were no changes to the asset allocation of the fund during 2010/11, although the fund did determine to move £100m of the global equity allocation from active to passive management. This will be actioned during 2011/12.

Note 1 - Accounting Policies

Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Local Government Pension Scheme Regulations 2008 (as amended) and with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (2010/11).

Regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831) prohibits administering authorities from crediting Additional Voluntary Contributions to the Pension Fund. In consequence Additional Voluntary Contributions are excluded from the Net Assets Statement and are disclosed separately in note 16.

Investments

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

(a) The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, as at 31 March 2011.

(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 2011.

(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 debtor for accrued income).

(f) Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Foreign Currencies

2. Balances denominated in foreign currencies are translated at the rate ruling at the net assets statement date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

Contributions

3. Employee normal contributions are accounted for when deducted from pay. Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid. The Actuary at his triennial valuations of the Fund's assets and liabilities determines the employers' rate for contributions. Employees'

contributions have been included at rates required by the Local Government Pension Scheme Regulations.

Benefits, Refunds of Contributions and Transfer Values

4. Benefits payable and refunds of contributions have been brought into the accounts on the basis of valid claims that are paid during the year. The accounts do not take account of liabilities to pay pensions and other benefits after the scheme year-end. 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 the accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Change in Market Value'. Foreign income has been translated into sterling at the date of the transaction. Income due at the year end was translated into sterling at the rate ruling at 31 March 2011.

Investment Management and Scheme Administration

6. A proportion of relevant County Council officers' salaries, including salary oncosts, have been charged to the Fund on the basis of actual 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 respective management agreements.

Expenses

7. Expenses are accounted for on an accruals basis.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 2 – Contributions

	2009/10 £'000	2010/11 £'000
Employers		
Normal	-43,549	-44,592
Augmentation	-74	0
Deficit Funding	-15,803	-18,907
Costs of Early Retirement	-1,929	-2,956
	-61,355	-66,455
Members		
Normal	-19,470	-19,650
Additional *	-618	-530
	-20,088	-20,180
Total	**-81,443**	**-86,635**

Deficit funding contributions are being paid by the employers into the scheme in accordance with a 25 year recovery plan, with the exception of one employer who has a 12 year recovery plan.

* Local Government Scheme Additional Employees contributions are invested within the Fund, unlike AVCs which are held separately, as disclosed in Note 16.

	Employer Contributions		Members Contributions	
	2009/2010 £'000	2010/2011 £'000	2009/2010 £'000	2010/2011 £'000
Oxfordshire County Council	-34,583	-35,784	-11,592	-11,779
Scheduled Bodies	-21,859	-21,535	-7,202	-7,074
Admitted Bodies	-4,913	-9,136	-1,294	-1,327
Total	**-61,355**	**-66,455**	**-20,088**	**-20,180**

Note 3 – Transfers In

	2009/10 £'000	2010/11 £'000
Group transfers in from other schemes	0	0
Individual transfers in from other schemes	-10,423	-7,293
Total	**-10,423**	**-7,293**

Note 4 – Benefits

	2009/10 £'000	2010/11 £'000
Pensions Payable	41,218	43,812
Lump Sums – Retirement Grants	12,306	13,034
Lump Sums – Death Grants	1,261	2,028
Total	**54,785**	**58,874**

	Pensions Payable		Lump Sums	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Oxfordshire County Council	20,185	21,427	6,137	7,945
Scheduled Bodies	19,436	20,537	6,116	5,931
Admitted Bodies	1,597	1,848	1,314	1,186
Total	**41,218**	**43,812**	**13,567**	**15,062**

Note 5 – Payment to and on account of leavers

	2009/10 £'000	2010/11 £'000
Refunds of Contributions	42	41
Group Transfers Out to other schemes	0	0
Individual Transfers Out to other schemes	9,242	6,077
Total	**9,284**	**6,118**

Note 6 – Investment Income

	2009/10 £'000	2010/11 £'000
UK Government Stock and Other Fixed Interest	-5,116	-4,917
UK Index Linked Bonds	-3,306	-2,513
UK Equities and Convertibles	-7,043	-7,457
Overseas Equities	-4,413	-4,213
Overseas Bonds	-656	-597
Overseas Index Linked Bonds	-25	-3
Pooled Investment Vehicles	-2,423	-2,512
Cash	-591	-289
Private Equity	-908	-286
Securities Lending	-205	-162
	-24,686	-22,949
Irrecoverable withholding tax	434	287
Total	**-24,252**	**-22,662**

Note 7 – Administration & Investment Management Expenses

	2009/10 £'000	2010/11 £'000
Administrative Expenses		
Administration Costs recharged by OCC	815	838
Actuarial Fees	69	66
Audit Fees	37	50
Other	182	180
	1,103	**1,134**
Investment Management Expenses		
Administration Costs recharged by OCC	208	214
Investment Management & Custody Fees	2,529	2,762
Other	106	176
	2,843	**3,152**

Investment Manager & Custody Fees are mostly calculated on a fixed sliding scale basis and are applied to the market value of the assets managed.

Note 8 – Securities Lending

In April 2004 the Fund introduced an arrangement with its custodian BNY Mellon to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the aggregate market value of the Fund. Collateralised lending generated income of £162,503 in 2010/11 (2009/10 £205,241). This is included within investment income in the Pension Fund Account. At 31 March 2011 £31,853,442 of stock (3% of the Fund) was on loan, for which the Fund was in receipt of £33,077,001 worth of collateral.

Note 9 – Related Party Transactions

The Pension Fund is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Pension Fund or to be controlled or influenced by the Pension Fund. Disclosure of these transactions allows readers to assess the extent to which the Pension Fund might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Pension Fund.

As the County Council is the designated statutory body responsible for administrating the Oxfordshire Pension Fund, it is a related party.

For the 12 months ended 31 March 2011, the County Council made employer contribution payments to the Pension Fund of £35,783,739 (2009/10 £34,583,051).

The County Council was reimbursed £1,051,306 (2009/10 £1,023,452) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

Note 10 – Investments

	Value at 1 April 2010 £'000	Purchases at Cost & Derivative Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Debtors / (Creditors) £'000	Value at 31 March 2011 £'000
Fixed Interest Securities	114,276	252,846	-237,802	956			130,276
Equities	395,823	169,660	-152,390	30,345			443,438
Index Linked Securities	53,033	178,944	-171,326	2,209			62,860
Pooled Investment Vehicles	435,624	43,186	-20,703	37,259			495,366
Private Equity	61,912	1,410	-1,307	14,964			76,979
Derivative Assets							
Futures	14	61	-207	160			28
FX	-572	2,921	-3,691	357			-985
Other Investment Balances	965					1,537	2,502
Cash Deposits	49,001	217,100	-215,927	-359	-22,950		26,865
Total	**1,110,076**	**866,128**	**-803,353**	**85,891**	**-22,950**	**1,537**	**1,237,329**

Included within the above purchases and sales figures are transaction costs of £542,314. 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.

Fixed Interest Securities

	2009/10 £'000	2010/11 £'000
UK Public Sector	27,847	36,345
UK Other	65,532	71,713
Overseas Public Sector	20,897	22,218
Total	**114,276**	**130,276**

Equity Investments

	2009/10 £'000	2010/11 £'000
UK listed equities	219,691	247,026
Overseas Listed Equities:		
USA	82,788	108,120
Japan	20,657	21,073
Europe	57,607	47,332
Pacific Basin	4,313	3,692
Emerging Markets	10,767	16,195
Total	**395,823**	**443,438**

Index Linked Securities

	2009/10 £'000	2010/11 £'000
UK Public Sector	53,033	62,860
UK Other	0	0
Overseas Public Sector	0	0
Overseas Other	0	0
Total	**53,033**	**62,860**

Pooled Investment Vehicles

	2009/10 £'000	2010/11 £'000
UK Registered Managed Funds – Property	16,141	17,439
Non UK Registered Managed Funds – Property	1,779	13,438
UK Registered Managed Funds – Other	130,215	142,951
Non UK Registered Managed Funds – Other	96,792	106,007
UK Registered Property Unit Trusts	41,081	41,632
Non UK Registered Property Unit Trusts	0	2,732
Non UK Registered Unit Linked Insurance Fund	149,616	171,167
Total	**435,624**	**495,366**

Private Equity

	2009/10 £'000	2010/11 £'000
Listed Investments	61,893	76,970
Unlisted Investments	19	9
Total	**61,912**	**76,979**

Derivative Contracts

Objectives and policies

The Pension Fund Committee have authorised the use of derivatives by their investment managers as part of their investment strategy for the pension scheme.

The main objectives and policies followed during the year are summarised as follows:

Futures – index based futures contracts, with an underlying economic value broadly equivalent to cash held, were bought to avoid cash held being 'out of the market'.

Forward Foreign Exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

Futures

The scheme had exchange traded overseas stock index futures outstanding at the year end relating to its overseas equity portfolio as follows:

Nature	Notional Amount £'000	Duration	Asset Value at year end £'000	Liability Value at year end £'000
S&P stock future bought	1,236	3 Months	28	0

£367,721 is included within cash balances in respect of initial and variation margins arising on open contracts at the year end.

Forward Foreign Exchange (FX)

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

Contract	Settlement Date	Currency Bought '000		Currency Sold '000		Asset value At year end £'000	Liability value at year end £'000
Forward OTC	2 months	403	GBP	640	CAD	0	-7
Forward OTC	2 months	83	GBP	860	SEK	0	-1
Forward OTC	2 months	6,459	GBP	7,540	EUR	0	-214
Forward OTC	2 months	7,796	GBP	12,675	USD	0	-118
Forward OTC	2 months	9,007	GBP	1,205,000	JPY	0	-74
Forward OTC	2 months	3,100	USD	1,921	GBP	15	0
Forward OTC	3 months	4,208	GBP	6,707	CAD	0	-91
Forward OTC	3 months	11,823	GBP	13,920	EUR	0	-495
						15	**-1,000**

Other Investment Balances

	2009/10 £'000	2010/11 £'000
Debtors		
Sale of Investments	1,992	1,746
Dividend & Interest Accrued	3,735	3,976
Inland Revenue	76	59
Other	9	11
	5,812	**5,792**
Creditors		
Purchase of Investments	-4,232	-2,641
Management Fees	-605	-632
Custodian Fees	-10	-17
	-4,847	**-3,290**
Total	**965**	**2,502**

Cash

	2009/10 £'000	2010/11 £'000
Sterling Interest Earning Deposits	49,001	23,765
Total	**49,001**	**23,765**

Loans

	2009/10 £'000	2010/11 £'000
Short-Term Loans	0	3,100
Total	**0**	**3,100**

Note 11 – Other Debtors

	2009/10 £'000	2010/11 £'000
Cash Balances (not forming part of investment assets)	0	892
Employer Contributions	1,964	6,534
Employee Contributions	668	723
Transferred Benefits	700	870
Costs of Early Retirement	99	56
Other	236	273
Total	**3,667**	**9,348**

Contributions owed by employers relating to both employee and employer contributions at 31st March 2011 have subsequently been received.

Note 12 – Other Creditors

	2009/10 £'000	2010/11 £'000
Transferred Benefits	-1,513	-233
Inland Revenue	-593	-614
Costs of Early Retirement	0	-201
Staff Costs	0	-691
Consultancy	0	-87
Other	-16	-24
Total	**-2,122**	**-1,850**

Note 13 - Assets under External Management

The market value of assets under external fund management amounted to £1,110m as at 31 March 2011. The table below gives a breakdown of this sum:

	2009/10		2010/11	
	Market Value £'000	%	Market Value £'000	%
Alliance Bernstein	244,010	24.53	255,996	23.06
Baillie Gifford	203,855	20.50	240,021	21.62
Legal & General	292,969	29.45	323,136	29.11
UBS	253,871	25.52	290,964	26.21
Total	**994,705**	**100.00**	**1,110,117**	**100.00**

Note 14 – Top 5 Holdings

Value of the Fund's Top Five Holdings	£'000	% of Fund
HG Capital Trust	19,144	1.54
Electra Investment Trust	16,899	1.36
BG Group	14,676	1.18
Rio Tinto	12,063	0.97
HSBC	10,604	0.85

Note 15 – Taxation

The scheme is a 'registered pension scheme' for tax purposes under the Finance Act 2004. As such most of its income and investment gains are free of taxation. However, the Scheme cannot reclaim certain amounts of withholding taxes relating to overseas investment income.

Note 16 – Additional Voluntary Contributions

	2009/10 £'000	2010/11 £'000
Value of AVC Fund at beginning of year	14,590	15,144
Employee contributions	1,294	1,338
Investment income and change in market value	806	739
Benefits paid and transfers out	-1,539	-2,183
Management Fees	-7	-9
Value of AVC Fund at end of year	**15,144**	**15,029**

The funds are invested as follows:-

	2009/10 £'000	2010/11 £'000
BGI Aquila UK Equity Index Fund	6	9
Backrock Aquila (50:50) Global Equity Index Fund	0	2
Deposit Fund	395	544
Prudential Cash Fund	105	112
Prudential Corporate Bond Fund	5	22
Prudential Discretionary Fund	256	304
Prudential Fixed Interest Fund	47	53
Prudential Global Equity Fund	51	61
Prudential Index Linked Fund	54	70
Prudential International Equity Fund	130	139
Prudential Pre-Retirement Fund	3	7
Prudential Property Fund	65	74
Prudential Retirement Protection Fund	140	177
Prudential Socially Responsible Fund	65	79
Prudential UK Equity (Active) Fund	83	88
Prudential UK Equity (Passive) Fund	254	269
With Profits Cash Accumulation Fund	13,485	13,019
Total	**15,144**	**15,029**

The AVC provider to the Fund is the Prudential. The assets of these investments are held separately from the Fund. The AVC provider secure 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.

The Fund relies on individual contributors to check that deductions made on their behalf are accurately reflected in the statements provided by the Prudential. A summary of the information provided by the Prudential is shown in the tables above.

Note 17 – Contingent Liabilities and Assets

There are two contingencies to note:

1. Westminster College. An estimated bulk transfer payment of £0.6m is due to Oxfordshire County Council Pension Fund. The date for settling this balance has yet to be agreed.

2. Magistrates Court Staff transferred to Department of Constitutional Affairs (DCA) on 01 April 2005. Actuaries are currently working on the calculations of the payment to be made.

Note 18 – Membership of the Fund

The following summarises the membership of the Fund as at 31 March 2011.

	2010	2011
Employer Organisations	73	78
Contributors	21,276	18,830
Pensioners	10,132	10,852
Preserved Pensions	18,131	20,277

Scheduled Bodies Participating in the Fund	
Oxfordshire County Council	Chipping Norton Town Council
West Oxfordshire District Council	Cumnor Parish Council
South Oxfordshire District Council	Didcot Town Council
Cherwell District Council	Eynsham Parish Council
Vale of White Horse District Council	Faringdon Town Council
Oxford City Council	Henley-on-Thames Town Council
Oxford Brookes University	Kidlington Parish Council
Abingdon and Witney College	Marcham Parish Council
Oxford & Cherwell Valley College	North Hinksey Parish Council
Henley College	Old Marston Parish Council
North Oxfordshire Academy	Risinghurst and Sandhills Parish Council
Oxford Spires Academy	Rotherfield Greys Parish Council
The Oxford Academy	Rotherfield Peppard Parish Council
Abingdon Town Council	Sutton Courtenay Parish Council
Banbury Town Council	Thame Town Council
Benson Parish Council	Wallingford Town Council
Berinsfield Parish Council	Wantage Town Council
Bicester Town Council	Wheatley Parish Council
Carterton Town Council	Whitchurch Parish Council
Chalgrove Parish Council	Witney Town Council
Chinnor Parish Council	Woodstock Town Council

Note 19 – Statement of Investment Principles

Oxfordshire County Council has a statement of investment principles. This is published in the Pension Fund Annual Report and Accounts which is circulated to all employing authorities and is also available on the County Council's internet.

Note 20 - Actuarial present value of promised retirement benefits

	2010 £'000	2011 £'000
Present Value of Funded Obligation	1,925,313	1,683,123

Present Value of Funded Obligation consists of £1,395,363,000 in respect of Vested Obligation and £287,760,000 in respect of Non-Vested Obligation.

Actuarial Valuation

The contribution rates within the 2010/11 Pension Fund Accounts were determined at the actuarial valuation carried out as at 31 March 2007.

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 2011 was 19.3% of Pensionable Pay. The corresponding rates of contribution that are required from the major participating employers for this period are:

	% Pay
South Oxfordshire District Council	16.5
West Oxfordshire District Council	21.2
Cherwell District Council	21.7
Oxford City Council	20.2
Vale of White Horse District Council	24.4
Oxford Brookes University	18.5

For some employers, contributions are stepped up to the total rate required over a period not exceeding 3 years ending in the year 2010/11.

The latest actuarial valuation was undertaken as at 31 March 2010.

The funding policy of the scheme is set out in the Funding Strategy Statement and can be summarised as follows:-

- To enable Employer contribution rates to be kept as stable as possible and affordable for the Fund's Employers.
- To make sure the Fund is always able to meet all its liabilities as they fall due.
- To manage Employers' liabilities effectively.
- To enable the income from investments to be maximised within reasonable risk parameters.

The actuarial method used to calculate the future service contribution rate for most Employers was the Projected Unit Method with a one year control period. The Attained Age Method has been used for some Employers who do not permit new employees to join the fund. These calculations draw on the same assumptions used for the funding target.

The market value of the Fund's assets at the valuation date was £1,111.6m. The smoothed market value[2] of the Fund's assets at the valuation date was £1,079.4m representing 79% of the Fund's accrued liabilities, allowing for future pay increases. The Actuary has certified contribution rates for all Fund employers from 1 April 2011, which subject to the financial assumptions contained in the valuation, would result in the deficit being recovered over a period of no more than 25 years.

[2] The smoothed market value is the six month average of the market value straddling the valuation date.

LOCAL GOVERNMENT PENSION FUND ACTUARIAL VALUATION

The contribution rates have been calculated using assets at their smoothed market value and financial assumptions which are consistent with the assets being taken at their smoothed market value. The main financial assumptions were as follows:

Assumptions for the 2010 Valuation	**Annual Rate %**
Inflation	3.5
Pension Increases	3.0
General Pay Increases	5.0
Discount Rates for Periods	6.7

Assumptions are also made on the number of leavers, retirements and deaths. One of the important assumptions is the mortality of existing and future pensioners. Mortality rates have been based on up to date national standard tables adjusted for the recent experience of the Oxfordshire County Council Pension Fund and make allowance for an expectation of further improvements in mortality rates in the future.

FIRE-FIGHTERS' PENSION FUND ACCOUNTS: FUND ACCOUNT

Fund Account for the year ended 31 March

	2009/10 £'000	2010/11 £'000
Contributions receivable		
From employer:		
- normal	-1,878	-1,838
- early retirements	0	0
From members	-1,053	-1,039
	-2,931	-2,877
Transfers in	-154	-62
Benefits payable		
Pensions	3,406	3,646
Commutations and lump sum retirement benefits	1,030	1,559
Lump sum death benefits	20	0
	4,456	5,205
Payments to and on account of leavers	1	1
Net amount payable/receivable for the year before top-up grant receivable/amount payable to sponsoring department	1,372	2,267
Top-up grant receivable	-1,372	-2,267
Net amount payable/receivable for the year	**0**	**0**

FIRE-FIGHTERS' PENSION FUND ACCOUNTS: NET ASSETS STATEMENT

Net Assets Statement	At 31 March 2010 £'000	At 31 March 2011 £'000
Net Current Assets and Liabilities		
Contributions due from employer	7	8
Pension top-up grant receivable from sponsoring department	82	196
Pension top-up grant payable to sponsoring department	-49	0
Other current assets and liabilities (other than liabilities to pay pensions and other benefits in the future)	22	4
Cash balance	-62	-208
Total	**0**	**0**

NOTES TO THE FIRE-FIGHTERS' PENSION FUND ACCOUNTS

1. Basis of Preparation

The fund, which reflects the new financial arrangements relating to both the 1992 and the 1996 Fire-fighter Pension schemes, came into being on 1 April 2006.

The financial arrangements for the Fire-fighters' Pension Scheme 1992 were made in exercise of the power conferred by section 26 of the Fire Services Act 1947 and for the Fire-fighters' Pension Scheme 2006 by the power conferred by section 34 of the Fire Services Act 2004.

The accounts have been prepared in accordance with the requirements of the above powers.

2. Payment of the employers and employees contributions towards pension liabilities

Fire & rescue authorities are required to make an employer contribution, as a percentage of pensionable pay, towards the future pension liability for all serving members, i.e. all Fire-fighters but not pension credit members, of the 1992 and 2006 Fire-fighters' Pension Schemes, into their pension fund.

Fire & rescue authorities are required to pay employees' contributions, the percentage of pensionable pay paid by all serving members, i.e. all Fire-fighters but not pension credit members of the 1992 and 2006 Fire-fighters' Pension Schemes towards their future pension liability into their pension funds.

3. Ill health early retirements

Fire & rescue authorities are required to make a payment into their pension fund of 4x average pensionable pay in respect of all higher tier ill health retirements and 2x average pensionable pay in respect of all lower tier ill-health retirements.

As the number of Fire-fighters who retire on grounds of ill health varies from year to year and will cause financial volatility authorities are required to spread the charges over a period of 3 years. Oxfordshire Fire & Rescue Service had no ill health retirements in 2010/11.

4. Central government top-up grant

The fund is operated on the principle that employer and employee contributions together meet the full cost of pension liabilities accrued from future employment and central government (Department of Communities and Local Government) meet the costs of paying pensions to retired Fire-fighters, net of the employee and employer contributions, by means of a top-up grant.

There are no investment assets held by the fund and where employer and employee contributions paid into the pension fund are not sufficient to meet pension payments for that year, the deficit will be met by Central Government top-up grant. Any surplus in the pension fund is paid back to Central Government.

5. Administration and Management

The fund is administered and managed by Oxfordshire County Council staff whose time is not rechargeable to the fund.

6. Benefits

The funds accounts do not take account of liabilities to pay pensions and other benefits after the year end.

7. Membership

The following summarises the membership of the fund as at 31 March 2011.

	1992 Scheme	2006 Scheme
Contributors	189	357
Pensioners	279	2
Preserved Pensions	30	61

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.

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

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

Annual Governance Statement 2010/11

Scope of responsibility

1. The County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

2. The County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government'*. A copy of the code is on our public website. This statement explains how the County Council has complied with the Code and also meets the requirements of Regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement. Corporate governance is the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, lead and control their functions, to achieve their objectives. The quality of corporate governance arrangements is a key determinant of the quality of services provided by organisations.

DELIVERING GOOD GOVERNANCE - FRAMEWORK:

The purpose of the governance framework

3. The governance framework comprises the systems and processes, and culture and values, by which the County Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable - and not absolute - assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at the County Council for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

The Governance Environment

The key elements of the systems and processes that comprise the Council's governance arrangements are set out below.

Identifying and communicating vision of our purpose and intended outcomes for citizens and service users

4. The County Council's vision and objectives are supported by five long term strategic objectives which are developed jointly by the Cabinet and the County Council Management Team (CCMT) and articulated in our published Corporate Plan. These are:

    - World class economy
    - Healthy and thriving communities
    - Environment and climate change
    - Better public services
    - Breaking the cycle of deprivation

    The planning process takes account of the needs and wishes of customers and communities which are articulated through a range of consultation exercises. The Cabinet's initial proposals are referred to the relevant Scrutiny Committee for further advice and consideration and then submitted to full Council for approval.

5. The strategic priorities are translated into SMART[3] outcome-focused targets which are monitored through our corporate 'Balanced Scorecard' (focussing on performance in four areas – Customers, Finance, People and Process). Our Corporate Plan is supported by Directorate Plans which encompass what the Council is aiming to achieve to deliver the vision. Each of these plans is also supported by a Balanced Scorecard to allow us to measure ongoing progress.

Reviewing the County Council's vision and its implications for the County Council's governance arrangements

6. The County Council's Constitution sets out the roles of and relationships between the full Council, the Cabinet, Scrutiny and other Committees in the budget-setting and policy and decision-making processes and sets out their legal requirements. The County Council's Corporate Plan supplements the County Council's Policy Framework. These formal policies are approved by full Council in accordance with the provisions of the County Council's Constitution. The Constitution also sets out a record of what responsibility each County Council body or individual has for particular types of decisions or for decisions relating to particular areas or functions. The Constitution requires that all decisions taken by or on behalf of the County Council will be made in accordance with the principles set out in the Constitution.

7. The Constitution also sets out how the public can take part in the decision-making process and the Cabinet's Forward Plan of decisions sets out what consultation will be undertaken before a decision is taken and with whom. Some of the responsibilities of the County Council committees require statutory consultation to precede a decision being taken.

8. The Constitution is reviewed annually, but underwent a fundamental review in 2009, the effectiveness of which was considered by Full Council on the 2 November 2010. Whilst

[3] Specific, Measurable, Achievable, Realistic, Timely

most of the changes have been retained, the two principal amendments related to removing the rules relating to themed debates and consequently amending the rule relating to ending Council meetings at 3.30pm.

9. A 30 minute Question Time has been introduced at all Cabinet and individual Cabinet Member delegated decisions. Any councillor may, by giving notice, ask a question on any matter in respect of the Cabinet's delegated powers. The number of questions which may be asked by any councillor at any one meeting is limited to two (or one question with notice and a supplementary question at the meeting). As with questions at Council, any questions which remain unanswered at the end of this item receive a written response.

10. As part of the changes to the Constitution, the Council has agreed to retain its procedure for dealing with the Councillor Calls for Action and retains a duty on Directors to respond to petitioners within 10 working days. The Council has extended these rights of challenge by way of adopting a new petition scheme and arrangements were put in place for the creation of e-petitions.

Risk Management

11. The County Council has a Risk Management Strategy which aims to ensure that there is continuous improvement in the arrangements for managing risk across all directorates. The Director for Social & Community Services and the Chairman of the Audit Committee are nominated as Risk Champions.

12. The County Council has in place a process for identifying, assessing, managing and reviewing the key areas of risk that could impact on the achievement of County Council's objectives and service priorities. Reports to committees to support key policy decisions or major projects include an assessment of both opportunities and risks.

13. A strategic risk register is in place that is owned and reviewed by CCMT. Service Risk Registers are owned and reviewed by each Head of Service with their management teams and the Director on a quarterly basis. An escalation process is in place to report significant service risks to CCMT as part of the quarterly performance reporting process and separately to the Audit Working Group. Risk registers are challenged by both the officer Risk Champion and by the Chief Executive's Office as part of the quarterly corporate monitoring.

14. Risk Management in projects is a standard defined in the Corporate Project Management Guidelines and includes the requirement for risk registers to be maintained as part of the project management process.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the County Council's objectives and for ensuring that they represent the best use of resources

15. Scrutiny Committees hold the Cabinet to account on the discharge of its functions. Service performance and quality are measured through our performance management

framework which aligns with our planning framework to ensure service priorities are in accordance with the County Council's objectives. We also use our residents' survey and citizens' panel to test user perceptions of service quality.

16. The County Council's and Directorate Business Strategies for 2011/12 to 2015/16 set out a programme that will enable the Council to deliver its required savings and will facilitate the cultural shift to a more dynamic and empowered organisation in the context of reduced funding aligned to the Council's priorities in the Corporate Plan.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

17. The County Council's Constitution sets out how the Council operates including the roles of the Cabinet and Committees. The arrangements for delegation to individual Cabinet Members are also set out in the Constitution.

18. The general scheme of delegation to officers is set out in the Constitution, as are the specific powers and functions of senior officers. In addition, individual Directorates have a scheme of further delegations of both financial and decision making powers and each of these is approved by the Chief Finance Officer and the Monitoring Officer.[4]

19. The Assistant Chief Executive & Chief Financial Officer holds the statutory role of Chief Financial Officer within the Council. This role is performed in accordance with the standards defined in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2010.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

20. The County Council has developed and adopted separate Codes of Conduct for Councillors and Officers; both Codes clearly define the high standards of behaviour expected by the County Council and the duty owed to the public. Training to embed the requirements of the codes is provided by the Council's Monitoring Officer for both Councillors and Officers. Both codes form part of the County Council's Constitution and are readily accessible via the council's Internet and Intranet websites.

21. The Independent Chairman of the Standards Committee provides a formal annual report to the Council on the work of the Standards Committee which has overall responsibility for standards of behaviour for Councillors.

    Both codes are reviewed at least annually by the Monitoring Officer to ensure that they continue to be effective and up to date.

22. The new Coalition Government following elections in May 2010 have made explicit their view that the standards regime should be abolished and to that end there are provisions contained in the Localism Bill by which the compulsory requirement on Council's to adopt a Code of Conduct will be abolished. The precise terms of this are yet to be

[4] The Chief Finance Officer carries out the role described by section 151 of the Local Government Act 1972

finalised and the Council awaits the final shape and outcome of these proposals once the provisions of the Act are formally approved by Parliament. Until that time, the current provisions remain.

Reviewing and updating standing orders, standing financial instructions (financial regulations), a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

23. The County Solicitor monitors and reviews the operation of the Constitution to ensure that its aims, principles and requirements are given full effect and makes recommendations on any necessary amendments to it to the Council. The County Solicitor is authorised to make any changes to the Constitution which require: compliance with the law; or to give effect to decisions of the Council or (so far as within their powers) the Cabinet, scrutiny committee and ordinary committees; or to correct errors and otherwise for accuracy or rectification. All other changes to the Constitution will only be approved by the full Council after consideration of a recommendation from the County Solicitor.

24. The Financial Procedure Rules and Financial Regulations are reviewed annually by the Chief Finance Officer and published on the public website. Schemes of Financial Delegation and Delegation of Powers are reviewed and updated annually and are published on the County Council's intranet.

25. The County Council has an Audit Committee which meets six times a year, and operates in accordance with proper practice as defined in the guidance published by CIPFA in 2006. In addition to the formal Audit Committee, the County Council also operates an Audit Working Group, made up of members of the Committee and Senior Officers, chaired by the co-opted member on the Audit Committee; this group looks in detail at specific areas of governance, risk or control under the direction of the Audit Committee.

Review of the effectiveness of the internal audit function

26. In accordance with the Accounts and Audit (England) Regulations 2011, the Audit Committee receives a report annually from the Monitoring Officer on the effectiveness of internal audit. The Audit Committee has determined the process by which this review is undertaken, which includes continuous monitoring of the Internal Audit process by the Audit Working Group and a survey of Senior Officers on effectiveness.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

27. The County Council uses a range of measures to ensure compliance with established policies, procedures, laws and regulations including:

- Notification of changes in the law, regulations and practice to Directorates by Legal Officers;

- Training carried out by Legal Officers and external experts;

- The drawing up and circulation of guidance and advice on key procedures, policies and practices;

- Proactive monitoring of compliance by relevant key officers including the Chief Finance Officer, the Monitoring Officer & County Solicitor and the Assistant Head of Finance (Audit);

- Implementation of the Corporate Legal Strategy.

28. Guidance and advice on all key policies and procedures have been reviewed and updated. All policies and guidance have been incorporated into a Handbook for Managers and toolkits for use for Human Resources and Finance.

29. Compliance with the new or revised policies is monitored by the relevant corporate lead officers and their assessment is incorporated in the year end statements signed off by each corporate lead officer.

30. Under Section 5 of the Local Government and Housing Act 1989, the Monitoring Officer is required to report to the County Council where, in his opinion, a proposal, decision or omission by the County Council, its Members or Officers is or is likely to be unlawful and also to report on any investigation by the Local Government Ombudsman. It has not been necessary for the Monitoring Officer to issue a formal report for the year 2010/11. The Monitoring Officer undertakes a review of the County Council's annual governance arrangements. This review is formally reported to the Audit Committee.

Financial Management

31. The Financial Procedure Rules, Financial Regulations, Scheme of Financial Delegation and Delegation of Powers (paragraph 21 above) are supported by a Treasury Management manual, a Capital manual, an Accounting manual and toolkits for use by non-finance specialists which are published on the County Council's intranet. The Accounting manual has been communicated to staff via a series of finance briefings; the toolkits have been communicated to managers through manager briefings.

32. In addition there are teams of professionally qualified staff both in the Chief Executive's Office and within Oxfordshire Customer Services (formerly known as the Shared Service Centre). Part of their role is to support managers throughout the County Council in fulfilling their financial responsibilities. This support is mainly, but not exclusively, provided by the Finance Business Partners and their teams. The teams also provide regular scrutiny and challenge where appropriate.

Whistle-blowing and receiving and investigating complaints from the public

33. The Council has formal complaints and whistleblowing procedures which allow staff, service users, contractors, suppliers and the public to confidentially raise concerns about any aspect of service provision or the conduct of staff, elected councillors or other people acting on behalf of the Council.

34. An annual review of reports and incidents is undertaken by the Monitoring Officer and is reported to the Audit Working Group.

Identifying the development needs of Councillors and senior officers in relation to their strategic roles, supported by appropriate training

35. There are specific role descriptions for Leader of the Council, Deputy Leader of the Council and Cabinet and Shadow Cabinet Members. In addition, the County Council's Constitution sets out the roles and functions for all councillors. Members' development needs are ascertained against these role descriptions and appropriate learning and development opportunities identified.

36. Training and development needs for senior managers are identified and followed up through the appraisal and personal development plan process Between January and March 2011 we have also undertaken a comprehensive management assessment process with SOLACE which has identified individual and corporate development requirements for our senior managers.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

37. The County Council has clear channels for communicating with all stakeholders. This includes a comprehensive website, a press office for managing messages via the media and responding to media enquiries, established channels for communicating with MPs, representatives from district councils and other partners and an intranet system for communicating with its own staff. A series of staff roadshows were also held for staff which was led by the Chief Executive, to communicate with them about possible changes. This was complemented by an online staff suggestion scheme and a suggestion scheme for the public. A recent OFSTED inspection of safeguarding and looked after children rated Oxfordshire's involvement with parents and children as "outstanding".

38. The County Council also has well established consultation and involvement arrangements to specifically engage the community. There is a council-wide Consultation & Involvement Strategy 'Ask Oxfordshire'. Details of the Council's consultation and involvement activities such as service and policy change consultations, surveys of our Citizens' Panel 'Oxfordshire Voice', service user events and Sounding Boards are published on an online consultation calendar that can be found at http://www.oxfordshire.gov.uk/consultation. In addition last year a series of public meetings were held around the county to discuss with the public the proposed budget reductions - called the Big Debate.

Understanding community and stakeholder views and needs in support of strategy and policy development and service planning and delivery.

39. The County Council uses a wide range of evidence and information to inform strategy, policy development and service planning and delivery. Examples of this include feedback from consultation and involvement activities, evidence base such as "This is Oxfordshire" in support of the Council's Corporate Plan and the use of data about the lifestyle types and needs of people in different parts of Oxfordshire to inform decisions

on locating services. The county council is the accountable body and host for the Oxfordshire Data Observatory (http://www.oxfordshireobservatory.info/) which is an established partnership service providing a high quality shared evidence base and facilitating information sharing between partners. We also attach great importance to engaging with communities that wish to develop their own plans. Community-led planning allows us to respond to local issues and concerns raised by Oxfordshire's communities while encouraging self-help solutions.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in Oxfordshire County Council's overall governance arrangements.

40. The County Council re-structured its Local Strategic Partnership in 2006/07 in advance of the Local Government White Paper, "Strong and Prosperous Communities" to ensure that its strategic partnership arrangements were fit for the purpose of developing the sustainable community strategy and negotiating and managing a new larger Local Area Agreement from April 2008. The Oxfordshire Partnership built on this by undertaking a further review of governance in 2008/09 in order to improve performance management, communication, accountability and the effective engagement of elected members (district and county) in significant partnerships. The Oxfordshire Partnership Board and Public Service Board adopted the new Oxfordshire Partnership Governance and Performance Management Framework in June 2009. The current partnership framework is currently under review with all thematic partnerships currently reviewing their roles, remits and purpose.

Governance and funding within Schools

41. The financial framework for schools is set out in the Scheme for Financing Schools, which is approved by the Secretary of State. The practical day to day application is set out in the Financial Manual of Guidance, which also includes links to the County Council, Constitution, DfE (Department for Education) Toolkit and the best practice advice from the Audit Commission. The Scheme is reviewed and updated annually through the Schools Forum and schools receiving delegated budgets adhere to the financial framework. Failure to comply with the scheme can lead ultimately to withdrawal of delegation.

42. The DSG (Dedicated Schools Grant) is divided between funding direct to schools via a formula (known as the Individual Schools Budget or ISB) and centrally retained expenditure that supports education through key central services to schools. Schools also receive other grant streams via the council and from external sources.

43. It is the responsibility of each School's governing body to set down and oversee the proper governance arrangements for the school, supported by the Headteacher and staff. The governing body is accountable to the local authority for the way the school is run. The central schools support and compliance teams visit schools to provide support, advice and challenge to provide assurance on the ISB and other funding streams at each school. The schools support and compliance teams validate all schools' budgets annually and review schools' budget monitoring reports during the year. A helpline is provided to schools to provide immediate SAP applications and finance guidance where

needed. The teams use a comprehensive risk assessment tool to identify schools with higher financial risks or issues and provide them with additional support and oversight. Where progress is not made, a notice of concern can be issued advising the school of recommended actions and ultimately this could, if necessary, lead to withdrawal of (in whole or part) the delegated budget powers from a school.

44. The management accounting team reviews the spend and governance of the centrally retained DSG expenditure in CYP&F. Both management accounting and schools support are in turn supported by schools technical team responsible for the DSG funding formula calculation (and other funding streams) based on DfE guidance.

45. Schools Support, Compliance and Technical teams each have responsibilities to ensure compliance with the Financial Manual of Guidance and the Scheme for Financing Schools (section 48 of Schools Standards and Framework Act 1998) as well as the national statutory and regulatory environment governing schools finance. All local authorities are required to publish, under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009, an annual budget statement. Oxfordshire's section 251 statement for 2010-11 was published on the OCC website as per guidance. The 2011-12 s251 statement process is in progress at the time of writing.

46. Oxfordshire Schools Forum is consulted on financial and governance issues and advises the council on these from the schools' perspective as well as council officers' direct work with schools and schools' partnerships. Council officers support the work of the forum and its subcommittees and all parties benefit from the exchange of advice and views to improve and develop school governance and management and the work of the forum going forward.

Programme and Project Management

47. The County Council requires projects to be managed using the Project Management Framework which gives a comprehensive structure and processes for project management. The Directorates review projects (progress and governance) as part of quarterly performance reporting. An escalation process is in place to report significant project issues/ risks to CCMT as part of the quarterly performance reporting process and separately to the Audit Working Group. Project registers are challenged by the Chief Executive's Office as part of the quarterly corporate monitoring.

ICT and Information Security

48. The Deputy Head of ICT has overall responsibility for ICT development and security. The Deputy Head of Law & Governance is the Council's Data Controller and chairs the Information Governance Group with representatives from all Directorates, Human Resources and ICT.

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

Review of effectiveness

49. The County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the County Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, whistleblowing reports and comments made by the external auditors and other review agencies and inspectorates.

50. The following paragraphs describe the process that has been applied in maintaining and reviewing the effectiveness of the governance framework, and include some comment on the role of key bodies.

The Audit Committee

51. The Chairman of the Audit Committee produces an Annual Report to Council. The report for 2010 identified the following key achievements:

    - Sustained high level of governance and system of internal control as demonstrated in the outcomes of the Annual Governance Review and the results of the Audit of the Statement of Accounts where no material issues were reported.
    - Investigation into the ICT Overspend and assurance over the adequacy of the management actions taken to minimise the risk of further occurrence.
    - Ensuring improvements in the corporate overview and reporting on risk and performance.

    The Annual Report also refers to the effective role performed by the Audit Working Group. The Group has met regularly throughout the year and reviewed specific areas of governance, risk and control, reporting any significant issues identified to the Committee.

Overview and Scrutiny Committees

52. CIPFA guidance indicated that Audit Committees 'should have clear reporting lines and rights of access to …. for example scrutiny committees'. The Chairman of the Strategy and Partnerships Scrutiny Committee has a standing invitation to attend Audit Committee to provide advice in relation to the work of Scrutiny Committees.

The Standards Committee

53. The Council adopted the model Code of Conduct for Members in May 2007. With the announcement that Standards for England are to be abolished the requirement for quarterly reports has been discontinued by that body. In 2010/11, there were two complaints made against County Councillors of this Authority. In one case the decision of the Initial Assessment Panel was that no further action was required and in the further case the Monitoring Officer was instructed to take 'other action'. The Standards Committee's Independent Chairman has produced an Annual Report to Council of its

activities for 20010/11. The report was considered at a meeting of the Standards Committee on the 23 June 2011 and approved, the report concluded that the standards of conduct had remained high in the Council and that the Standards Committee had actively promoted awareness and understanding of the Code of Conduct for Members of the Council.

54. The Monitoring Officer has undertaken a confidential survey of Member/Officer relations and has concluded that there are no issues of concern with regards to Member intimidation or bullying or inappropriate attempts to influence Officer decision making.

55. The Members' declarations have been reviewed with no significant issues of concern identified and the Council has placed details of all Members' expenses on-line to demonstrate transparency and re-assurance to the public on these important matters.

Corporate Governance Assurance Group

56. This Group monitors and reviews the Annual Governance Statement action plan and completion of risk registers during the year. It has primary responsibility for collating all of the evidence and producing the first draft of the Annual Governance Statement. No recommendations for improvements were made by the external auditors (the Audit Commission) relating to the 2010/11 Annual Governance Statement

57. Progress Report on AGS Action Plan 2009/10

Action	Status	
1. The effectiveness of the new structure and process changes resulting from the Schools Support and Technical Section BPR exercise to be monitored at Chief Officer level until satisfactory performance is achieved.	Action completed.	Complete
2. CYPF is to undertake a further organisational review of management in 2010. The governance arrangements in particular relating to financial management to be embedded to provide effective assurance.	This action has been superseded by further restructuring as a result of the new Business Strategy. Structural changes have been approved by Cabinet and implementation is being overseen by the Business Strategy Group. This group includes senior managers and Cabinet members.	No further action – to be kept under general review.
3. To monitor the development and effectiveness of the integrated corporate reporting of the three key business management streams: risk management; performance management; and, project management.	Integration was completed 31 August 2010 and Monitoring effectiveness was completed quarterly (Nov 2010, Feb 2011).	Complete
4. To monitor performance on the use of SAP in schools to ensure that the support for schools in using the application is effective.	Project now implemented. As a result year end reconciliation of schools balances has been completed for the first time. Feedback on Helpdesk service has been very positive.	Complete
5. To develop, implement and embed a robust policy and associated processes, for the governance of	A policy has been developed but there has been a delay in the implementation because of issues relating to the cost of encryption and the identification of resources to pay, as well	Carried forward to 2011/12 action plan for monitoring of

external data transfer.	as some technical issues that needed to be addressed. It is anticipated that this matter can be completed within the next month.	implementation.
6. To develop, implement and embed a robust policy and associated processes, for the governance of end user developments.	The Access Strategy and Excel Development Policy have now been drafted and will be finalised by 30 June 2011. Key controls include a general prohibition on any End-User developments unless otherwise permitted. It should be noted that implementation and embedding of this policy was delayed during 2010/11, mainly due to the significant changes to the business structure however the use of Business Continuity review process to identify business critical systems/processes and also the improvements to escalation and reporting lines for key meetings e.g. ICT Programme Board and Business Strategy Group at the back end of 2010/11 should mean that these improvements can be delivered 2011/12.	Carried forward to 2011/12 action plan for monitoring of implementation.
7. To review the adequacy & effectiveness of ICT services and their governance arrangements, to meet the needs of the organisation, and to implement any resulting actions.	Action completed.	Complete
8. To review the adequacy & effectiveness of the CRB process and the new Independent Safeguarding Authority vetting and barring scheme, as a key control in managing the safeguarding of children.	Internal Audit have completed additional testing of safer recruitment practices and identified significant improvements with the adequacy and effectiveness of processes.	Complete

Internal Audit

58. The Assistant Head of Finance (Audit) has prepared an Annual Report on the work of Internal Audit which concludes that the work plan completed by the team has been sufficient to provide reasonable assurance on the Council's system of internal control. The opinion on the Council's system of internal control is that overall it continues to operate satisfactorily; in general the key controls in place are adequate and effective such that reasonable assurance can be placed on the operation of the Council's functions.

59. In accordance with the requirements of the Accounts and Audit (England) Regulations 2011, the Monitoring Officer has carried out a review of the effectiveness of the system of internal audit. The scope of the review covered compliance with proper practice (CIPFA Code of Practice for Internal Audit 2006), reporting on performance and outcomes to the Audit Committee, External Auditor's opinion, and a survey of Senior Management on the effectiveness of Internal Audit. In the report to the Audit Committee it was concluded that there is acceptable effectiveness with no significant weaknesses.

Effectiveness of Governance in Schools

60. Renewed schools support, helpline and technical team structures were in operation throughout 2010/11 and supported the full roll-out of SAP in schools along with budget planning and monitoring for the financial year. These new structures have enabled staffing resources to be redirected to more effectively challenge higher risk schools and thereby improve financial management and governance across all schools.

61. The Financial Management Standard in Schools (FMSiS), which assessed financial control within schools on a three year cycle, was withdrawn by government during the financial year. All schools had achieved the minimum standards set out by FMSiS at least once and in many cases twice during the period for which it was in force. All but one school whose accreditation fell due for review during the latter half of 2010/11 agreed voluntarily to be assessed against the FMSiS standard, though not to complete the detailed self assessment which had previously been imposed by government. At the time of removal of the FMSiS standard Oxfordshire was in full compliance with the standard and guidance with some agreed management actions not yet due to be completed. Where schools had initially failed to meet the requirements they were actively assisted to ensure they did meet the standard. It is anticipated that the government will introduce a revised mandatory standard for financial management in schools during 2011/12. Schools Forum has already agreed to a continuation of the current local arrangements using the council's internal audit service to complete assessments against the new standard, which creates efficiencies and synergies for both schools and council in applying the standard. Part of these efficiencies and improved effectiveness is the joint management of the work of the FMSiS audit staff and the Schools Compliance team.

Partnerships and other group working

62. The Oxfordshire Partnership conducted a review of governance of partnerships in 2008/09 in order to improve performance management, communication, accountability and the effective engagement of elected members (district and county) in significant

partnerships. The Oxfordshire Partnership Board and Public Service Board adopted the new Oxfordshire Partnership Governance and Performance Framework in June 2010.

63. The revised framework has improved the effectiveness of partnerships by clarifying governance, improving quarterly reporting arrangements and increasing the responsibilities of the thematic partnerships for managing as well as monitoring performance. The increased transparency of role and purpose enables the Partnership Working Unit and the Council's internal auditors to undertake annual assessments of effectiveness (the first review was due to be concluded in September 2010). Partnerships were able to claim £8.6m in Local Area Agreement reward grant for targets met in the period 2006-2009. This revised framework overall improved the effectiveness of partnerships.

64. The current partnership framework is currently under review with all thematic partnerships currently reviewing their roles, remits and purpose.

Other external review/assurance mechanisms.

65. The County Council receives external reports from a range of sources that can provide assurance or indicate any issues related to internal control and governance. Reports include the Oxfordshire Area Assessment, Ofsted reports on Children's services, Care Quality Commission (CQC)[5], Surveillance Commission on the use of RIPA powers (Regulation of Investigatory Powers Act), the Annual Audit Letter and Annual External Audit Report from the external auditors and any other reports on County Council services published by the Audit Commission during the year.

66. The Care Quality Commission's annual performance assessment for 2009/10 reported that the Council is judged overall to be "performing well" in how it promotes adult social care outcomes.

67. The Children's Services annual rating for Oxfordshire for 2010 was 3 "performs well"; In addition, the annual unannounced inspection of contact, referral and assessment arrangements within Oxfordshire Children's Services by Ofsted identified. areas of strength and areas of practice that met requirements, with some areas for development. The areas for development identified at the previous inspection of contact, referral and assessment arrangements in November 2009 have been addressed, in full or in part, and the area for priority action identified at the previous inspection has been fully addressed.

68. The latest Ofsted inspection of Oxfordshire's Safeguarding and Looked After Children's Services was conducted in March 2011. The report concludes with a view about the following areas, all of which were judged to be 'good': Overall effectiveness of safeguarding services and capacity to improve; and overall effectiveness of services for looked after children and capacity to improve.

[5] The Care Quality Commission replaced the Commission for Social Care Inspectorate (CSCI) with effect from 1 April 2009

69. There have been no major control issues raised by the Audit Commission, in their 2009/10 annual report. Recommendations for improvements were made in the areas of: Journal authorisation and review, Devolved Formula Capital to Schools, Year-end supporting information from schools, SAP to lending database reconciliations, ABACUS to SAP reconciliation , School bank reconciliations and Pension Fund Accounts – use of Authority's bank account.

Business Strategy Governance Arrangements for 2011/12

70. Key deliverables within Directorate Business Strategies are to be managed as projects as a part of the directorate business management process. Updates on projects will be reported quarterly to the Business Strategy Group, with information reported to the Policy Unit through existing quarterly business management (Performance/risk/projects) reporting procedures. The financial position will be reported monthly through the monthly Financial Monitoring Reports to Cabinet. The report name has been amended to Financial Monitoring Report and Business Strategy Delivery Report reflecting the change in emphasis of reporting.

71. Further to these monitoring arrangements, the Chief Finance Officer is meeting regularly with all Deputy Directors to ensure that support is targeted to projects as required to address exceptions arising.

72. Progress of delivering the Directorate Business Strategies is also being regularly reported to CCMT.

Improving the Quality of Governance

73. Some areas have been identified where the quality of governance could be improved, or where there are planned material changes to the governance arrangements. The action plan for 2011-12 is as follows:

Action Plan for 2011-12

Action	Timescale for Completion	Responsible Officer	Monitoring Body
<u>Actions carried forward from 2010-11:</u> 1) To monitor actions to address the improvements still required in relation to information governance relating to:	1a) 30 November 2011	1a) Data Controller	Corporate Governance Assurance Group
(a) external data transfers, which include the approval and implementation of the Secure Transfer of Information Policy (b) end user developments, which include the approval and implementation of the Access Strategy and Excel Development Policy.	1b) 31 December 2011	1b) Lead Officer ICT	Corporate Governance Assurance Group
2) To monitor improvements to address the lack of resilience within ICT infrastructure, which include a back-up facility to be sited at Kidlington, review of priorities for recovery of applications and systems used by Group 1 Services, installation of stand-by generators in County Hall and Clarendon House, and improved Telephony resilience.	31 August 2011	Business Continuity Corporate Lead.	Corporate Governance Assurance Group

Action	Timescale for Completion	Responsible Officer	Monitoring Body
3) To monitor improvements required to update Schemes of Delegation to reflect significant organisational change, which includes the issue of clear guidance on how changes should be made and approved, and consideration of the use of SAP approvers matrix to be used as part of the Scheme of Delegation.	30 September 2011	Financial Management Corporate Lead	Corporate Governance Assurance Group
4) To monitor improvements in relation to ongoing governance of SAP roles, which include introduction of an ongoing process for the identification / risk management of segregation of duties issues and that ownership of SAP roles is clearly identified.	30 September 2011	Financial Management Corporate Lead	Corporate Governance Assurance Group

Action	Timescale for Completion	Responsible Officer	Monitoring Body
5) To monitor improvements in respect of weaknesses identified by HSE for not having robust systems in place when awarding, managing and monitoring service provider contracts, which include improvements to health and safety clauses in contracts and related documentation, targeted training of relevant staff to increase their knowledge and ability to challenge providers, and safeguard the authority by supporting providers in improving their health and safety management system performance.	Updates to be provided at end of each quarter throughout 2011/12	Health and Safety Corporate Lead	Corporate Governance Assurance Group

74. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Oxfordshire County Council

……Date…….
Joanna Simons
Chief Executive

……Date……...
Keith R Mitchell
Leader of the Council

……Date…….
S E Scane
Chief Financial Officer

……Date…….
P G Clark
Monitoring Officer

GLOSSARY OF TERMS

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.

Capital Receipts

Receipts from the sale of capital assets.

Cash Equivalent

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collection Fund

A fund maintained by each district council to receive all income raised through the Council Tax. The County Council precepts the district councils to receive its share of Collection Fund receipts.

Contingent Asset

A possible asset arising from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the County Council's control.

Commutation Factor

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

Contingent Liability

A condition which exists at the balance sheet date, where the outcome will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the County Council's control, or where it is not probable that an outflow of resources will be required to settle the obligation.

Contingent Rent

The portion of a lease payment that is not fixed at the start of the lease but is based on the future amount of a factor that changes other than with the passage of time (e.g. amount of future use, future price indices).

County Fund

The main revenue fund of the County Council into which precept income and Government grants are paid and from which day-to-day payments are made.

Creditors

Amounts owed by the County Council for work done, goods received or services rendered within the financial year for which payment has not yet been made.

Current Asset

An asset which will be used up during the next accounting period eg stocks.

Curtailment

Early retirement costs calculated in accordance with accounting standard IAS19.

Debtors

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

Deferred Income

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

Depreciation

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

Derecognition

Removal of an asset or liability from the Balance Sheet.

Equity instrument

A contract such as an equity share in a company.

Fair value

Fair value is generally the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. This definition is modified by the Code for certain categories of assets and liabilities e.g. Property, Plant and Equipment.

Financial asset

A right to future economic benefits controlled by the County Council that is represented by cash, an equity instrument of another entity, a contractual right to receive cash (or another financial asset) from another entity or a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the County Council.

Financial liability

An obligation to transfer economic benefits controlled by the County Council that is represented by a contractual obligation to deliver cash (or another financial asset) to another entity, or a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the County Council.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial instruments include bank deposits, investments, debtors, long-term debtors, creditors, temporary loans and borrowings**.**

Financial Year

The County Council's accounts cover the period from 1 April in one year to 31 March in the next year.

Fixed Asset

A tangible asset that yields benefit to the County Council and the services it provides for a period of more than one year.

General Government Grants

These are general grants paid by central government in aid of local authority services as opposed to specific grants which may only be used for a specific purpose. The main general grants are Revenue Support Grant and Area Based Grant.

Impairment

A reduction in the carrying value of an asset arising from physical damage, obsolescence or a significant decline in market value.

Inventories

Raw materials and stores which the County Council has bought and holds in stock for use as required such as salt for roads and catering supplies.

Intangible Asset

An asset that does not have physical substance but is identifiable and controlled by the organisation through custody or legal rights e.g. software licenses.

International Financial Reporting Standards (IFRS's)

These are issued by the International Accounting Standards Board and provide standards for the preparation of financial statements.

Landfill Allowance

Allowance to use landfill allocated by the Department for the Environment, Food and Rural Affairs under the Landfill Allowance Trading Scheme.

Lease

A method of financing capital expenditure where a rental charge is paid for an asset for a specified period of time.

Lessee

A party to a lease agreement who makes payment to use an asset.

Lessor

A party to a lease agreement who receives payment for the use of an asset.

Liabilities

Amounts owed by the County Council which will be paid at some time in the future.

Long Term Investments

Investments that are not due to mature within the next 12 months.

Mortality Assumptions – Abbreviations

PNMA00 **-** Mortality table for males retiring on or after normal retirement age based on pension amounts issued as part of the "00" mortality tables produced by the Continuous Mortality Investigation. The "00" mortality tables are based on 1999-2002 experience and published in CMI Working Papers 21 & 22, 2006 and CMIR23, 2009.

PNFA00 - Mortality table for females retiring on or after normal retirement age based on pension amounts issued as part of the "00" mortality tables produced by the Continuous Mortality Investigation. The "00" mortality tables are based on 1999-2002 experience and published in CMI Working Papers 21 & 22, 2006 and CMIR23, 2009.

S1NA - Mortality table for those retiring in normal health based on pension amounts issued as part of the "S1" series of mortality tables produced by the Continuous Mortality Investigation. The "S1" mortality tables are based on mortality experience in Self-Administered Pension Schemes between 2000 and 2006 and published in CMI Working Paper 35.

S1PA Heavy - Mortality table for those pensioners with the lowest pensions based on pension amounts issued as part of the "S1" series of mortality tables produced by the Continuous Mortality Investigation. The "S1" mortality tables are based on mortality experience in Self-Administered Pension Schemes between 2000 and 2006.

LC - Long Cohort, being the mortality improvement rates issued by the Continuous Mortality Investigation with the 92 series mortality tables in CMIR 17(1999), as amended by CMI Working Paper 1 (2002) to take account of improvements observed from 1992 to 1999, assuming that the faster rate of improvement would fade away from 2000 to 2040.

MC - Medium Cohort, being the mortality improvement rates issued by the Continuous Mortality Investigation with the 92 series mortality tables in CMIR 17 (1999), as amended by CMI Working Paper 1 (2002) to take account of improvements observed from 1992 to 1999, assuming that the faster rate of improvement would fade away from 2000 to 2020.

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.

Pooling

Where services benefit larger areas than the local authorities which provide them, the expenditure is sometimes pooled according to a formula which reflects usage of the service.

Precept

The levy made by the precepting authority (the County Council) on billing authorities (the district councils in Oxfordshire) requiring the latter to collect income from council taxpayers on their behalf.

Private Finance Initiative (PFI)

A scheme to encourage private sector investment in the public sector. Typically these involve a private sector operator building or enhancing property and operating services on behalf of a public sector organisation.

Professional Fees

The fees paid by the County Council for professional services such as those of architects and quantity surveyors.

Provision

An amount of money put aside in the accounts for anticipated liabilities which cannot be accurately estimated eg insurance provision for claims awaiting resolution.

Public Works Loan Board

A central government agency which provides long and shorter term loans to local authorities at interest rates slightly higher than those at which the government itself can borrow. Local authorities are able to borrow a proportion of their requirement to finance capital spending from this source.

Reserves

Amounts of money put aside to meet certain categories of expenditure in order to avoid fluctuations in the charge to the County Fund.

Revenue Expenditure

The County Council's day-to-day expenditure on items which include wages, supplies and services and interest charges.

Revenue Expenditure Funded from Capital Under Statute

Capital expenditure as defined by statute that does not result in the acquisition, creation or enhancement of fixed assets and is charged to the Comprehensive Income & Expenditure Statement in accordance with the accounting policy.

RIA
Receipts received in advance.

Settlement (Retirement Benefits)

Settlement relates to a bulk transfer out of the Fund as a result of outsourcing. It reflects the difference between the liability transferred (calculated in accordance with accounting standard IAS19) and the assets transferred to settle the liability.

Specific Grants

Grants paid by the Government in respect of specific services.

Strategic Measures

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

Supported Capital Expenditure (Revenue) (SCE(R))

Borrowing supported by the government through general grant.

Transfer Values

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

Unusable Reserves

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

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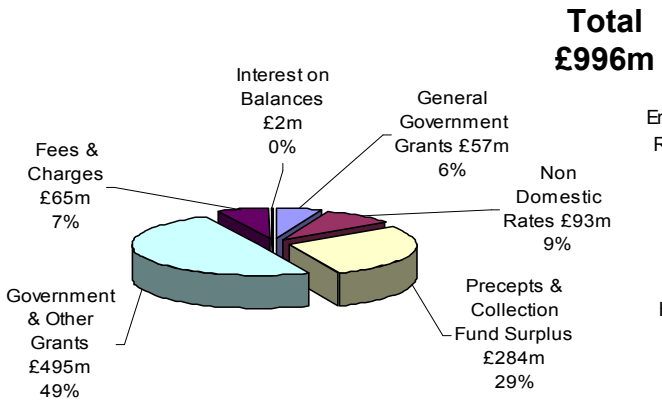
SUMMARY OF ACCOUNTS 2010/11

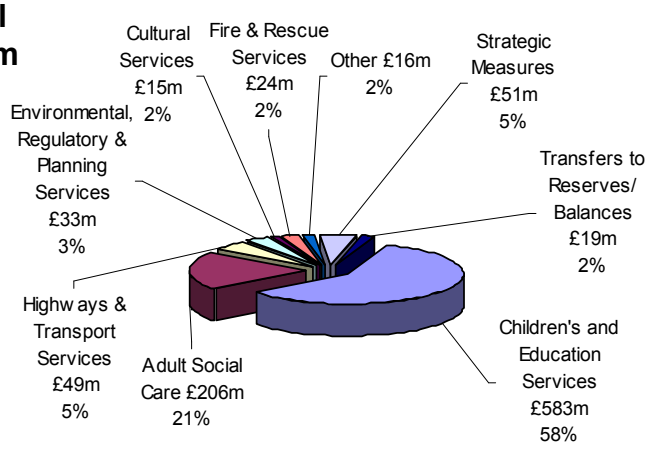
The County Council's accounts set out how much money we have spent on services, what we have invested in capital projects, how we have funded the expenditure and what assets we own.

Review of 2010/11

Where the money came from



What services the money was spent on



The Council set a net revenue budget for the year of £389.9m to finance day to day service provision. Actual spending for the year was £388.8m, £1.1m lower than had been planned. The Council also received £0.7m additional general government grant resulting in a total increase to balances of £1.8m. The County Fund balance has therefore increased from £12.9m at the outset of the financial year to £14.7m at 31 March 2011.

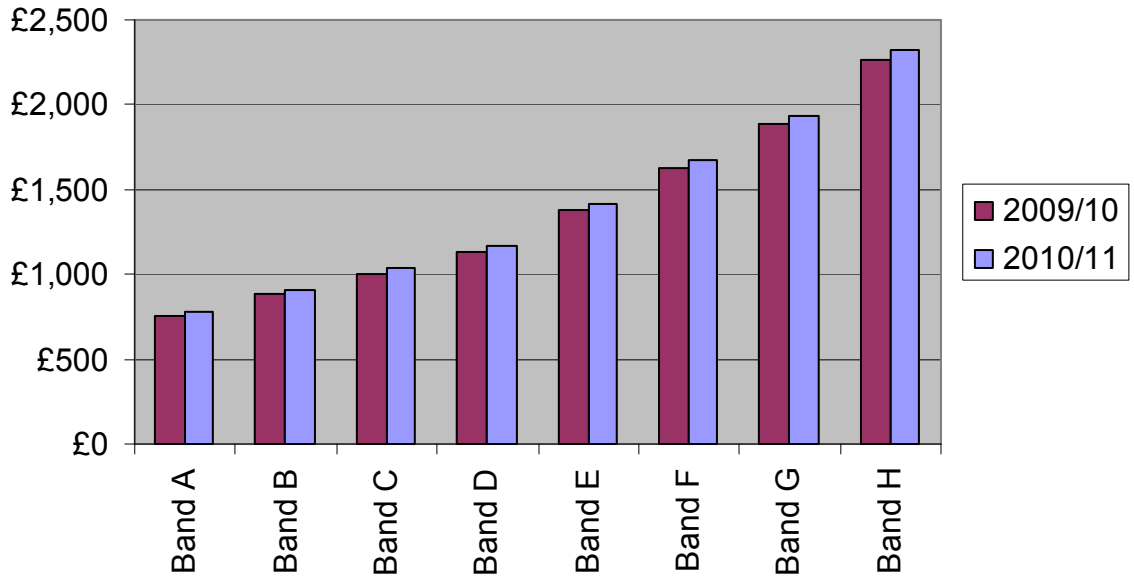
Summarised Revenue Account	**Gross Expenditure £m**	**Income £m**	**Net Expenditure £m**
Net cost of services	**902.2**	**-555.2**	**347.0**
Other operating expenditure	20.7	-5.8	14.9
Financing and investment income and expenditure	56.2	-9.3	46.9
Taxation and non-specific grant income	0.0	-498.5	-498.5
Surplus on provision of services	**979.1**	**-1,068.8**	**-89.7**
Adjustments between accounting basis & funding basis:			
Income and expenditure to be excluded	-28.8	73.3	44.5
Capital financing costs to be included	26.5	0.0	26.5
Net Increase before transfers to earmarked reserves	**976.8**	**-995.5**	**-18.7**
Transfers to earmarked reserves	16.9	0.0	16.9
Increase in County Fund balance for the year	**993.7**	**-995.5**	**-1.8**

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

County Fund Balance	£m
Balance at start of year	**12.9**
Increase in year	1.8
Balance at end of year	**14.7**

Our Council Tax Funding

The graph below shows how much Council Tax for County Council services was charged for each property band in 2009/10 and 2010/11.



	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
2010/11	£775	£904	£1,033	£1,162	£1,420	£1,678	£1,936	£2,323
2009/10	£754	£879	£1,005	£1,131	£1,382	£1,633	£1,884	£2,261

Capital Investment

We also spent money on improving assets…

Spending…	**£m**	**Paid for by…**	**£m**
Children's and education services	64.1	External borrowing	30.1
Environment, roads and transport	22.1	Grants & contributions	61.9
Social & community services	6.7	Revenue	7.5
Properties and offices	4.9		
Technology	1.7		
	99.5		**99.5**

Capital schemes that have benefited the community include:

Oxford Academy	£15.6m
Replacement of buildings at Wood Farm School	£3.3m
New sixth form centre at Cooper School	£2.5m
New science block at Chipping Norton School	£2.3m
Self-service automation in libraries	£0.7m
London Road improvements in Headington (Phase 3)	£1.9m
A40 drainage scheme	£1.1m

Summarised Balance Sheet as at 31 March 2011

The balance sheet shows the Council's financial position on 31 March 2011; the end of the 2010/11 financial year. It identifies what we own, what we owe and how this is funded.

	£m
Net Assets	
Long-term assets	1,551.2
Cash and short-term investments	196.3
Money owed to the Council	44.2
Other short-term assets	2.7
Money owed by the Council	-84.2
Borrowing	-439.5
Pensions and other liabilities	-475.8
Capital grants and contributions	-47.1
Total assets less total liabilities	**747.8**
Financed by	
Earmarked reserves	84.7
Other usable reserves	51.1
Unusable reserves	612.0
Net Assets	**747.8**

Earmarked Reserves

The Council’s earmarked reserves as at 31 March 2011 are as follows:

	£m
Schools' delegated balances	21.6
Capital investment	16.6
Insurance	6.2
Other corporate reserves	24.1
Directorate reserves	16.2
	84.7

Other Usable Reserves

The Council’s other usable reserves as at 31 March 2011 are as follows:

	£m
County Fund balance	14.7
Capital investment balances	36.4
	51.1

Cash Flow

The cash flow summary shows the total cash inflows and outflows during the year and includes both capital and revenue transactions.

	£m
Cash in hand at 1 April 2010	-1.9
Cash in	1,589.3
Cash out	-1,561.8
Cash in hand at 31 March 2011	**25.6**

The negative opening position did not mean that the County Council was overdrawn at the bank, as it manages cash on behalf of the pension fund, trust funds and other third parties which have been excluded from the above. However, it does represent the County Council's position in isolation.

Plans for future service delivery

The Medium Term Financial Plan for 2011/12 to 2015/16 reflects the Council's strategic objectives of Efficient Public Services, World Class Economy, Healthy and Thriving Communities and Environment & Climate Change and the principles of low taxes, real choice and value for money. The Plan builds upon the assumptions used in the previous year to take account of the anticipated national budget reductions. Savings targets reflect the planned reduction in Government departmental spending totals of 25% over the four year period to 2014/15. A Business Strategy programme has been developed to enable the Council to deliver its required savings and to facilitate the shift to a slimmer, more dynamic and empowered organisation.

Oxfordshire County Council Pension Fund

The County Council is the administering authority for the Oxfordshire Local Government Pension Fund, which serves 77 other employing bodies as well as the County Council itself.

Summary at 31 March 2011		**Net Assets at 31 March 2011**	
	£m		**£m**
Opening net assets at 1 April	1,111.6	Value of investments	1,237.3
Net income from fund members	27.8	Net money owed to the pension fund	7.5
Net returns on investments	105.4		
Closing net assets at 31 March 2011	**1,244.8**	**Net assets of the pension fund at 31 March 2011**	**1,244.8**

There were 18,830 contributing members to the fund at 31 March 2011, and 10,852 pensions were paid. Contribution rates for 2010/11 were based on the valuation of the Scheme's financial position as at 31 March 2007.

Pension Fund Annual Report

The Pension Fund annual report is available to be downloaded from the County Council's website at: www.oxfordshire.gov.uk. The report for 2010/11 will be available from December 2011.

Fire-fighters Pension Fund

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

Status of Accounts

The County Council's accounts are prepared in accordance with the Code of Practice on Local Authority Accounting. This summary is taken from the full Statement of Accounts certified by the Assistant Chief Executive and Chief Finance Officer on 28 June 2011 and is still subject to audit. The audited accounts will be published at the end of September and will be made available on the County Council's website.

What do you think?

If you have any questions or suggestions as to how we could improve these summary accounts, please contact Stephanie Skivington:
Telephone: 01865 797443
Email: stephanie.skivington@oxfordshire.gov.uk
Address: Financial Accounting and Reporting, Operational Finance, Oxfordshire Customer Services, Oxfordshire County Council, Unipart House, Garsington Road, Oxford, OX4 2GQ.

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 precept requirement.

Balance Sheet
A statement summarising the County Council's financial position at the end of an accounting period. The statement shows the County Council's assets and liabilities.

Capital Asset
A tangible asset that yields benefit to the County Council and the services it provides for a period of more than one year.

Capital Expenditure
Expenditure on the provision of lasting assets, for example land, buildings, road, vehicles and equipment such as computers.

Capital Receipts
Receipts from the sale of capital assets.

County Fund
The main revenue fund of the County Council into which precept 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 grants are Revenue Support Grant and Area Based 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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Scrutiny Annual Report

2010 – 2011

Introduction

I am pleased to present the Annual Scrutiny Report for 2010- 2011. The report highlights some of the work undertaken by scrutiny over the last year.

The report is not intended to be comprehensive, rather to highlight areas of good practice, where scrutiny has made a difference to the work of the council and the people of Oxfordshire.

Scrutiny councillors have an opportunity to make a real difference: to change decisions; to listen to vulnerable groups and ensure their voices are heard; to advocate for communities; and to hold officers and cabinet to account. But there is also a softer element to scrutiny, one where the results are more difficult to point to, but where perhaps the impact is greater. Scrutiny councillors often work collaboratively with officers and partners to develop policy; to identify and solve issues before they become problems and to shape the forward direction of the council to meet the needs of our communities. This report highlights just some of the many opportunities scrutiny councillors have taken to challenge and influence the work of the council for the better.

Councillor Melinda Tilley,
Chairman of the Strategy & Partnerships Scrutiny Committee 2010/11

World Class Economy

"The past year has seen the formation of the new local enterprise partnership for Oxfordshire. It is the key partnership to set the long term vision for Oxfordshire's economy and drive forward innovation and wealth creation in the county. Strategy and Partnerships scrutiny has taken a keen interest in the enterprise partnership as it has developed over the past year and will continue to track its progress in providing a strategic link between business and the public sector including the universities.

It is still early days for the enterprise partnership but Strategy and Partnerships are particularly keen to see that it is successful where past partnerships have struggled to show their impact. In particular the Committee anticipates a number of positive impacts from the enterprise partnership including its ability to bring together the different sectors, to strengthen the local economy and to work to address the issue of skills needs in the County".

Councillor Melinda Tilley, Chairman of the Strategy and Partnerships Committee

Future proofing our economy

Whilst Oxfordshire has one of the strongest economies in the South East, it is still important that we continue to look ahead and ensure that the decisions we make now will help us manage future growth. Oxfordshire's workforce are key to our economic success and looking forward we must ensure the skills and opportunities created by our businesses match the skills and aspirations of our residents. The Strategy and Partnerships Committee championed this issue of skills development when scrutinising the work of the Local Economic Partnership. The Committee supported the development of an evidence based skills needs assessment that engages employers more effectively and will continue to hold the partnership to account for the delivery of this assessment and action plan.

To ensure that Oxfordshire has a skilled workforce ready to meet the needs of businesses, we must also ensure that young people reach their academic potential. The Children Services scrutiny working party on pupil attainment made a number of important observations in the areas of school federations, partnerships, sharing best practice, teacher training and governor development and information. The observations were accepted by the directorate and all were incorporated into practice.

"We were very pleased - but not complacent- at the findings of the recent OFSTED Inspection. We will be looking at Attainment for Looked After Children, especially in Maths and English and Personal Educational Plans (PEPs). Looking forward, the focus for Children's Scrutiny Committee will be on Admissions Policy for Special Schools and the mounting pressures on Safeguarding. We are also studying the briefings ahead of the select committee enquiry into KS1 attainment in July and are determined that it will result in tangible outcomes."

Councillor Ann Bonner, Chairman of the Children's Scrutiny Committee

Listening and advocating

Scrutiny plays a vital role in the work of the council by listening and giving a voice to those who are seldom heard. The Children's Services Scrutiny Committee has had a key role in listening to young people who are not in employment, education or training (more widely known as NEETs). By providing a forum for their views and experiences the committee was able to ensure that their experiences were reflected in council policies and practices. The Committee continues to hold the cabinet and officers to account to their commitment to ensuring that every young person gets the help they need to gain and maintain employment.

The Growth and Infrastructure Committee has taken a lead on ensuring that the views of local people and the business community have been central to plans to address traffic congestion. Over the past year the Scrutiny Committee for Growth and Infrastructure continued to take a close interest in the development of the Local Transport Plan 3 which included significant input from the Committee's Working Group dedicated to looking at this issue. The working group has supported policy development and given constructive feedback on the proposals which resulted in the strategy being agreed and signed off. The Working Group was credited with adding significant value to the strategy.

Healthy and Thriving Communities

"The NHS, both locally and nationally, is always changing. It is vitally important that the Health Overview and Scrutiny Committee should work with the NHS, the County Council, the voluntary sector and other agencies and act as a critical friend to ensure that services are provided in the best interests of local people as well as the NHS. It is also part of the HOSC's role to ensure that all proposals for change and development of services are transparent and that those who would be affected are consulted fully".

Councillor Peter Skolar, Chairman of the Health Overview and Scrutiny Committee

Healthy Communities

Sometimes the role of 'critical friend' means that scrutiny committees are in a position when they are strongly challenging the work of both internal and external partners. When changes were proposed to the Silver Star High Risk Maternity Unit at the John Radcliffe Hospital the Health Overview and Scrutiny Committee expressed concern at the lack of notice, particularly as this had given rise to fears that the unit would close. Members asked the Oxford Radcliffe Hospitals Trust for details of the future plans for the unit and a timetable for proposed changes. Following the Health Overview and Scrutiny Committee involvement the Oxford Radcliffe Hospital Trust decided not to make any changes to the unit.

In August 2010 the County Council/NHS Pooled Budget Joint Management Group had decided to end a contract for short term Intermediate Care beds at Watlington Care Home. The County Council and the Primary Care Trust had received a number of objections to the decision. So the Health Overview and Scrutiny Committee considered the issue and members decided that, although the beds were provided by the County Council, they were in an NHS setting and medical care was provided by Community Health Oxfordshire. Therefore, it was an NHS service and any plans for closure would be subject to the same rules which state that any substantial service change would require full public consultation. In response to this decision, the Joint Management Group decided to suspend the decision to end the contract, pending a review of the Joint Intermediate Care Strategy.

As well as challenge, scrutiny has a key role to play in developing policy. Adult Services Scrutiny Committee has contributed to the development of Autism / Asperger's Strategy. The Committee benefited from hearing directly from a range of stakeholders, including people with an autistic disorder and their carers, and voluntary and public sector professionals working in both health and social care. The Committee highlighted the importance of the strategy to improve services and of working collaboratively to meet the needs of people living with autism in Oxfordshire and made a recommendation to Cabinet to that effect.

Adult Services scrutiny has been involved in the *Keeping People Well project* to re-commission day services provided by voluntary and community organisations for adults with mental health problems. Members of the HOSC were keen to ensure that, following the commissioning process, service level outcomes would demonstrate equity of access and improved service levels. A HOSC member sat on the commissioning group as an observer to ensure that the process was transparent and that appropriate consultation took place. The new service is now being implemented.

Partners' input in scrutiny committees' work is especially valued by the Adult Services Scrutiny Committee which receives regular briefings and updates from Oxfordshire LINk network. LINk has enabled the Committee to have insight into the experiences of people who use Council services that may not otherwise have been heard from.

Independent lives

"Adult Services Scrutiny Committee has been able to contribute valuable input into the development of adult social care policy which seeks to move away from placing people in long term residential care and to make better use of domiciliary care so that people can be supported for longer in their own homes. The Committee has been very supportive of the idea that residential care should be viewed as a last resort so that people can stay independent, living as part of their community and live healthier lives for longer but still have their needs met and be kept safe."

Councillor Don Seale, Chairman of the Adult Services Scrutiny Committee

The move to Self-directed support which forms part of the Transforming Adult Social Care Programme (TASC) reflects this move towards promoting independence. The transformation work has been a major focus for Adult Services Scrutiny Committee over the last 12 months. The Committee is closely in touch with the developments and monitors the implementation of the programme with detailed updates at every meeting. Alongside this Adult Scrutiny's TASC Taskforce has focussed on detailed and complex areas such as the development of the Resource Allocation System (RAS), safeguarding issues and the use of brokers to enable people to use their personal budgets effectively.

Safe communities

There are many elements to building healthy and strong communities. We know that a healthy community is one where people are safe and feel that they are safe. The Safer and Stronger Committee has a duty to scrutinise the work of the Oxfordshire Safer Communities Partnership; to ensure that they are working to address areas of concern. The committee works to ensure that the priorities expressed by our communities were being addressed by the police and partnership through ongoing scrutiny of their work.

The Children's Services Committee is also concerned with communities being safe and a priority topic reviewed this year was the Anti-Bullying Strategy. The committee made a number of recommendations relating to partnership working with the police and others, the improvement of guidance for schools governors and parents and links with school councils. All of these recommendations have been included in the anti-bullying strategy.

The Safer and Stronger Scrutiny Committee's remit extends to Fire and Rescue and the critical role they play in keeping Oxfordshire safe. The Fire Service undertook a long term national programme involving significant changes to their call receipt and control room function. The committee requested regular reports on the implementation of the project. The Fire Service have said that the prolonged interest and constructive challenge from the scrutiny committee helped sustain Control Room morale under difficult circumstances, and helped to ensure that when the project was terminated by central government that Oxfordshire was in a strong position to provide a strengthened Control Room function.

The committee also constructively challenged the Fire and Rescue Service Integrated Risk Management Action Plan and the Annual Response Standards Report. The comments and feedback given are highly valued by senior Fire and Rescue Services Managers and allow future Service Delivery to be tailored to meet public expectations.

Environment and Climate Change

Reducing emissions and increasing energy efficiency

One of the key challenges facing the Council has been the need for a reduction in emissions and increased energy efficiency for Oxfordshire.

The Growth and Infrastructure Scrutiny Committee has played an important role in promoting the council's strategic objective of 'Environment and Climate Change' through its scrutiny of the carbon management strategy. The Committee has been closely involved in the evolving strategy with regular updates to inform discussion and detailed questioning during question and answer sessions.

"The Growth & Infrastructure Scrutiny Committee plays a key role in monitoring progress with projects that aim to reduce carbon emissions across the County. The current financial climate means that increasing energy efficiency across Council activities is a very important and pressing issue. In particular the Committee has had significant input to developing the County's approach to reducing carbon emissions from schools and ensuring our assets are energy efficient. "

Councillor David Nimmo-Smith, Chairman of the Growth and Infrastructure Scrutiny Committee

Minerals and Waste Development Framework

The Growth and Infrastructure Committee have played a key role in developing the Minerals and Waste Development Framework. The Committee listened to the concerns of residents around access and routing arrangements to sites and held the Cabinet to account to ensure that these concerns had been considered and where possible, addressed. The Committee secured agreement that when implementing the Framework consideration would be given to the impact the routing of traffic can have on communities and the difficulties of enforcing routing agreements.

Severe weather

The severe weather in recent years has led to several periods of interruption to work and businesses. The Growth and Infrastructure committee recognised many communities were unsure how best to respond to heavy snow fall and that this lack of clarity was stopping people from helping themselves and their communities. The Committee considered how to promote better what people can do for themselves and developed resources giving information and advice to communities about how to respond to periods of severe snow. The information was circulated to District and Parish Councils and proved to be very useful to communities during the snowfall in December.

Better Public Services

"All Services are being asked to do "more with less" funding, and for communities to do more to help themselves. The Safer and Stronger Communities Scrutiny Committee tries to act as a focal point to ensure a balanced and fair approach is maintained, and that the impact is beneficial to services and communities alike. We will also continue to ensure the highest standards are maintained in services that protect and serve the public. Communities should be allowed to lead the way in providing local solutions to local issues, and we will continue to support them in doing so".

Councillor Lawrie Stratford, Chairman of the Safer and Stronger Scrutiny

Keeping Council Tax low

The last year has seen the local government financial landscape change significantly which poses many challenges for us. Scrutiny Committees have used their role as 'critical friend' to ensure that the Council is effectively managing the tightening budgets and keeping to the commitment to keep council tax increases low. In December all Scrutiny Committees met on a single day for detailed consideration of the 2011/12 – 2014/15 Directorate business strategies and budget proposals. This new approach to service and resource planning enabled committees to consider the cross cutting impact of proposals and make recommendations to Cabinet.

Customer service

The business strategy programme is a key stream of work which Strategy & Partnerships Scrutiny Committee have been involved in from the early stages. Improving customer service is a key challenge for the council and the committee has taken a keen interest in the development and roll out of the customer service centre and maintains an overview of how the centre is performing and the drive to further enhance online services.

Localism

Striving for better public services is a focus for all of us and each of the scrutiny committees plays its part in ensuring that the Council continues to offer not only excellent public services but also that these services are designed to meet local needs. This has been a central issue for the Strategy and Partnerships Scrutiny Committee which has been keeping a close eye on the Localism Bill as it makes its passage through Parliament.

The Localism Bill potentially presents a number of significant changes for local government. Strategy and Partnerships Committee have had a number of briefings on the bill and debated how the proposals will affect Oxfordshire and the particular challenges that may be faced in implementing the new law when it comes into force. Particular areas identified for further consideration are around governance and neighbourhood planning.

Big Society

The council has always been committed to supporting communities to do things for themselves through community led planning. Over the past year scrutiny has worked closely with officers as momentum has gathered pace around Big Society. Strategy and Partnerships have focused on the overall approach to the Big Society highlighting the differences between rural and urban communities with the lack of town and parish councils in urban areas adding to complexity; and the importance of the role played by small and medium enterprises in communities.

In July the Safer and Stronger Communities Committee held a select committee style enquiry with a range of panellists asking them to consider some of the barriers that people may experience which act as a disincentive to community involvement and self help. The session generated useful evidence and feedback from a range of partners in the voluntary and community sector that informed the development of the approach to Big Society.

AUDIT COMMITTEE – 20 APRIL 2011

WORK PROGRAMME 2011/12

2011

21 September

Risk Management Annual Report
(Risk & Performance Adviser)

Final Statement of Accounts 2010/11:
- Annual Governance Report 2010/11 (OCC)
- Annual Governance Report 2010/11 (OCC Pension Fund)
- Statement of Accounts 2010/11 Audit Adjustments
- Letter of Representation to the Auditors

Treasury Management Outturn 2010/11
(Sue Scane)

Local Government Ombudsman's Annual Review of OCC
(Peter Clark)

Review of Corporate Governance Assurance Framework
(Peter Clark & Sue Scane)

16 November

Treasury Management Governance – Annual Report
(Sue Scane)

Financial Management Action Plan
Progress to date and feedback
(Jo Stone / Kathy Wilcox)

2012

18 January

Review of the Process for Reporting on the Effectiveness of the System of Internal Audit
(Ian Dyson)

Audit Committee - Draft Work Programme 2012/13
(Co-ordinated by Committee officer in consultation with relevant directorate officers)

29 February

Audit Committee Annual Report to Council 2011
(in accordance with the process adopted by the Committee on 29 November 2006

Internal Audit Services-Internal Audit Strategy & Annual Plan 2012/13
(Ian Dyson)

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Audit Commission Reports

2011:

21 September - Progress Report, Annual Governance Report
16 November - Progress Report, Annual Audit Letter

2012:
18 January - Progress Report
29 February - Progress Report

Regular Reports:

- Scrutiny - governance & control matters (as they become available):
  - scrutiny annual report
  - scrutiny work programme

  (Alexandra Bailey)

- Audit Working Group
  (Ian Dyson)

- Audit Committee Work Programme – update/review
  (Committee Officer/Chairman/relevant officers)

- Business Strategy - updates
  (Sue Scane)

Other matters

None identified

Background Papers	Nil
Contact officer:	Geoff Malcolm, Committee Officer Tel: (01865) 815904

June 2011