



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

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

Wednesday, 18 September 2013 at 2.00 pm

County Hall, Oxford, OX1 1ND

Peter G. Clark.

Peter G. Clark
County Solicitor

September 2013

Contact Officer: **Deborah Miller**
Tel: (01865) 815384; E-Mail: deborah.miller@oxfordshire.gov.uk

Membership

Chairman – Councillor David Wilmshurst
Deputy Chairman - Councillor Charles Mathew

Councillors

Surinder Dhesi
Janet Godden
Sandy Lovatt

Caroline Newton
Susanna Pressel
Roz Smith

Lawrie Stratford

Co-optee

Dr Geoff Jones

Notes:

- **Date of next meeting: 20 November 2013**
- **Members are asked to note that from 1.00-2.00pm on the 18 September (i.e. pre the Audit Committee meeting) there will be a development briefing.**

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

- (a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
- (b) provide false or misleading information on registration, or
- (c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?

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

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

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

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.

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

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

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

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

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

List of Disclosable Pecuniary Interests:

Employment (includes *“any employment, office, trade, profession or vocation carried on for profit or gain”*.), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

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

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

AGENDA

1. **Apologies for Absence and Temporary Appointments**

2. **Declaration of Interests - see guidance note**

3. **Minutes** (Pages 1 - 6)

To approve the minutes of the meeting held on 3 July 2013 (**AG3**) and to receive information arising from them.

4. **Petitions and Public Address**

5. **Local Government Ombudsman - Changes to Annual Reviews and to Investigations** (Pages 7 - 14)

2.10pm

Report by the County Solicitor and Monitoring Officer.

The report summarises the findings of the Local Government Ombudsman Annual Review of Oxfordshire County Council for the year ended 31 March 2013 (**AG5**)

The Committee is RECOMMENDED to note and comment upon this report and on the Local Government Ombudsman's Annual Review of Oxfordshire County Council for 2012/13.

6. **Risk Management Annual Report** (Pages 15 - 18)

2.30pm

Report by Research and Major Programmes Manager (**AG6**)

The Committee is RECOMMENDED to:

- (a) note the progress to date; and***
- (b) provide any feedback on the report.***

7. **Audit Working Group Report** (Pages 19 - 22)

2.50pm

Report by the Chief Internal Auditor (**AG7**).

The report summarises the matters arising at the meeting of the 5 September 2013.

The Committee is RECOMMENDED to note the report.

8. Final Statement of Accounts 2012/13 (Pages 23 - 240)

3.10pm

Final statement of Accounts 2012/13 and Management Representation Letter 2012/13 to the Auditors.

Reports by the Assistant Chief Executive and Chief Finance Officer (**AG8**).

The Committee is RECOMMENDED to:

- (i) ***Consider and approve the Statement of Accounts for 2012/13;***
- (ii) ***Consider and approve the Letter of Representation 2012/13 for the Oxfordshire County Council accounts;***
- (iii) ***Consider and approve the Letter of Representation 2012/13 for the Oxfordshire Pension Fund accounts.***

9. Annual Audit Letter 2012/13 (Pages 241 - 250)

3.30pm

Annual Audit Letter for 2012/13 Audit (**AG9**).

A representative of the Audit Commission will present the Letter.

The Committee is RECOMMENDED to consider and receive the Letter

10. Ernst & Young External Auditors (Pages 251 - 304)

3.50pm

A representative of Ernst & Young will attend for these items:-

- Annual Results Report – Oxfordshire County Council (**AG10a**)
- Annual Results Report – Oxfordshire Pension Fund (**AG10b**)
- Verbal Progress Report to Committee. Attached is the LG Sector Update Report – Government and Economic News for information only (**AG10c**)

11. Internal Audit 2013/14 - Progress Report and Quarter 3 Plan (Pages 305 - 334)

4.10pm

Report by Chief Internal Auditor (**AG11**).

The report presents the Internal Audit progress report and Plan for quarter 3 2013-14 for approval of the Audit & Governance Committee.

*The Committee is **RECOMMENDED** to approve the Q3 plan.*

12. Committee Work Programme 2013/14 (Pages 335 - 338)

4.30pm

To review / update the Committee's Work Programme (**AG12**).

CLOSE OF MEETING

4.35pm

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Thursday, 12th September 2013** at **4.00pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

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AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 3 July 2013 commencing at 1.00 pm and finishing at 5.02 pm

Present:

Voting Members: Councillor David Wilmshurst – in the Chair

Councillor Charles Mathew (Deputy Chairman)
Councillor Surinder Dhesi
Councillor Janet Godden
Councillor Sandy Lovatt
Councillor Caroline Newton
Councillor Susanna Pressel
Councillor Roz Smith
Councillor Lawrie Stratford

Non-voting member Dr Geoff Jones

By Invitation: Mary Fetigan (Ernst & Young)

Officers:

Whole of meeting S. Scane and I. Dyson (Finance); P. Clark and G.Warrington (Law & Governance)

Part of meeting

Agenda Item	Officer Attending
9	S. Skivington (Finance)
10	G. Ley (Finance)
13	R. Webb (Social & Community 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.

26/13 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS (Agenda No. 1)

An apology was received from Maria Grindley (Ernst & Young).

27/13 MINUTES

(Agenda No. 3)

The Minutes of meetings held on 17 April 2013 and 14 May were approved and signed subject to amending:

- the attendance list for the 17 April 2013 to show Dr Geoff Jones as a non voting member;
- the dates of signing for each set of minutes to read 2013.

Minutes 14 May 2013 – 25/13 Appointments

The Monitoring Officer confirmed the remit of the Appeals & Tribunals Sub-Committee.

28/13 ANNUAL GOVERNANCE STATEMENT 2012/13

(Agenda No. 5)

The Committee considered the Annual Governance Statement explaining the County Council's compliance with the code of corporate governance and an update on actions identified last year to be carried out during 2012/13 and new actions for 2013/14.

Specific issues raised concerned:

- improvements to consultation between members and directorates;
- future governance of schools;
- governance arrangements for and adequate scrutiny of partnership work;
- CGAG action plan and the need to try and avoid multiple targets for the end of year;
- benchmarking information on resources i.e. staff, meetings etc.

The Committee noted textual amendments to paragraph 30 (delete second ICT in line 1) and paragraph 77, line 1 amend further enhance to read "enhance further".

RESOLVED: to approve the Annual Governance Statement 2012/13, subject to the County Solicitor & Monitoring Officer, making any necessary amendments in the light of comments made by the Committee, after consultation with the Leader of the Council, Chief Executive and Section 151 officer.

29/13 EXAMINING LINKS WITH PERFORMANCE SCRUTINY COMMITTEE

(Agenda No. 6)

Following approval by Council of the restructuring of the Council's scrutiny arrangements the Committee considered a report (AG6) setting out options to establish a working relationship between this Committee and the newly formed Performance Scrutiny Committee.

It was noted that an abridged presentation on the role of the Audit & Governance Committee would be given immediately before the next meeting of the Performance Review Scrutiny Committee.

RESOLVED:

- (a) to promote joint working planning between the two committees on an as and when required basis to be agreed by the two Chairmen but that no specific meetings be scheduled;
- (b) reciprocal invitations be extended to the Chairmen of the Audit & Governance Committee and Performance Committee, or their nominees, to attend meetings.

30/13 ANNUAL REPORT OF THE MONITORING OFFICER

(Agenda No. 7)

Having assumed certain responsibilities from the Council's former Standards Committee with regard to the governance and standards of conduct for elected and co-opted members the Audit & Governance Committee would in future receive an annual report by the Monitoring Officer on actions and issues in that regard that had occurred in the previous year. His report (AG7) summarised certain activities for the year 2012/13 and used, as a guide, the terms of reference that had crossed over from the former Standards Committee.

The Monitoring Officer addressed a number of specific issues raised including possible alterations to the forward plan to identify and highlight where items had slipped; improvements to joint working with other authorities; benchmarking; confirmation of the advisory role of the members group and level of complaints.

RESOLVED: subject to insertion of "transparency" in the first line of paragraph 11 to endorse the Monitoring Officer's annual report.

31/13 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR 2012/13

(Agenda No. 8)

The Committee considered the Chief Internal Auditors annual report (AG8) which summarised the Internal Audit activity for 2012/13 and, in accordance with the requirements of the Accounts and Audit Regulations 2011 and the CIPFA Code of Practice for Internal Audit in Local Government 2006, set out an opinion on the council's system of internal control which formed part of the assurance framework used to inform the Annual Governance Statement.

Mr Dyson referred to a personal conflict of interest insofar as he was related to one of his senior managers but confirmed he was not responsible for that person's direct management.

Specific issues raised related to E & E's Property and Facilities Contract and development of an issues log; contract management and development of a contract

management framework; fraud; and the necessity for some level of audit; design of new systems and process for transforming customer services.

The Chairman thanked the Chief Internal Auditor and his team for such a comprehensive report and suggested circulation to members of the Cabinet.

RESOLVED: to note the report.

32/13 STATEMENT OF ACCOUNTS 2012/13

(Agenda No. 9)

The Committee received the 2012/13 statement of accounts. No significant changes reported this year but it was expected that the next spending review and budget would inevitably be a hard one even though, by comparison to many other authorities, the Council was in a reasonably sound financial position.

Specific issues raised concerned:

- diminution of fixed assets if all schools adopted academy status, although it was confirmed that that would not affect the County Council's ability to borrow finance and that additionally the County Council would retain an interest in the development of adjacent land i.e. playing fields insofar as they could not be sold off without the County Council's agreement;
- confirmation that Icelandic deposits would be repaid by 2019;
- debtors;
- fairer charging refunds;
- exit packages.

It was confirmed that the County retained appropriate balances.

The Chairman thanked the officers for the production of a comprehensive and complex document.

RESOLVED: to note:

- (a) the Statement of Accounts for 2012/13 to be submitted to the auditor; and
- (b) the Summary Accounts for 2012/13.

33/13 TREASURY MANAGEMENT OUTTURN 2012/13

(Agenda No. 10)

The Committee considered (AG10) a report setting out Treasury Management activity in 2012/13 noting that "Council" in the recommendation should have read "Cabinet"

Specific issues raised concerned the performance of Investex which was still being monitored in order to enable different options to be considered in the near future. It was confirmed that the County Council retained a small number of deposits with Scottish authorities. These authorities were currently treated as part of the UK but

officers would consider the implications for those holdings bearing in mind the forthcoming referendum for Scottish independence.

The Committee thanked the officers for the comprehensive report.

RESOLVED: to note the report and **RECOMMEND** Cabinet to note the Council's Treasury Management Activity in 2012/13.

34/13 AUDIT WORKING GROUP REPORT

(Agenda No. 11)

The Committee considered (AG11) a summary of matters arising at the Audit Working Group.

It was noted that although the intention was to increase the number of future meetings of the Group the time allocated to each meeting would reduce. An additional meeting had been scheduled for 10 October 2013 at 2 pm and although a final schedule had not yet been agreed meetings to address specific issues would be arranged..

RESOLVED: that the report be noted.

35/13 ERNST & YOUNG - PROGRESS REPORT

(Agenda No. 12)

Mary Fetigan (Ernst & Young) presented reports on:

- Oxfordshire County Council 2013/14 fee letter
- Oxfordshire County Council Pension Fund 2013/14 fee letter
- Local Government Sector Update report

The Chairman thanked her and colleagues at Ernst & Young for their work over the past year.

RESOLVED: that the reports be noted.

36/13 REGULATION OF INVESTIGATORY POWERS ACT ANNUAL REVIEW 2013

(Agenda No. 13)

The Committee considered an overview of the use of activities which fell within the scope of the Regulation of Investigatory Powers Act 2000 by the County Council during the period April 2012 to March 2013.

RESOLVED: to receive periodic and annual reports on the use of Regulation of Investigatory Powers Act by Oxfordshire County Council. The periodic reports to be received by the AWG, for review at their meeting should it be required.

37/13 INTERNAL AUDIT PAN - 2013/14 PROGRESS REPORT AND QUARTER PLAN 2

(Agenda No. 14)

The Committee considered (AG14) the Internal Audit progress report for 2013/14 and the Quarter 2 Plan.

Counter fraud work with regard to blue badge applications had been highlighted by the government as an area subject to significant abuse.

RESOLVED: to approve the Q2 and Counter-fraud plans.

..... in the Chair

Date of signing 2013

Division(s):

AUDIT & GOVERNANCE COMMITTEE

18 SEPTEMBER 2013

LOCAL GOVERNMENT OMBUDSMAN – CHANGES TO ANNUAL REVIEWS AND TO INVESTIGATIONS

Report by County Solicitor and Monitoring Officer

Introduction

1. This report highlights changes to the ways in which the Local Government Ombudsman intends now issues annual reports about each Council. It also summarises the changes to the Ombudsman's approach to assessing and investigating cases. This follows a reorganisation of the Ombudsman service earlier this year.
2. One consequence of the changes in the Ombudsman's approach is that, this year, there is no traditional Annual Letter giving the Ombudsman's detailed views on the County Council's performance during 2012/13; and therefore no ability to provide benchmarking against previous years' performance.
3. The Ombudsman's 'annual letter' for 2012/13 (Annex) does, however, highlight that complaints received by the Ombudsman about Oxfordshire County Council are well below the average for county councils generally.

The LGO's 2012/13 report and changes to annual reporting

4. Under the Local Government Act 1974, the LGO has two main statutory functions:
 - To investigate complaints against councils (and some other authorities)
 - To provide advice and guidance on good administrative practice
5. Until this year, the LGO issued an Annual Letter to each council providing a summary of the complaints dealt with by the LGO relating to that council. Changes to the LGO's structure and business processes means that, for the year 2012/13, there will be no such report. The LGO are in the process of determining a new approach to providing authorities with information on their performance, which will be effective next year on the 2013/14 council year.
6. However, the LGO has given a headline statistic for 2012/13. During that year, the LGO received 39 complaints about Oxfordshire County Council.

This compares very favourably with the county council average of 54 complaints received. This statistic itself continues an encouraging trend. In the previous year, the LGO received 47 complaints about this council (which was itself down on the 2010/11 figure).

7. Importantly, for the year 2012/13, the Ombudsman has raised no issues of concern over the Council's handling of complaints, either generally or with regard to any specific case.

The LGO's new assessment regime

8. The Committee may find it useful to understand the new assessment regime adopted by the LGO following their reorganisation. This has been in operation since 1 April 2013. This has two stages.
9. A complainant to the Ombudsman should normally set out:
 - what they believe the service provider has done wrong
 - the injustice they claim to have suffered as a direct result, and
 - what they are looking for to put the matter right.
10. The Ombudsman then applies the two-stage approach.

Stage 1 – jurisdictional phase

This considers whether the complaint is 'in scope' having regard to whether:

- the LGO has power in law to act on the issue raised (e.g. criminal, commercial, employment and some educational matters are outside the LGO's jurisdiction)
- the complaint has been considered by the Council
- the complaint is 'in time' – the LGO will not normally consider a complaint made 12 months after the events complained about
- another body is best placed to provide a resolution e.g. appeal against a parking ticket

If a complaint does not pass the jurisdictional phase it does not continue.

Stage 2 – discretionary phase

Four inter-related tests are applied to complaints that are within jurisdiction.

- i. Injustice test: this is the most important strand. The complainant must have experienced serious loss, harm, or distress as a direct result of faults or failures by the service provider; OR continuous and ongoing instances of a lower level injustice that remain unresolved over a long period of time.
- ii. Fault test: covers a wide range of action or inaction by a public body or a care provider. This means, for example, serious failure to meet normally expected standards of public service, systemic failure in a service provider's policies or procedures where our intervention may

- result in a wider public benefit; AND the service provider is directly responsible for the action that has caused the alleged fault
- iii. Remedy test: the LGO won't take on a complaint if the service provider's response to it already represents a reasonable and proportionate outcome, or if the LGO process is unlikely to achieve a significantly different result; OR there is no achievable or realistic remedy.
 - iv. Public interest test: the LGO is likely to investigate where an issue is of significant public interest or current concern to the Ombudsman; OR if it relates to the "abuse of power" by a public body against a person. This may arise, for example, where a council behaves in an arbitrary and unreasonable manner. In such situations, the LGO has a role important role in addressing the unequal balance of power between the person and the state. The LGO will also have regard to the 'vulnerability' or particular circumstances of the complainant.
11. The new assessment regime means that the LGO is making more frequent and earlier requests for information from authorities about complaints. This can include minor queries such as 'has the council considered the complaint already' to more complex requests for evidence. The turn-round time for these requests can often be a few days. It remains to be seen whether responses to these 'preliminary' queries will be subject to performance assessment in future.
 12. When matters are being formally investigated, the Ombudsman's traditional target has been '28 calendar days'. While it has not been formally published, the LGO's target on recent requests has now changed to '20 working days'. This is being clarified but, in any event, compliance with the finally agreed performance target will be monitored and reported to this Committee. The LGO has formally said that the Christmas holiday period will no longer be 'counted' as part of the timescale.

The LGO's new 'decision reasons' and publication of reports

13. The new 'decision reasons' being used by the LGO – and which will be incorporated in future reporting on councils' performance – are summarised in the table below.

LGO – New decision reason from 1 April 2013
Not in jurisdiction and no discretion <i>(Formerly 'out of jurisdiction')</i>
Not in jurisdiction and discretion not exercised <i>(Formerly 'out of jurisdiction')</i>
Not investigated <i>(Formerly 'Ombudsman's discretion')</i>
To discontinue investigation

LGO – New decision reason from 1 April 2013
<i>(Formerly ‘Local settlement/Ombudsman’s discretion to discontinue investigation’)</i>
Investigation complete and satisfied with the authority actions or proposed actions and not appropriate to issue a report*. Includes subsections for ‘no maladministration/injustice’.
<i>(No change)</i>
Investigation complete and appropriate to issue a report*. Includes subsections for ‘maladministration/injustice’.
<i>(No change)</i>
Public Report
In instances of serious maladministration, the Ombudsman can issue a finding which the Monitoring Officer of the relevant Council must then lay before Full Council. This ‘public report’ is different from the more routine ‘reports’* or ‘findings’ mentioned above in this table.
<i>(No change)</i>

14. The LGO has decided that its routine decisions on maladministration/injustice will be published on its website to encourage greater learning from complaints for all authorities. It is the LGO’s practice to create draft decision letters or ‘provisional views’ for comment by the relevant council and the complainant. This is useful and allows councils to offer constructive challenge to the LGO on their construction of facts and findings.

Training

15. Last year, the Council held two well-received training events with the Local Government Ombudsman about effective complaints handling. This involved thirty managers from across the Council. This has proved very beneficial in the past in building the skills and perspectives necessary to handling complaints effectively and to improving services. Such training has been arranged every two to three years.
16. This can itself minimise complaints to the LGO through the quality of proportionate investigations and an ability to learn from experiences.

Conclusion

17. This year’s Ombudsman’s Annual Letter contains no specific comments about the Council’s performance, due to business reorganisation. This year is effectively a hiatus and a more detailed formal report on the 2013/14 year will be published next summer.
18. It is encouraging that the number of complaints about the Council referred to the LGO has yet again gone down. There are no grounds for

complacency however and on my behalf the Complaints & Freedom of Information team disseminates best practice information, case studies and advice to managers on the handling of complaints, to keep knowledge current. An e-learning package is also currently in the early stages of formation to increase further the consistency of standards of investigation. This would appear early in the new year.

Financial and Staff Implications

19. None.

RECOMMENDATION

20. **The Committee is RECOMMENDED to note and comment upon this report and on the Local Government Ombudsman's Annual Review of Oxfordshire County Council for 2012/13.**

PETER CLARK
County Solicitor and Monitoring Officer

Background papers: Local Government Ombudsman's Annual Review of Oxfordshire County Council 2012/13

Contact Officer: Peter G Clark
Tel: 01865 323907

September 2013

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16 July 2013

By email

Ms Joanna Simons
Chief Executive
Oxfordshire County Council

Dear Ms Simons

Annual Review Letter

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2013. This year we have only presented the total number of complaints received and will not be providing the more detailed information that we have offered in previous years.

The reason for this is that we changed our business processes during the course of 2012/13 and therefore would not be able to provide you with a consistent set of data for the entire year.

In 2012/13 we received 39 complaints about your local authority. This compares to the following average number (recognising considerable population variations between authorities of a similar type):

District/Borough Councils-	10 complaints
Unitary Authorities-	36 complaints
Metropolitan Councils-	49 complaints
County Councils-	54 complaints
London Boroughs-	79 complaints

Future development of annual review letters

We remain committed to sharing information about your council's performance and will be providing more detailed information in next year's letters. We want to ensure that the data we provide is relevant and helps local authorities to continuously improve the way they handle complaints from the public and have today launched a consultation on the future format of our annual letters.

I encourage you to respond and highlight how you think our data can best support local accountability and service improvements. The consultation can be found by going to www.surveymonkey.com/s/annualletters

LGO governance arrangements

As part of the work to prepare LGO for the challenges of the future we have refreshed our governance arrangements and have a new executive team structure made up of Heather Lees, the Commission Operating Officer, and our two Executive Directors Nigel Ellis and Michael King. The Executive team are responsible for the day to day management of LGO.

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W: www.lgo.org.uk

Helpline: 0300 061 0614

Since November 2012 Anne Seex, my fellow Local Government Ombudsman, has been on sick leave. We have quickly adapted to working with a single Ombudsman and we have formally taken the view that this is the appropriate structure with which to operate in the future. Our sponsor department is conducting a review to enable us to develop our future governance arrangements. Our delegations have been amended so that investigators are able to make decisions on my behalf on all local authority and adult social care complaints in England.

Publishing decisions

Last year we wrote to explain that we would be publishing the final decision on all complaints on our website. We consider this to be an important step in increasing our transparency and accountability and we are the first public sector ombudsman to do this. Publication will apply to all complaints received after the 1 April 2013 with the first decisions appearing on our website over the coming weeks. I hope that your authority will also find this development to be useful and use the decisions on complaints about all local authorities as a tool to identify potential improvement to your own service.

Assessment Code

Earlier in the year we introduced an assessment code that helps us to determine the circumstances where we will investigate a complaint. We apply this code during our initial assessment of all new complaints. Details of the code can be found at:

www.lgo.org.uk/making-a-complaint/how-we-will-deal-with-your-complaint/assessment-code

Annual Report and Accounts

Today we have also published *Raising the Standards*, our Annual Report and Accounts for 2012/13. It details what we have done over the last 12 months to improve our own performance, to drive up standards in the complaints system and to improve the performance of public services. The report can be found on our website at www.lgo.org.uk

Yours sincerely

A handwritten signature in black ink that reads "Jane Martin". The signature is written in a cursive style with a long horizontal flourish at the end.

Dr Jane Martin
Local Government Ombudsman
Chair, Commission for Local Administration in England

Division(s):

AUDIT AND GOVERNANCE COMMITTEE

18th SEPTEMBER 2013

RISK MANAGEMENT ANNUAL REPORT

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. The purpose of this report is to provide an overview of the Council's activity both to manage risk across the organisation and to develop the risk management process. It is an annual opportunity to review the effectiveness of our approach.
2. Based on the recommendations of the Zurich Risk Management Review, that was presented to this committee in November 2012, the work programme for 2012/13 was structured around the following themes:
 - Risk Management strategies and processes support the business effectively;
 - Senior management and the Executive Board support and promote risk management;
 - Risks are handled well and the risk management process delivers successful outcomes;
 - People are equipped and supported to manage risk well.

Overview of progress

3. Progress this year has focused on improving our strategies and processes. The Risk Management Framework has been refreshed and support provided for directorates to implement the guidelines within the framework. The framework is fully aligned to the Cabinet Office *Management of Risk: Guidance for Practitioners* publication, which is considered to be the standard for the public sector. The framework aims to reinforce and embed good practice, not to introduce new ways of working. Directorates have used the circulation of the framework to review and refresh their risk registers, ensuring that the recorded risks are current and relevant.

Work Programme Update

4. ***Risk Management strategies and processes support the business effectively.***

The OCC risk management framework has been fully revised and adopted for use across the organisation. The framework consists of three levels, the strategy, guidance on process and then specific working practice documents within each directorate. These will be published online together with revised website content to coincide with the launch of the e-learning course that is currently being

developed. Risk leads within each directorate have been identified and meet on a regular basis to review processes and share best practice.

Directorate risk leads have been proactively developing approaches to risk management. Together with senior managers they have reviewed and revised risk registers, using SWOT (Strength, Weakness, Opportunity and Threat) analysis to define new risks in a rapidly changing operational environment. Managers are actively encouraged to discuss risk in supervision meetings and to escalate them appropriately, as part of the performance management process. Processes are also in place to escalate risks from Directorates to the Chief Executive's Office for discussion by senior officers and members, where appropriate, as part of the quarterly performance management process.

5. ***Senior management and the Executive Board support and promote risk management.***

Senior managers have been engaged in the adoption of the revised framework and have been supportive of the embedding process. On a quarterly basis CCMT monitor and discuss risks escalated on an exception basis, in conjunction with the performance management process. In addition, the Audit Working Group also receives quarterly risk reports.

Directorates have been actively consulted on the revision of the strategic risk register which is presented twice a year for discussion at Extended CCMT. The process of revision and discussion with directorate leadership teams is now established as a continuous cycle of review.

6. ***Risks are handled well and the risk management process delivers successful outcomes.***

The need for risk management training for managers has been clearly established through the Risk Leads Group, to ensure that they are supported to handle risk well. An e-learning course is being developed in conjunction with IT and Learning and Development. This is due to be launched within the next four months. In addition, internal audit provide an effective risk assurance function challenging risk owners to correctly identify risk, employ effective mitigation plans and to direct mitigation action.

There has been some change within directorate Performance and Risk Management functions which has impacted on the promotion and embedding of strong risk management at the operational level. Support has been given from the Chief Executive's Office to maintain the focus on risk management but there is an on-going risk of insufficient capacity at directorate level. This is an area that we will be monitoring closely and will report to Audit Working Group.

7. ***People are equipped and supported to manage risk well.***

This area of the work programme requires further development of the proposed e-learning course and revision of the intranet content. There will then be appropriate training and support in place for staff who are responsible for managing risk. This is a key action for the next year, to ensure that the risk management processes in place are fully effective and embedded.

Next steps

8. It is proposed that we continue with the current work programme to ensure that our process are clearly established and embedded as business as usual. This will include a focus on delivering an e-learning package and a revision of support materials on the intranet as well as continued support and monitoring of the risk management process across the organisation.
9. Directorate risk leads are supported to ensure that the corporate policy and local approaches are appropriate and used across their service areas.

RECOMMENDATION

10. **The Committee is RECOMMENDED to:**
 - (a) **note the progress to date; and**
 - (b) **provide any feedback on the report.**

SUE SCANE
Assistant Chief Executive & Chief Finance Officer
Chief Executive's Office

Contact Officer: Alexandra Bailey, Corporate Performance and Review Manager
Tel: 01865 816384

September 2013

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AUDIT and GOVERNANCE COMMITTEE – 18 September 2013

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on 5 September 2013

The meeting was attended by:

Dr Geoff Jones – Chairman; Cllr Wilmshurst; Cllr Mathew; Cllr Roz Smith; Lorna Baxter, Eira Hale, and Ian Dyson

Part meeting only: Sarah Cox and Neil Shovell; AWG 13.24 Lucy Butler, Graham Shaw, Aisling O'Sullivan Darcy; AWG 13.27 Mary Fetigan, Ernst & Young.

Observer: Cllr Dhesi

MATTERS ARISING FROM AWG 20 June 2013

Members on the AWG asked for the clarification on the requirements for communicating and reporting to members on matters in their local area.

The policy is set out in Part 9.3 of the Constitution, "Protocol on Members' Rights and Responsibilities", section 9 "Effective Communication with Members". Members were also referred to section 11(d) "Dealing with Difficulties", in which it states that should they feel they are not receiving the information required they should contact the Monitoring Officer. The Monitoring Officer has quarterly meetings with Directors, when issues in respect of communication with members can be addressed.

Members on the Group expressed concerns that communication of local issues such as planning applications and maintenance work remains a concern. The Chief Internal Auditor reported that the guidance to managers is clear in the constitution, and that this has been reiterated through training provided to tier 3 and 4 managers who have received "political awareness" training. He suggested that whilst in the first instance queries should be taken up with the relevant officer, if a satisfactory response is not received that should be escalated to the Director; where the matter remains unanswered or the same issues reoccur then it is important that the Monitoring Officer is notified.

AWG WORK PROGRAMME ITEMS

There was a change to the published agenda; item AWG13.25 Draft Fire and Rescue Statement of Assurance was withdrawn at the request of the Chief Fire Officer, deferring the item to February 2014 so as the outcome of the Operational Peer Assessment at the end of the year can be incorporated within the first Statement of Assurance.

Main business items of the meeting were as follows:

AWG13.24 Client Charging

The Group was satisfied with the progress being made, noting that a tender process for an integrated IT solution will commence shortly. The Group was informed that

officers have researched possible software products including visiting other local authorities where they are in operation, so are assured they can provide what is required.

The report produced for the AWG stated a paper on the outcome of the consultation on the contributions policy would be tabled at the meeting. This was not tabled, and is being prepared for a Cabinet meeting; it will be circulated when available. The Group was informed that the consultation process has received a number of responses which has resulted in some changes to the original policy draft.

The Group was informed that Lucy Butler, Deputy Director, who has been leading the change programme alongside Graham Shaw, will be leaving Adult Social Care to take up the position of Deputy Director in CEF. She reassured the Group that she will provide a full handover to her replacement, including attending the next update to the AWG scheduled for November.

AWG13.26 Internal Audit Report

The Group noted the outcomes from recent audits, and the progress with implementation of management actions did not highlight any matters for concern. The Chief Internal Auditor reported that the Audit Commission had reviewed the work on NFI to date, and highlighted the key matches that should be being investigated. The responsible officers have been notified and Internal Audit is monitoring monthly.

The Group focussed on the emerging issues. It was highlighted that the Procurement Improvement Project (PIP) has not made as much progress as planned. Officers on this project are already scheduled to report to the November AWG with an update on progress and outcomes. It was agreed to note the current position with a full report due in November.

The Group was given an update on the latest information provided to the Chief Internal Auditor on the proposed changes to the arrangements for highways management, noting that Internal Audit has experienced difficulty in obtaining expected project documentation such as risk registers. Members on the Group also expressed concerns over the current level of service based on their experience with local issues. The Group will be requesting the Deputy Director attends the AWG on 10 October 2013 to discuss the risks and issues relating to the proposed changes to the highways management arrangements.

AWG13.27 Pension Fund Fraud Risks

Mary Fetigan (External Audit), talked through the requirements for "those charged with governance" to consider the management of fraud risk in respect of the pensions fund, and pensions administration. In previous years a single letter from the Chairman of the Audit Committee setting out how the committee gets assurances on fraud risks has sufficed; however, under the new auditing practices the Pensions Fund is considered as a separate entity requiring separate statements from the Chairman. To assist the committee in reviewing the risks, a set of generic fraud risks was presented to the Group for discussion. The Chief Internal Auditor confirmed that controls exist to mitigate those risks, and that he would prepare as an appendix to his update report for Committee on 18 September, a schedule setting out the controls that exist.

AWG13.28 Work Programme

The AWG work programme has been updated and is attached as appendix 1 to this report.

Additional meetings have been scheduled as agreed at the last Audit and Governance Committee. When the additional dates were consulted on a meeting on 12 December was proposed; following the AWG this has been changed to Wednesday 11 December. Please note the time of the meetings has been included on the forward plan highlighting the meetings alternate between mornings and afternoons.

RECOMMENDATIONS

The Committee is RECOMMENDED to note the report.

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Contact: Officer: Ian Dyson, Chief Internal Auditor
Tel 01865 323875
ian.dyson@oxfordshire.gov.uk

APPENDIX 1

AUDIT WORKING GROUP TIMETABLE AND WORK PROGRAMME 2013/14

2013

Thursday 10 October 2:00-4:00

- Risk Management Report – Claire Phillips
- CEF Risk Registers and Risk Management Process - Ben Threadgold
- Highways Contract - Mark Kemp (tbc)

Thursday 7 November 10:00-1:00

- Internal Audit Issues – Ian Dyson
- Annual Governance Statement Process – annual review of the assurance framework - Peter Clark
- P2P Dashboard/performance report for Q1 2013/14 - Sean Collins
- Client Charging Update - Graham Shaw/Lucy Butler

Wednesday 11 December 2:00-4:00

- Risk Management Report – Claire Phillips
- E&E Risk Management Review - TBC

2014

Thursday 13 February 10:00-1:00

- Internal Audit Report – Ian Dyson
- Draft work programme 2012/13 – Ian Dyson
- Review of AWG Terms of Reference – Ian Dyson
- Property Leases - Trevor Askew
- Client Charging Update - Graham Shaw/Lucy Butler
- Draft OFRS Statement of Assurance - Richard Smith
- OFRS Risk Management Review - TBC

Thursday 20 March 2:00-4:00

- Risk Management Report – Claire Phillips
- SCS Risk Management Review TBC

Last Updated - 5 September 2013

Ian Dyson
Chief Internal Auditor

Division(s):

AUDIT & GOVERNANCE COMMITTEE

18 SEPTEMBER 2013

FINAL STATEMENT OF ACCOUNTS 2012/13

Report by Assistant Chief Executive and Chief Finance Officer

Introduction

1. The Accounts and Audit Regulations 2011 require the Statement of Accounts 2012/13 to be considered by a committee of the Council by 30 September 2013 and, following that consideration, to be approved by a resolution of that committee. The regulations also require that, following approval, the Statement of Accounts is signed and dated by the chairman of the committee approving the accounts. The Assistant Chief Executive and Chief Finance Officer must re-certify the Statement of Accounts before the committee approves it.
2. The Statement of Accounts presented for the Audit & Governance Committee's approval reflects minor amendments made following the audit of the accounts. Ernst & Young LLP's annual governance reports set out the audit issues identified during the course of the main accounts audit and the audit of the Pension Fund accounts and an explanation of the amendments made is provided below.

Main Accounts

3. Note 9 *Partnership schemes under section 75 of the National Health Service Act 2006* has been amended so that the figures disclosed are consistent with those reported in Oxfordshire Primary Care Trust's accounts. Gross income figures have been adjusted for net underspends or overspends on the pooled budget accounts.
4. The wording in Note 12 *Audit and Inspection Fee* has been amended to clarify that the reduction in cost relates to a reduction in the scale fee charged rather than a reduction in the work undertaken.
5. Note 14 *Exit Packages* has been amended to correct the number of packages disclosed in the first band (£0 - £19,999) which was miscalculated due to a formulae error, and to put exit packages over £100,000 into the right band.
6. An additional *contingent liability* has been disclosed in Note 66 following new information that has come to light since the accounts were completed in June 2013.
7. Note 67 *Post Balance Sheet Events* has been revised to reflect that sixteen schools have now converted to academies during 2013/14 and the value of property, plant and equipment assets transferring has risen to £38m.

The Local Government Pension Fund Accounts

8. The narrative in Note 5 *Assumptions made about the future and other major sources of estimation uncertainty* has been amended, minor adjustments have been made to Note 16 *Related Party Transactions* and Note 24 *Additional Voluntary Contributions* has been updated with more recent information from the AVC provider.

Letters of Representation

9. Auditing standards require Ernst & Young LLP to obtain representations from management on certain matters material to their audit opinion. This year the auditors require separate letters of representation for the Oxfordshire County Council accounts and the Local Government Pension Fund accounts. The Audit & Governance Committee is required to consider and approve the letters of representation before they are signed by the Assistant Chief Executive and Chief Finance Officer and the Chairman of the Committee.

Audit Opinion

10. At the time of submitting this report the wording for the draft audit opinions on the main accounts, the Local Government Pension Fund accounts and the arrangements for securing economy, efficiency and effectiveness have not been received. These are therefore not yet included in the Statement of Accounts 2012/13.

Conclusion

11. No material errors were identified during the audit. Changes to the accounts relate to minor amendments to notes to the accounts.

RECOMMENDATION

12. **The Committee is RECOMMENDED to:**
 - (i) **Consider and approve the Statement of Accounts for 2012/13;**
 - (ii) **Consider and approve the Letter of Representation 2012/13 for the Oxfordshire County Council accounts;**
 - (iii) **Consider and approve the Letter of Representation 2012/13 for the Oxfordshire Pension Fund accounts.**

SUE SCANE
Assistant Chief Executive and Chief Finance Officer

Background Papers: Nil

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

September 2013

OXFORDSHIRE COUNTY COUNCIL

STATEMENT OF ACCOUNTS

2012/13

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Introduction

These accounts set out the financial results of Oxfordshire County Council's activities for the twelve months up to 31 March 2013. They have been compiled in accordance with the statutory requirements of the Accounts and Audit Regulations 2011 and in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 ("the Code") (in conjunction with the 2012/13 Code Update published in January 2013). To meet statutory requirements, the Assistant Chief Executive and Chief Finance Officer is required to sign the accounts no later than 30 June 2013 and certify that they give a true and fair view of the County Council's position. This was achieved on 21 June 2013 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 2013. The Audit & Governance Committee is scheduled to meet on 18 September 2013 to fulfil this requirement.

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

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

A glossary of terms is provided on page 196 to assist the reader in interpreting the accounts.

The Statements

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

- **Statement of Responsibilities for the Statement of Accounts** which outlines the respective responsibilities of the County Council and the Assistant Chief Executive and Chief Finance Officer for preparing the accounts
- **Movement in Reserves Statement** which shows the movement in the year on the different reserves held by the County Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the County Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the County Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory County Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the County Council. For 2012/13 the net increase in the County Fund Balance before transfers to earmarked reserves was £21.759m. After transfers to earmarked reserves the closing balance for the County Fund was £18.733m
- **Comprehensive Income and Expenditure Statement** which shows the accounting cost in the year of providing services in accordance with generally accepted accounting principles based on International Financial Reporting Standards, rather than the amount to be funded from taxation. The County Council raises taxation to cover expenditure in

accordance with regulations; this is different from the accounting cost which takes into account, for example, charges for the use of assets. The taxation position is shown in the Movement in Reserves Statement. The Deficit on the Provision of Services for 2012/13 was £171.976m

- **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 2013 were £360.433m
- **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 decrease in cash and cash equivalents for 2012/13 was £61.600m
- **Pension Fund Accounts** which set out the accounts of the Oxfordshire Local Government Pension Scheme and the Firefighters' Pension Scheme, both of which the County Council administer
- **Annual Governance Statement** which describes the arrangements by which the County Council conducts its business. This statement does not form part of the statements on which the auditor's opinion is given, but has been included as part of this document for completeness

Following the implementation of International Financial Reporting Standards in 2010/11 and the change to accounting for heritage assets last year, there are no significant changes to the Code's requirements this year.

Revenue Expenditure

The County Council set a Council Tax requirement for 2012/13 of £284.525m and was able to freeze the level of Council Tax for a second year at 2010/11 levels, with the benefit of one-off central government funding equivalent to a 2.5% increase. Savings of £37.183m were planned to be achieved in 2012/13 as part of the four year Business Strategies aiming to deliver £119m savings over the period 2011/12 – 2014/15. In the main, the Strategies are being delivered as planned with the majority of savings for the year being achieved.

FOREWORD BY THE ASSISTANT CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER

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

The Provisional Revenue and Capital Outturn Report to Cabinet on 18 June 2013 (summarised in the following table) shows expenditure compared to the original and latest budgets and the overall impact on the amount required to be met from Council Tax.

Directorate	Original budget £'000	Latest budget £'000	Actual net expenditure £'000	Variation against latest budget £'000
Children, Education & Families	105,814	107,890	107,703	-187
Social & Community Services	219,635	207,148	205,484	-1,664
Environment & Economy	77,658	80,818	80,115	-703
Chief Executive's Office	8,394	22,648	22,063	-585
Total for Directorates	411,501	418,504	415,365	-3,139
Strategic Measures:				
Contributions to / from (-) Reserves	8,366	3,722	7,022	3,300
Contributions to Balances	2,800	2,899	-232	-3,131
Pension Past Service Deficit Funding	1,500	1,500	1,500	0
Capital Financing	37,001	37,001	36,822	-179
Interest on Balances	-4,348	-4,348	-5,907	-1,559
Additional funding to be allocated		27		-27
Total for Strategic Measures	45,319	40,801	39,205	-1,596
Government Grants	-52,964	-54,151	-54,256	-105
Council Tax	-4,019	-4,019	-4,019	0
Revenue Support Grant	-2,193	-3,491	-3,491	0
Business Rates	-113,119	-113,119	-113,119	0
Council Tax Requirement	284,525	284,525	279,685	-4,840

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

The directorates' variation against budget of -£3.139m is the position after achieving the savings built into the budget and reflects the early achievement of savings through a firm focus on cost minimisation.

The underspend of £4.840m shown in the previous table compares to a Deficit on the Provision of Services of £171.976m. The significant difference between the provisional outturn position and the deficit in the accounts relates to a number of items that are included within the Surplus or Deficit on the Provision of Services for accounting purposes but are not met from the County Fund under regulations. These items are set out in Note 4. The largest element of the deficit is from a loss on the disposal of assets of £211.977m, the majority of which relates to the transfer of school land and buildings to academy trusts for nil consideration. A reconciliation between the directorates' provisional outturn position and the Surplus or Deficit on the Provision of Services is provided in Note 5 (page 37).

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 2012	13,734	13,893
Additions to / calls on (-) balances	800	4,840
County Fund balance 31 March 2013	14,534	18,733

County Council balances as at 31 March 2013 were £4.199m higher than planned in the 2012/13 to 2016/17 Medium Term Financial Plan. The budget provided for £2.000m calls on balances, however there were very limited calls on balances in the year, with directorates absorbing expenditure pressures arising. The majority of the remaining difference relates to income from interest on balances. This was £1.559m higher than budgeted due to lower than forecast interest payable on developer contributions, together with higher interest received arising from larger than forecast cash balances during the year. A favourable variance on capital financing costs (£0.179m) and reduction in the allowance for doubtful debts (£0.187m) also contributed to the higher provisional outturn balance.

Earmarked reserves at the end of the year totalled £135.667m and comprise school reserves (£27.235m), directorate reserves (£49.973m), corporate reserves (£6.867m) and other reserves (£51.592m). Other reserves include insurance, capital and cash flow reserves. A budget reserve to manage the cash flow implications of the Medium Term Financial Plan for 2013/14 to 2016/17 was set up during the year. The balance on the reserve is £17.211m and will be used in line with the Medium Term Financial Plan agreed by Council in February 2013. Capital reserves total £26.304m and will be used to finance the Capital Programme agreed by Council.

Capital

Capital spend in 2012/13 was £51.497m including £4.553m of capitalised repair and maintenance, vehicles and equipment, and £0.146m of loans for works/equipment of a capital nature. Of the total capital spend £24.434m was spent on schools and other educational facilities, £21.819m on highways and transport schemes and the balance, £5.244m, on a range of other projects. Details of capital spending are provided in Note 32 (page 84). The capital spend was funded mainly from grants and contributions (£44.468m), with the remainder being from revenue (£6.272m) and prudential borrowing (£0.757m) (Note 34, page 86).

Overall the balance for Property Plant and Equipment has reduced by £230.717m, largely as a result of the transfer of land and buildings to academy trusts as set out above.

Pension Liability

The County Council's net liability for retirement benefits is £600.983m, which reduces the County Council's net worth by 62%. The pensions liability has reduced by £60.463m compared to last year, mainly as a result of better than expected returns on assets within the Local Government Pension Scheme. Note 20 on retirement benefits (page 59) gives a better perspective on the County Council's pension commitments and the assets and liabilities of the schemes but these have no immediate effect on Council Tax levels.

Other Liabilities

The County Council has finance liabilities of £28.094m, comprising £27.868m for property built by Oxfordshire Care Partnership under a service concession arrangement and £0.226m for assets acquired by way of finance leases. The liability for OCP built homes includes £4.444m for a new property in 2012/13.

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

Performance over the last financial year

The Corporate Plan sets out the key objectives and priorities for action for the Council over the medium term. It also outlines the Council's overall goal of achieving a 'thriving Oxfordshire'. In support of this, over the last year the County Council has successfully:

- Reduced the number of staff we employ while integrating staff from partner organisations
- Worked with the new Local Enterprise Partnership and other partners to support growth via measures such as bringing forward improvement to our road and rail infrastructure, and backing Oxford's successful bid to be a Superconnected City with ultrafast broadband and public wifi
- Supported schools and parents to deliver a significant improvement in primary school results
- Completed the process of delivering Early Intervention Hubs to support children and families
- Targeted extra resources from the NHS, by working with the Oxfordshire Clinical Commissioning Group, which have contributed to an increase in the level of adult social care services
- Worked closely with the Oxfordshire Clinical Commissioning Group and other partners to prepare for the return of Public Health to local government in April 2013
- Responded to widespread flooding across the county, minimising risks to life and damage to property
- Supported the new Police and Crime Commissioner for the Thames Valley, setting out the county's key priorities to tackle crime, help victims, and reduce anti-social behaviour
- Got bus services back up and running after private firms delivering services have found themselves in financial difficulties

Plans for future service delivery

The agreed budget for 2013/14 and the Medium Term Financial Plan (MTFP) to 2016/17 reflect the County Council's overarching aims of championing a world class economy, supporting healthy and thriving communities and enhancing the environment.

The Service & Resource Planning process for 2013/14 built upon the four-year programme to save £119m by 2014/15 agreed by Council in February 2011. Directorates were asked to review their plans for delivering the savings in the third and fourth years of their Business

Strategies and put forward proposals for managing any newly identified pressures. In the main, the Strategies are being delivered as planned with the £27.246m savings for 2013/14 and 2014/15 included in the four-year programme expected to be achieved. Further anticipated reductions in government funding, together with new pressures on the budget, require additional planned savings of £46.692m over the period up to 2016/17.

From 2013/14 the new Business Rates Retention Scheme replaces the Formula Grant system for allocating government funding. Under the new scheme the County Council receives an element of its funding from a local share of business rates. This new system will be more volatile and it will be harder to predict the level of funding available when the budget is set. Alongside this other major changes to local government funding have been implemented for 2013/14, including the localisation of council tax support and changes to the funding of central education services. In addition, responsibility for the Public Health function has transferred to the County Council from April 2013. This service will be funded by £25.264m ring-fenced grant in 2013/14.

The Cabinet's budget proposals, agreed by Council on 19 February 2013, focussed on protecting, as far as possible, important services, re-investing some savings in priority areas and providing value for money. A Council Tax requirement of £268.449m for 2013/14 was agreed, based on a Band D Council Tax of £1,184.83, an increase of 1.99% from the previous year. The capital programme also approved by Council on 19 February included planned expenditure of £80.051m for 2013/14. The majority of this expenditure relates to school buildings and highways improvements. This capital expenditure will be funded by grants and contributions (£67.965m), prudential borrowing (£11.612m) and revenue (£0.474m). As at 31 March 2013 the County Council was contractually committed to £14.187m 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 external debt (an upper limit) of £485m for 2013/14, and an operational limit (the target limit for day to day activity) of £475m. The authorised limit is derived from the anticipated borrowing to support capital investment, long-term financial liabilities and day to day cash flow. Borrowing to support the capital programme is currently £418.2m although it will be noted from the balance sheet that this is part-funding assets valued in excess of £1.1bn.

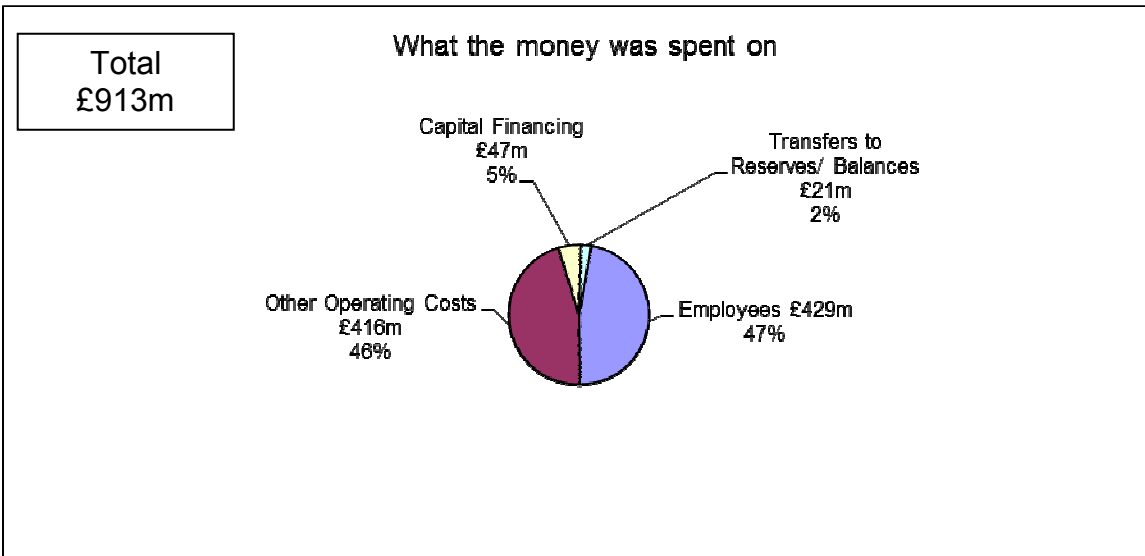
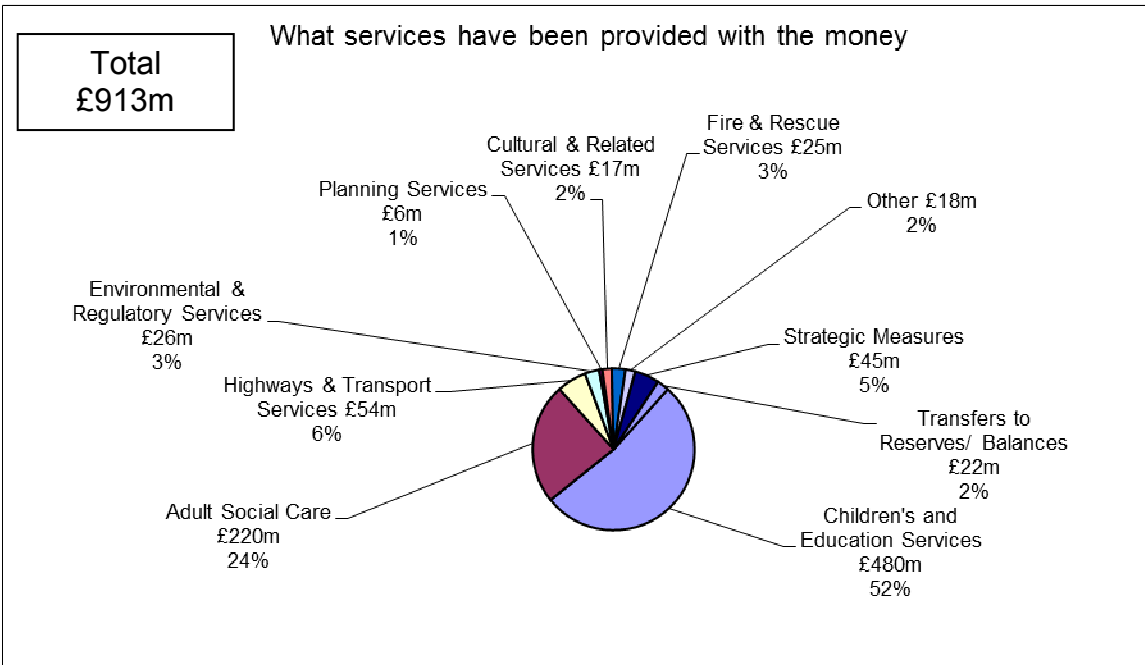
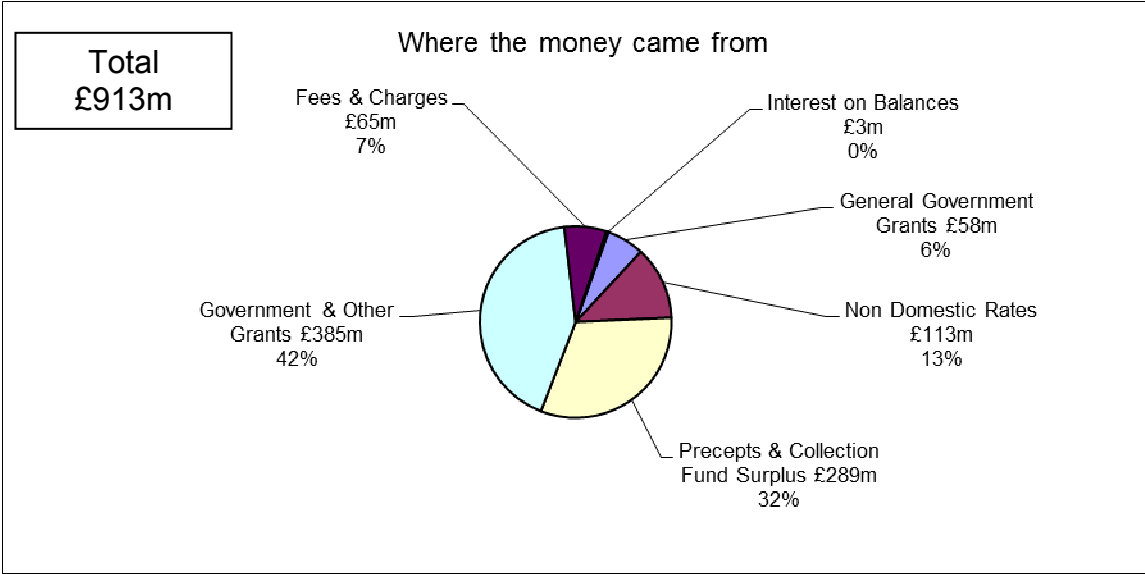
Summary accounts

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

Conclusion

The County Council remains in a strong financial position as at 31 March 2013 despite the falling levels of government funding. Directorates are on track to deliver the required savings over the medium term, with some elements of the savings programme for future years being delivered ahead of schedule. Some funding from 2012/13 has been carried forward to help the continued delivery of the Business Strategy and to manage the cash flow implications of the Council's Medium Term Financial Plan. The Council remains well positioned to continue to deliver services within the reduced funding available in the medium term.

FOREWORD BY THE ASSISTANT CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER



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

Signed: Date

Chairman of the Audit & Governance Committee

The Responsibilities of the 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 2012/13 ('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 2013.

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 2011		14,737	84,739	7,666	28,638	135,780	612,009	747,789
Movement in reserves during 2011/12								
Surplus (+) or deficit (-) on Provision of Services		-61,343				-61,343	0	-61,343
Other Comprehensive Expenditure and Income			-453			-453	-212,513	-212,966
Total Comprehensive Income and Expenditure		-61,343	-453	0	0	-61,796	-212,513	-274,309
Adjustments between accounting basis & funding basis under regulations	4	93,274		1,754	11,192	106,220	-106,220	0
Net Increase/Decrease before Transfers to Earmarked Reserves		31,931	-453	1,754	11,192	44,424	-318,733	-274,309
Transfers to/from Earmarked Reserves	52	-32,775	32,775			0	0	0
Increase (+)/Decrease (-) in Year		-844	32,322	1,754	11,192	44,424	-318,733	-274,309
Balance at 31 March 2012		13,893	117,061	9,420	39,830	180,204	293,276	473,480
Movement in reserves during 2012/13								
Surplus (+) or deficit (-) on Provision of Services		-171,976				-171,976	0	-171,976
Other Comprehensive Expenditure and Income			1,687			1,687	57,242	58,929
Total Comprehensive Income and Expenditure		-171,976	1,687	0	0	-170,289	57,242	-113,047
Adjustments between accounting basis & funding basis under regulations	4	193,735		1,197	14,300	209,232	-209,232	0
Net Increase/Decrease before Transfers to Earmarked Reserves		21,759	1,687	1,197	14,300	38,943	-151,990	-113,047
Transfers to/from Earmarked Reserves	52	-16,919	16,919			0	0	0
Increase (+)/Decrease (-) in Year		4,840	18,606	1,197	14,300	38,943	-151,990	-113,047
Balance at 31 March 2013		18,733	135,667	10,617	54,130	219,147	141,286	360,433

Schools' balances are held within Earmarked Reserves (see Note 52).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2011/12				Notes	2012/13		
Gross Expenditure £'000	Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Income £'000	Net Expenditure £'000
575,453	-456,648	118,805	Children's and Education Services	7,8	512,873	-380,579	132,294
229,483	-47,373	182,110	Adult Social Care	9	228,363	-47,855	180,508
65,071	-10,518	54,553	Highways and Transport Services		68,790	-9,340	59,450
27,074	-908	26,166	Fire and Rescue Services		30,492	-369	30,123
27,286	-1,837	25,449	Environmental and Regulatory Services		26,983	-2,092	24,891
19,114	-1,993	17,121	Cultural and Related Services		19,233	-1,878	17,355
5,460	-1,119	4,341	Planning Services		5,400	-899	4,501
4,019	-1,632	2,387	Central Services to the Public		4,523	-1,426	3,097
5,422	-431	4,991	Other Corporate Services	11,12	-8,605	-622	-9,227
958,382	-522,459	435,923	Cost of Services	5,6	888,052	-445,060	442,992
125,262	-1,429	123,833	Other Operating Expenditure	16	212,958	-981	211,977
41,838	-10,064	31,774	Financing and Investment Income and Expenditure	17,18,19	48,437	-10,911	37,526
0	-530,187	-530,187	Taxation and Non-Specific Grant Income	21,22	0	-520,519	-520,519
1,125,482	-1,064,139	61,343	Surplus(-) or Deficit(+) on Provision of Services	5	1,149,447	-977,471	171,976
		-12,135	Surplus or deficit on revaluation of non-current assets	56			9,377
		6,713	Impairment losses on non-current assets charged to the revaluation reserve	56			3,071
		218,037	Actuarial gains (-) or losses (+) on pension assets and liabilities	20			-69,389
		-102	Surplus or deficit on revaluation of available for sale financial assets				-301
		453	Other gains or losses				-1,687
		212,966	Other Comprehensive Income and Expenditure				-58,929
		274,309	Total Comprehensive Income and Expenditure				113,047

BALANCE SHEET

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

As at 31 March 2012		Notes	As at 31 March 2013	
£'000			£'000	£'000
	Long Term Assets			
1,400,293	Property, Plant and Equipment	24	1,169,576	
4,521	Investment Property	25	5,151	
2,098	Intangible Assets	27	1,600	
89,493	Long Term Investments	37,45	97,791	
6,059	Long Term Debtors	41	5,965	
1,502,464	Total Long Term Assets			1,280,083
	Current Assets			
0	Investment Property	25	535	
104	Assets Held for Sale	26	0	
356	Inventories	42	210	
37,296	Debtors	43	40,082	
134,383	Short Term Investments	37,45	215,037	
74,621	Cash and Cash Equivalents	44	13,021	
246,760	Total Current Assets			268,885
	Current Liabilities			
-34,324	Short Term Borrowing	37,45	-31,609	
-86,234	Short Term Creditors and Revenue Receipts in Advance	46	-89,695	
-3,080	Provisions due within 1 year	47,48	-3,948	
-25,704	Short Term Finance liability	30,31	-812	
-9,315	Short Term Capital Grants Receipts in Advance	50	-5,915	
-158,657	Total Current Liabilities			-131,979
	Long Term Liabilities			
0	Long Term Creditors and Revenue Receipts in Advance	46	-1,755	
-5,160	Provisions due over 1 year	47,48	-4,626	
-392,388	Long Term Borrowing	37,45	-386,631	
-661,446	Pension Liability	20	-600,983	
-24,105	Long Term Finance Liability	30,31, 37,45	-27,282	
-5,481	Deferred Income	49	-5,123	
-28,507	Long Term Capital Grants Receipts in Advance	50	-30,156	
-1,117,087	Total Long Term Liabilities			-1,056,556
473,480	Net Assets			360,433
	Financed from:			
180,204	Usable Reserves	51-54	219,147	
293,276	Unusable Reserves	55-60	141,286	
473,480	Total Reserves			360,433

CASH FLOW STATEMENT

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

2011/12 £'000		Notes	2012/13 £'000
61,343	Net (surplus) or deficit on the provision of services		171,976
-179,022	Adjust net surplus or deficit on the provision of services for non-cash movements	61	-261,956
59,714	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		51,589
-57,965	Net cash flows from Operating Activities	62	-38,391
-5,700	Investing Activities	63	90,600
14,644	Financing Activities	64	9,391
-49,021	Net increase (-) or decrease (+) in cash and cash equivalents		61,600
25,600	Cash and cash equivalents at the beginning of the reporting period		74,621
74,621	Cash and cash equivalents at the end of the reporting period		13,021

1. Summary of Significant Accounting Policies

General

The Statement of Accounts summarises the County Council's transactions for the 2012/13 financial year and its position at the year-end 31 March 2013. It has been compiled in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code)* (and the 2012/13 Code Update), published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and with the Service Reporting Code of Practice 2012/13 (SeRCOP) also issued by CIPFA.

Basis of Accounting

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

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

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

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

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

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

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

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

For corrected prior period errors the following disclosures are made:

- The nature of the prior period error
- For each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected
- The amount of the correction at the beginning of the earliest prior period presented

Exceptional Items

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

Estimating Techniques

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

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

Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the end of the reporting period (31 March 2013) and the date the Statement of Accounts is authorised for issue. There are two types of event:

- Those that provide evidence of conditions that existed at the Balance Sheet date – the Statement of Accounts is adjusted to reflect such events

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

Accruals of Income and Expenditure

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

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

Government Grants and Contributions

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

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

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

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

transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

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

Council Tax income

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

The district councils in Oxfordshire are acting as agents of the County Council in collecting Council Tax. The cash collected from Council Taxpayers belongs proportionately to the district councils and the major preceptors (the County Council and the Thames Valley Police & Crime Commissioner). There is therefore a debtor/creditor position between each district council and the County Council to recognise that the net cash paid to the County Council in the year is not the same as its share of cash collected from Council Taxpayers. 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
- Gains/losses on settlements and curtailments – changes in liabilities relating respectively to actions that relieve the County Council of primary responsibility for a pension obligation or events that reduce the expected years of future service of employees or reduce the accrual of defined benefits over the future service for some employees. This is included in Non Distributed Costs within the Cost of Services

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

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

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

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

Overheads and Support Services

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

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

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

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

Trading Activities

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

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

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

Property, Plant and Equipment

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

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

maintenance, which is charged directly to service revenue accounts as an expense when incurred.

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Decreases in valuations are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service revenue account in the Comprehensive Income and Expenditure Statement

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

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

Depreciation of Property, Plant and Equipment

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

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

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

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

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

Charges to Revenue for Property, Plant and Equipment

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified

as an Asset Held for Sale. To be classified as an Asset Held for Sale the asset must meet the following criteria:

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

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

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

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

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

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

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

Investment Property

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

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

Heritage Assets

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

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

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

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

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

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

Intangible Assets: Software Licenses

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

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

Revenue Expenditure Funded from Capital Under Statute

Capital expenditure on non-current assets not owned by the County Council and grants given by the County Council for capital purposes are charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement. In accordance with statutory provisions this expenditure is transferred from the County Fund Balance to

the Capital Adjustment Account in the Movement in Reserves Statement, such that there is no impact on Council Tax.

PFI and similar contracts (service concession arrangements)

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

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

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

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

(See also the accounting policy on debt redemption.)

Leases

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

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

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

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

(See also the accounting policy on debt redemption).

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

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

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

Where the County Council leases an asset to others under an operating lease, the asset is retained on the Balance Sheet. Rental income is credited to the relevant service revenue account in the Comprehensive Income and Expenditure Statement on a straight-line basis

over the lease period (including any premiums received at the commencement of the lease).

Cash and Cash Equivalents

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

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

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

Financial Assets

Financial assets are classified into three types:

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

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

The County Council has made a number of loans to clients and other organisations at less than market interest rates or zero rate (referred to in the Code as soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (charged to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at the effective (market) rate, with the difference between interest at the effective rate and the contractual rate writing up the amortised cost of the loan on the Balance Sheet. Statutory regulations require that the amount taken to the County Fund Balance is the contractual interest receivable. The reconciliation between the amount charged or credited to the Comprehensive Income and Expenditure Statement and the contractual interest income (if any) is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

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

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

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

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

Financial Liabilities

Financial liabilities are initially measured at fair value and carried in the Balance Sheet at their amortised cost. Charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for external interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for

the instrument. For most of the County Council's borrowings the effective interest rate is the same as the actual interest payable in accordance with the loan agreement. In respect of stepped interest rate loans entered into before 9 November 2007, statutory regulations require that the amount taken to the County Fund Balance is the contractual interest payable. The reconciliation between the amount charged to the Comprehensive Income and Expenditure Statement and the contractual interest payable is managed by a transfer from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

Foreign Currency Translation

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

Debt Redemption

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

Inventories and Long Term Contracts

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

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

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

Provisions

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

Landfill Allowance Trading Scheme

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

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

The Landfill Allowance Trading Scheme came to an end in 2012/13 and landfill allowances are considered to have nil value as at 31 March 2013.

Carbon Reduction Commitment Scheme

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

Contingent assets

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

Contingent liabilities

The County Council discloses contingent liabilities in the notes to the accounts. Contingent liabilities are possible obligations arising from past events and whose existence will be confirmed by one or more uncertain events occurring in the future and are not wholly under the County Council's control. Contingent liabilities also arise in circumstances where a

provision would otherwise be made but either it is not probable that there will be a transfer of economic benefits or where the obligation cannot be measured with sufficient reliability.

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

Reserves

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

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

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

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

Group Accounts

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

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

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

Taxation

The County Council is exempt from income tax under Section 838 of the Income Tax Act 2007, from Corporation Tax under Section 519 of the Income and Corporation Taxes Act

1988 and from capital gains tax under Section 271 of the Taxation of Capital Gains Act 1992.

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

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

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

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

Pension Fund Accounts

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

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

2. Critical judgements in applying accounting policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the County Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the County Council might be impaired as a result of a need to close facilities and reduce levels of service provision
- School land and buildings that have transferred to academy trusts under 125 year leases (or where the freehold has transferred) have been written out of the County Council's Balance Sheet. School land and buildings that are the subject of short-term lease/license agreements with academy trusts have been retained on the County Council's Balance Sheet as at 31 March 2013
- The County Council is deemed to control the residential care services provided under the agreement with Oxfordshire Care Partnership (OCP) and the residual value of all but one of the homes at the end of the agreement. Except for the home where the residual value at the end of the contract rests with OCP, the accounting policies for PFI and similar contracts have been applied to the arrangement and the

homes (valued at £18.306m as at 31 March 2013) are recognised as Property, Plant and Equipment on the Balance Sheet. A finance liability has been recognised on the Balance Sheet for the amounts due to be paid under the contract for the new homes built by OCP. Changes to the provisions of the contract are currently the subject of negotiations between the County Council and OCP. As these contract negotiations are still on-going potential changes to the financing of new builds are not reflected in the accounts as at 31 March 2013

- The Code requires heritage assets to be recognised as a separate category of assets on the Balance Sheet, subject to the proviso that where information on cost or valuation is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not required to be recognised on the Balance Sheet. The County Council considers that obtaining valuations for its heritage assets would involve a disproportionate cost in comparison to the benefits to the users of the accounts and therefore does not recognise these assets on the Balance Sheet. Note 28 provides further details on the heritage assets held by the County Council
- The County Council is acting as the Accountable Body for the Oxfordshire Local Enterprise Partnership (LEP). The LEP is made up of representatives from business, academia and the wider public sector, including the County Council. The Partnership's overarching aim is to be the catalyst for realising Oxfordshire's economic and commercial potential. The LEP received £8.370m of Growing Places Fund in 2011/12 to spend on capital projects to address infrastructure needs, with any funds not used for this purpose to be returned to the Department of Communities and Local Government. The LEP has made decisions on bids to be progressed, however final project go ahead has yet to be confirmed. As the allocation of the capital funding is still to be finalised and there is a return obligation if it is not spent on capital projects, this element of the Growing Places Fund has been recognised as a capital grant receipt in advance as at 31 March 2013
- The County Council has received a claim of £1.35m from the purported beneficiaries for the sale proceeds of Nettlebed School site. Counsel's advice is that the claim is not valid and therefore no provision has been made for the claim

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

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

The items in the County Council's Balance Sheet as at 31 March 2013 for which there is significant risk of material adjustment in the forthcoming year are as follows:

Property, Plant and Equipment

As at 31 March 2013 the County Council had £763m 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 £0.301m for every year that useful lives had to be reduced.

Investments

The County Council had £5m deposited with the Icelandic Bank Landsbanki when it collapsed and went into administration in October 2008 (see Note 39 for further details). To date, £1.502m of the deposit has been repaid, together with £0.918m of accrued interest. For the purposes of estimating the remaining amount recoverable it has been assumed the rest of the claim will be paid in seven annual instalments. If the profile of repayments is different, the recoverable amount may be higher or lower than the £2.078m carrying amount. For example, if the remainder is all repaid in December 2013 the recoverable amount would increase by £0.359m, whereas if the remainder is all repaid in December 2019 the recoverable amount would reduce by £0.353m.

Debtors

As at 31 March 2013 the County Council had a balance for current debtors of £47.488m and had estimated an impairment allowance for doubtful debts of £7.406m. The impairment allowance comprises £1.160m for the County Council's own debts based on the age and type of each debt and £6.246m 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 £0.116m to be set aside as an allowance by the County Council and £0.625m from the Collection Funds.

Provisions

As at 31 March 2013 the County Council made a provision of £4.950m 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 £0.495m effect on the provision required.

Pensions Liability

Estimation of the net liability to pay pensions (£600.983m as at 31 March 2013) depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, mortality rates and expected returns on pension fund assets. The assumptions used are set out in the Retirement Benefits note. The County Council uses a firm of actuaries, Barnett Waddingham Public Sector Consulting, to provide expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in the discount rate or mortality rates are provided in the sensitivity analysis table in the Retirement Benefits note. However, the assumptions interact in complex ways. During 2012/13, the County Council's actuaries advised that the net pensions liability had decreased by £88.706m as a result of estimates being corrected as a result of experience and increased by £19.317m attributable to updating of the assumptions.

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

4. Adjustments between accounting basis and funding basis under regulations

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

NOTES TO THE CORE FINANCIAL STATEMENTS

available to the County Council to meet future capital and revenue expenditure.

2012/13	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbns Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u>					
Charges for depreciation and amortisation	33,008				-33,008
Impairment losses	9,540				-9,540
Revaluation losses	9,829				-9,829
Movement in the market value of investment property	-823				823
Capital grants and contributions applied net of capital financing reversed	-28,752			-15,613	44,365
Revenue expenditure funded from capital under statute	9,362				-9,362
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	212,928				-212,928
<u>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>					
Statutory provision for the repayment of debt	-19,650				19,650
Capital expenditure charged to the County Fund Balance net of capital financing reversed	-6,272				6,272
Repayment of loans			375		-375
Adjustments primarily involving the Capital Grants and Contributions Unapplied Account					
Capital grants and contributions unapplied credited to the CIES	-29,913			29,913	

NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13 continued	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbns Unapplied £'000	Unusable Reserves £'000
<p>Adjustments primarily involving the Capital Receipts Unapplied Transfer of net sale proceeds credited as part of the gain/loss on disposals</p>	-822		822		
<p>Adjustments primarily involving the Pensions Reserve Net charge made for retirement benefits debited or credited to the CIES</p>	8,926				-8,926
<p>Adjustments primarily involving the Financial Instrument Adjustment Account Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements</p>	-82				82
<p>Adjustments primarily involving the Collection Fund Adjustment Account Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements</p>	-1,221				1,221
<p>Adjustments primarily involving the Accumulated Absences Account Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</p>	-2,323				2,323
Total	193,735	0	1,197	14,300	-209,232

NOTES TO THE CORE FINANCIAL STATEMENTS

2011/12	County Fund Balance	Earmarked Reserves	Capital Receipts Unapplied	Capital Grants & Contbns Unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u>					
Charges for depreciation and amortisation	38,249				-38,249
Impairment losses	17,591				-17,591
Revaluation losses	3,966				-3,966
Movement in the market value of investment property	-113				113
Capital grants and contributions applied net of capital financing reversed	-55,567			-4,070	59,637
Donated assets fair value less consideration	-602				602
Revenue expenditure funded from capital under statute	7,351				-7,351
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	125,189				-125,189
<u>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>					
Statutory provision for the repayment of debt	-20,154				20,154
Capital expenditure charged to the County Fund Balance net of capital financing reversed	-11,645				11,645
Repayment of loans			401		-401
Adjustments primarily involving the Capital Grants and Contributions Unapplied Account					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-15,262			15,262	

NOTES TO THE CORE FINANCIAL STATEMENTS

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

5. Amounts reported internally

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

- No charges are made in relation to capital expenditure other than for capital expenditure financed from the revenue budget, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement, together with Revenue Expenditure Funded by Capital Under Statute
- The cost of retirement benefits is based on payment of employer's pension contributions rather than current service cost of benefits accrued in the year
- The cost of short term employee benefits excludes accruals for short-term compensated absences
- Directorate expenditure includes transfers to earmarked reserves and some costs that fall outside of the Cost of Services such as principal and interest payable in relation to finance leases and service concession arrangements

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2012/13	Children, Education & Families	Social & Community Services	Environment & Economy	Chief Executive's Office	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-41,849	-93,818	-77,085	-13,309	-226,061
Government grants and contributions	-359,967	-16,226	-10,348	-2,038	-388,579
Total Income	-401,816	-110,044	-87,433	-15,347	-614,640
Employee expenses	315,631	52,672	49,280	19,030	436,613
Other operating expenses	178,321	193,401	107,981	10,977	490,680
Support service recharges	15,567	69,455	10,287	7,403	102,712
Total operating expenses	509,519	315,528	167,548	37,410	1,030,005
Directorate Provisional Outturn	107,703	205,484	80,115	22,063	415,365

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.

2012/13	£'000
Directorate Provisional Outturn	415,365
Add services not included in main analysis	2,059
Add amounts not reported in provisional outturn	87,441
Remove amounts reported in the provisional outturn not included in the Comprehensive Income and Expenditure Statement	-61,873
Cost of Services in the Comprehensive Income and Expenditure Statement	442,992

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis

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

2012/13	Directorate Analysis	Services not in analysis	Not reported in provisional outturn	Not included in Cost of Services	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-226,061	-6	-2,024	2,735	161,892	-63,464	-2,205	-65,669
Proceeds from the disposal of non-current assets						0	-981	-981
Interest and investment income						0	-3,248	-3,248
Income from council tax						0	-289,765	-289,765
Government grants and contributions	-388,579	0	-363	3,903	3,443	-381,596	-236,212	-617,808
Total Income	-614,640	-6	-2,387	6,638	165,335	-445,060	-532,411	-977,471
Employee expenses	436,613	1,526	26,144	-42,482	-8,772	413,029	3,604	416,633
Other service expenses	490,680	539	9,428	-26,029	-51,972	422,646	3,123	425,769
Support Service recharges	102,712		1,879		-104,591	0	0	0
Depreciation, amortisation, impairments and revaluations			52,377			52,377	-823	51,554
Pension interest costs and expected return on assets							21,876	21,876
Interest payable and similar charges						0	20,657	20,657
Costs from the disposal of non-current assets						0	212,958	212,958
Total operating expenses	1,030,005	2,065	89,828	-68,511	-165,335	888,052	261,395	1,149,447
Surplus or deficit on the provision of services	415,365	2,059	87,441	-61,873	0	442,992	-271,016	171,976

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative figures for 2011/12 for the directorate analysis and reconciliations are set out below. The directorate income and expenditure analysis has been restated to reflect directorate restructurings that took place in 2012/13.

2011/12	Children, Education & Families	Social & Community Services	Environment & Economy	Chief Executive's Office	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-47,575	-63,031	-76,540	-13,477	-200,623
Government grants and contributions	-435,513	-16,915	-13,023	-1,879	-467,330
Total Income	-483,088	-79,946	-89,563	-15,356	-667,953
Employee expenses	374,309	59,242	52,906	19,441	505,898
Other operating expenses	198,286	180,807	110,412	9,091	498,596
Support service recharges	18,322	47,654	9,632	8,294	83,902
Total operating expenses	590,917	287,703	172,950	36,826	1,088,396
Directorate Provisional Outturn	107,829	207,757	83,387	21,470	420,443

Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis

2011/12	Directorate Analysis	Services not in analysis	Not reported in provisional outturn	Not included in Cost of Services	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-200,623	-12	2,292	3,030	131,743	-63,570	-2,304	-65,874
Proceeds from the disposal of non-current assets						0	-1,429	-1,429
Interest and investment income						0	-2,626	-2,626
Income from council tax						0	-286,745	-286,745
Government grants and contributions	-467,330	0	-363	3,712	5,092	-458,889	-248,576	-707,465
Total Income	-667,953	-12	1,929	6,742	136,835	-522,459	-541,680	-1,064,139
Employee expenses	505,898	1,500	34,547	-45,350	-9,165	487,430	3,572	491,002
Other service expenses	498,596	-201	7,480	-48,524	-46,205	411,146	2,225	413,371
Support Service recharges	83,902		-2,437		-81,465	0	0	0
Depreciation, amortisation, impairments and revaluations			59,806			59,806	-113	59,693
Pension interest costs and expected return on assets							15,549	15,549
Interest payable and similar charges						0	20,605	20,605
Costs from the disposal of non-current assets						0	125,262	125,262
Total operating expenses	1,088,396	1,299	99,396	-93,874	-136,835	958,382	167,100	1,125,482
Surplus or deficit on the provision of services	420,443	1,287	101,325	-87,132	0	435,923	-374,580	61,343

NOTES TO THE CORE FINANCIAL STATEMENTS

6. Service Expenditure Analysis

The net Cost of Services within the Comprehensive Income and Expenditure Statement is presented using the service expenditure analysis set out in the Service Reporting Code of Practice (SeRCOP). 2011/12 figures have been reclassified following changes to the divisions of service specified in SeRCOP. Set out below is a breakdown by division of service:

Service	Division of Service	2011/12 £'000	2012/13 £'000
Children's and Education Services	Early Years	16,689	17,866
	Primary schools	12,215	24,065
	Secondary schools	10,665	7,518
	Special schools	3,511	3,012
	Services to young people & other community learners	8,103	6,008
	other strategic functions	29,222	32,140
	Service strategy	1,226	596
	Commissioning & social work	10,143	14,228
	Children looked after	15,764	16,450
	Family support services	6,797	6,626
	Youth justice	1,762	858
	Children and young people's safety	351	358
	Asylum seekers	684	762
	Other children's & family services	1,673	1,807
		<u>Total Children's and Education Services</u>	118,805
Adult Social Care	Service strategy	401	391
	Older people (aged 65 and over)	81,446	82,245
	Adults under 65 with a physical disability or sensory impairment	16,051	16,319
	Adults under 65 with learning disabilities (existing responsibilities)	46,170	64,160
	Adults under 65 with learning disabilities (new responsibilities)	19,224	8,205
	Adults under 65 with mental health needs	8,874	195
	Other adult services	600	8,993
	Other housing (supporting people)	9,344	0
		<u>Total Adult Social Care</u>	182,110
Highways and Transport Services	Transport planning, policy & strategy	6,614	5,305
	Structural Maintenance	13,868	16,073
	Environment, Safety & Routine Maintenance	13,787	16,853
	Street lighting (including energy costs)	4,099	4,231
	Winter Service	1,574	2,369
	Traffic management & road safety	1,828	2,184
	On street parking services	-1,762	-2,178
	Off street parking services	965	460
	Public transport	13,580	14,153
		<u>Total Highways & Transport Services</u>	54,553

NOTES TO THE CORE FINANCIAL STATEMENTS

Service	Division of Service	2011/12 £'000	2012/13 £'000
Fire and Rescue Services	Fire-fighting and Rescue Operations	25,377	29,322
	Safer Communities	789	801
	<u>Total Fire and Rescue Services</u>	26,166	30,123
Environmental and Regulatory Services	Regulatory services	2,543	3,470
	Flood defence & land drainage	478	477
	Waste disposal	17,309	15,730
	Trade waste	-30	-45
	Recycling	5,021	5,141
	Waste minimisation	128	118
	<u>Total Environmental and Regulatory Services</u>	25,449	24,891
Cultural and Related Services	Culture & heritage	4,034	3,260
	Open spaces	2,047	2,319
	Recreation and sport	90	594
	Library service	10,950	11,182
	<u>Total Cultural and Related Services</u>	17,121	17,355
Planning Services	Planning Policy	683	901
	Development Control	1,206	1,490
	Economic Development	744	815
	Economic Research	248	164
	Business Support	586	683
	Environmental Initiatives	653	445
	Community Development	221	3
	<u>Total Planning Services</u>	4,341	4,501
Central Services to the Public	Registration of Births, Deaths & Marriages	260	802
	Emergency Planning	371	366
	Coroners Court Services	755	816
	Other	1,001	1,113
	<u>Total Central Services to the Public</u>	2,387	3,097
Other Corporate Services	Democratic Representation & Management	2,768	2,884
	Corporate Management	2,309	2,088
	Non Distributed Costs	-86	-14,199
	<u>Total Other Corporate Services</u>	4,991	-9,227
	Total Net Cost of Services	435,923	442,992

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Dedicated Schools Grant (DSG)

The County Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the County Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2011. The School Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2012/13 (with comparative figures for 2011/12) are as follows:

2011/12				2012/13		
Central Expenditure	ISB	Total		Central Expenditure	ISB	Total
£'000	£'000	£'000		£'000	£'000	£'000
		394,067	Final DSG before academy recoupment			398,949
		-15,445	Less academy figure recouped for the year			-75,535
		378,622	Total DSG after academy recoupment			323,414
		961	Brought forward from previous year			4,717
			Less carry forward to next year agreed in advance			
42,983	336,600	379,583	Agreed initial budgeted distribution	63,905	264,226	328,131
4,064		4,064	In year adjustments			
47,047	336,600	383,647	Final budget distribution	63,905	264,226	328,131
-42,330		-42,330	Less actual central expenditure	-55,007		-55,007
	-336,600	-336,600	Less actual ISB deployed to schools		-264,226	-264,226
			County Council contribution			
4,717	0	4,717	Carry forward to next year	8,898	0	8,898

8. Youth Offending Service

The Youth Offending Service was set up under the Crime and Disorder Act 1998. It is a multi-agency service comprising the County Council, Thames Valley Police & Crime Commissioner, National Probation Service, the Oxfordshire Primary Care Trust, Huntercombe Young Offenders Institute and the Youth Justice Board. The service operates a pooled budget and in 2012/13 the gross income and expenditure were £1.755m and £1.557m respectively (2011/12 £2.466m and £2.066m). The County Council's contribution to the pooled budget was £0.580m (£1.286m in 2011/12).

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

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

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

For 2012/13, the County Council contributed £89.126m to the pooled budget (2011/12 £87.218m). A summary of the pooled budget memorandum account shows:

2011/12		2012/13			
		Older People	Physical Disability	Equipment	2012/13 Total
£'000		£'000	£'000	£'000	£'000
120,336	Gross income	106,587	16,494	2,577	125,658
117,421	Gross expenditure	106,587	16,494	2,577	125,658
87,218	Authority's contribution	77,998	9,451	1,677	89,126

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 2012/13 the gross income and expenditure were £77.395m and £77.395m respectively (2011/12 £75.006m and £74.048m). The County Council contributed £65.132m to the pooled budget (2011/12 £62.883m)
- 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 2012/13 the gross income and expenditure were £10.579m and £10.579m respectively (2011/12 £25.173m and £25.173m). The County Council contributed £2.380m to the pooled budget (£1.833m of which via the mental health commissioning pooled budget) (2011/12 contribution of £2.583m via the mental health commissioning pooled budget). The reduction in the size of the pooled budget is due to the removal of clinical services from the arrangement

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 2012/13 the gross income and expenditure were £47.226m and £47.084m respectively (2011/12 £42.013m and £41.951m). The County Council contributed £7.211m to this pool, of which £1.833m was paid to the mental health provision pooled budget. (The County Councils' contribution in 2011/12 was £6.589m, which included £2.583m relating to the mental health provision pooled budget)

10. Agency Services

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

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

- | | | |
|------|---|---|
| (i) | All District Councils (except Oxford City Council see (ii) below) | Verge maintenance – within town boundaries. Charged to the Surplus or Deficit on the Provision of Services: £282,263 (£277,894 in 2011/12) |
| (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: £646,611 (£893,892 in 2011/12)
Charged to capital : £654,308 (£910,476 in 2011/12) |

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 2012/13 was £893,246, including a contribution to the County Council's overheads of £658,857 (£975,494 for 2011/12 including a contribution to the County Council's overheads of £690,438). This was matched by income for 2012/13 of £893,246 (£975,494 for 2011/12). Capital expenditure under the agreement for 2012/13 was £62,519 (£192,979 for 2011/12). The cost of the capital expenditure is being repaid by the City Council over the life of the contract, with £343,662 being paid in 2012/13 (£312,403 in 2011/12).

11. Members' Allowances

Allowances & expenses	2011/12 £'000	2012/13 £'000
Allowances	847	837
Travel & Subsistence	38	34
Total	885	871

Allowances and mileage rates for 2012/13 were the same as for 2011/12.

12. Audit and Inspection Fee

The County Council's external auditors are Ernst & Young. The following fees were incurred relating to external audit and inspection work:

	2011/12 £'000	2012/13 £'000
Code of Practice Work	226	131
Statutory Inspection	0	0
Certification of Grant Claims and Returns	18	6
Other Related Costs	2	5
Total	246	142

The reduction in the charge for Code of Practice work represents a reduction in the scale fee charged, plus an additional rebate of £0.016m applied in the year. There was no statutory inspection work in 2011/12 or 2012/13.

13. Senior Officers' Remuneration

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Band (£)	Number of Employees					
	School	Non-School	Total	School	Non-School	Total
	2011/2012	2011/2012	2011/2012	2012/13	2012/13	2012/13
50,000-54,999	124	73	197	91	74	165
55,000-59,999	104	47	151	64	56	120
60,000-64,999	54	22	76	43	28	71
65,000-69,999	26	7	33	20	7	27
70,000-74,999	9	16	25	10	21	31
75,000-79,999	9	6	15	5	6	11
80,000-84,999	11	8	19	7	3	10
85,000-89,999	3	3	6	2	3	5
90,000-94,999	3	1	4	2	1	3
95,000-99,999	1	0	1	1	1	2
100,000-104,999	2	0	2	2	1	3
105,000-109,999	0	0	0	0	0	0
110,000-114,999	1	0	1	1	0	1
115,000-119,999	1	1	2	0	0	0
120,000-124,999	0	0	0	0	0	0
125,000-129,999	0	0	0	1	0	1

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13	Salary (Including Fees & Allowances)	Expense Allowances	Compensation for Loss of Employment	Other Emoluments	Total Remuneration Excluding Pension Contributions 2012/13	Employers Pension Contribution	Total Remuneration Including Pension Contributions 2012/13
Post Holder Information	£	£	£	£	£	£	£
Chief Executive - Joanna Simons	182,431				182,431	35,209	217,640
Assistant Chief Executive and Chief Finance Officer	106,282				106,282	20,513	126,795
Monitoring Officer and Head of Law & Governance	97,180			87	97,267	18,756	116,023
Head of Human Resources	97,180				97,180	18,756	115,936
Deputy Chief Finance Officer	82,317				82,317	15,887	98,204
Director for Children, Education & Families	137,118				137,118	26,464	163,582
Deputy Director Education & Early Intervention	97,180				97,180	18,756	115,936
Deputy Director Children's Social Care - to December 2012	66,365		74,916		141,281	12,743	154,024
Director for Environment & Economy	128,194				128,194	24,741	152,935
Deputy Director for Commercial & Delivery - from September 2012	56,688				56,688	10,941	67,629
Deputy Director for Strategy & Infrastructure Planning	94,131				94,131	18,167	112,298
Deputy Director - Oxfordshire Customer Services	90,223				90,223	17,413	107,636
Director for Social & Community Services	128,194				128,194	24,741	152,935
Deputy Director Joint Commissioning	90,067				90,067	17,383	107,450
Deputy Director for Adult Social Care - from July 2012	65,032				65,032	12,551	77,583
Chief Fire Officer	120,645			531	121,176	25,697	146,873
Total	1,639,227	0	74,916	618	1,714,761	318,718	2,033,479

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2011/12 Post Holder Information	Salary (Including Fees & Allowances)	Expense Allowances	Compensation for Loss of Employment	Other Emoluments	Total Remuneration Excluding Pension Contributions 2011/12	Employers Pension Contribution	Total Remuneration Including Pension Contributions 2011/12
	£	£	£	£	£	£	£
Director for Social & Community Services	128,194				128,194	24,741	152,935
Deputy Director Joint Commissioning - from August 2011	58,691				58,691	11,327	70,018
Head of Service Strategy & Transformation	85,750				85,750	16,550	102,300
Head of Adult Social Care - to March 2011	0		48,590		48,590	0	48,590
Chief Fire Officer	120,645			581	121,226	25,697	146,923
Deputy Chief Fire Officer	97,722			883	98,605	20,815	119,420
Assistant Chief Fire Officer	88,071			1,568	89,639	18,759	108,398
Total	1,913,042	0	152,529	3,032	2,068,603	373,189	2,441,792

14. Exit Packages

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

The bandings in the tables include exit packages in the year they were individually agreed. The bandings are based on HR records for leavers in the year adjusted for accruals. Where there is a difference between the accrued amount and the actual payment in the following year this is shown as a reconciling adjustment at the foot of the table – in some instances the actual payment was higher than the accrued amount and in other instances the actual payment was lower. The bandings exclude exit packages provided for as part of redundancy provision in the year the provision was created – the individual exit packages charged against redundancy provisions are included in the bandings in the year of departure.

Band (£)	Exit packages 2012/13					
	Compulsory		Other		Total	
	No.	£'000	No.	£'000	No.	£'000
0 - 19,999	65	384	58	399	123	783
20,000 - 39,999	23	676	8	203	31	879
40,000 - 59,999	4	192	6	273	10	465
60,000 - 79,999	1	75	3	204	4	279
80,000 - 99,999	1	81	1	80	2	161
100,000 - 149,999	2	258	1	120	3	378
150,000 - 199,999	0	0	0	0	0	0
Total	96	1,666	77	1,279	173	2,945
Add new provisions created						292
Less amounts provided for in previous year						-1,177
Add unused amount of previous year's provision						310
Adjust for differences between payments and accruals						-287
Total cost of exit packages in the Comprehensive Income and Expenditure Statement						2,083

NOTES TO THE CORE FINANCIAL STATEMENTS

Band (£)	Exit packages 2011/12					
	Compulsory		Other		Total	
	No.	£'000	No.	£'000	No.	£'000
0 - 19,999	375	2,226	58	391	433	2,617
20,000 - 39,999	68	1,832	13	352	81	2,184
40,000 - 59,999	19	936	11	542	30	1,478
60,000 - 79,999	6	403	0	0	6	403
80,000 - 99,999	3	266	1	99	4	365
100,000 - 149,999	0	0	0	0	0	0
150,000 - 199,999	0	0	0	0	0	0
Total	471	5,663	83	1,384	554	7,047
Add new provisions created						1,177
Less amounts provided for in previous year						-4,875
Adjust for differences between payments and accruals						27
Total cost of exit packages in the Comprehensive Income and Expenditure Statement						3,376

15. Operating Leases

From time to time, the County Council acquires assets under operating leases. The minimum lease payments and contingent rents charged, and sublease payments received for the year, together with future commitments and future sublease payments receivable are set out below, together with comparative figures for 2011/12.

	2011/12		2012/13	
	Plant, vehicles & equipment £'000	Land and buildings £'000	Plant, vehicles & equipment £'000	Land and buildings £'000
Minimum lease payments charged in year	2,380	3,931	1,780	3,871
Contingent rents charged in year	509	58	477	109
Sublease payments received in year	0	-5	0	-14
Future minimum lease payments:				
Within 1 year	1,887	3,669	1,048	3,147
Within 2nd - 5th years	2,092	7,526	1,058	6,739
6th year and beyond	10	6,848	3	6,840
Total commitments	3,989	18,043	2,109	16,726
Total future sublease payments receivable	0	-149	0	-145

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 2011/12. The County Council leases out property under operating leases for the provision of accommodation for services, such as Children's Centres, Homes for Older People, pre-schools and waste re-cycling centres.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2011/12		2012/13	
	Plant, vehicles & equipment £'000	Land and buildings £'000	Plant, vehicles & equipment £'000	Land and buildings £'000
Minimum lease payments receivable in year	0	1,322	0	1,243
Contingent rents receivable in year	0	1,494	0	543
Future minimum lease payments receivable:				
Within 1 year	0	933	0	957
Within 2nd - 5th years	0	2,487	0	2,580
6th year and beyond	0	17,755	0	20,013
Total receivable	0	21,175	0	23,550

Contingent rents for 2011/12 included rent increases backdated several years on a number of leases.

16. Other Operating Expenditure

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

	2011/12 £'000	2012/13 £'000
Capital receipts	-1,378	-846
Disposal costs charged against capital receipts	25	24
Net capital receipts	-1,353	-822
Other receipts	-76	-159
	-1,429	-981
Carrying value of non-current assets derecognised	125,189	212,928
Disposal costs charged to the County Fund	73	30
	125,262	212,958
Gain(-) or loss (+) on derecognition	123,833	211,977
Adjustments between accounting basis and funding basis	-123,836	-212,106
Net charge to County Fund	-3	-129

17. Financing and Investment Income and Expenditure

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

	2011/12 £'000	2012/13 £'000
Surplus/deficit on trading operations	512	1,528
Interest payable and similar charges	20,605	20,657
Interest receivable and similar income	-2,626	-3,248
Income and expenditure in relation to investment properties and changes in their fair value	-109	-840
Pensions interest cost and expected return on pensions assets	15,549	21,876
Net fire-fighters Pension Fund Top-Up Grant	-2,157	-2,447
Total Financing and Investment Income & Expenditure	31,774	37,526

18. Trading Operations

The County Council operates trading accounts for a number of services supplied to directorates and schools within the authority. Details of their financial performance during 2012/13 are as follows:

2011/12		2012/13		
Surplus (-) / Deficit £'000	Trading Unit	Turnover £'000	Expenditure £'000	Surplus (-) / Deficit £'000
0	Central Support Services Provision of financial, legal, personnel, IT, printing and other support to services within the authority	51,434	51,337	-97
0	Property & Facilities Corporate landlord, property support services and facilities management for Council establishments	24,375	24,176	-199
103	Catering Provision of school meals and catering services in the central offices	1,206	2,472	1,266
-120	Cleaning Provision of cleaning services for schools and Council establishments	990	1,042	52
529	Integrated Transport Unit	3,540	4,046	506
512	Total	81,545	83,073	1,528

The new Property and Facilities contract, which commenced on 1 July 2012, encompasses the provision of catering and cleaning services and the internal trading activities Food With

Thought (FwT) and QUEST Cleaning Services ceased to operate at that point, with staff transferring to the new provider. The deficit on Catering shown above does not reflect the true performance of FwT during the first three months of the year, as some of the income relating to the internal service has been included in the Property & Facilities trading operation. The position for Property & Facilities shown above is after the majority of the surplus on that activity has been credited back to services. None of the remaining surplus/deficit balances on the trading operations has a material impact on the cost of services.

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	2012/13				
	Financial Liabilities	Financial Assets			Total
	Liabilities at amortised cost	Loans and receivables	Available-for-sale assets	Assets at fair value through profit & loss	
£'000	£'000	£'000	£'000	£'000	
Interest expense	20,702				20,702
Losses on derecognition					0
Reductions in fair value		-3			-3
Impairment losses		-42			-42
Fee expense		0	33		33
Total expense in Surplus or Deficit on the Provision of Services	20,702	-45	33	0	20,690
Interest income		-2,880	-290		-3,170
Interest income accrued on impaired financial assets		-78			-78
Increases in fair value					0
Gains on derecognition					0
Fee income					0
Total income in Surplus or Deficit on the Provision of Services	0	-2,958	-290	0	-3,248
Gains/losses on revaluation			-302		-302
Amounts recycled to the Surplus or Deficit on the Provision of Services					0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure			-302		-302
Net gain(-)/loss for the year	20,702	-3,003	-559	0	17,140

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative figures for 2011/12 are as follows:

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

20. Retirement Benefits

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

The County Council participates in three pension schemes:

- The Local Government Pension Scheme. This is a funded scheme, meaning that the County Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets
- The Fire-fighters' Pension Scheme. This is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pension payments as they fall due. The County Council and employees pay contributions into a fund and where these are not sufficient to meet pension payments for the year, the deficit is met by central government top-up grant. Any surplus in the pension fund in the year is paid back to central government. There are two fire-fighters pension schemes in operation, the 1992 scheme and the 2006 scheme. These schemes are disclosed separately within the notes which follow, together with injury pensions and ill health retirements which are funded directly by the County Council and are not met from the pension fund account
- The Teachers' Pension Scheme. This is an unfunded scheme administered by the Teachers' Pension Agency and provides teachers with defined benefits upon their retirement. The County Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2012/13 the County Council paid £19.583m (2011/12 £24.469m) to the Teachers' Pension Agency in respect of teachers' pension costs – the amount has reduced because of schools converting to academy trusts. The percentage of pensionable pay was 14.1% (14.1% in 2011/12). As at 31 March 2013 there was £2.323m owed to the Teachers' Pension Agency in respect of accrued pensions contributions (£2.815m in 2011/12). 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 125 and 161 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	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	
	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000
<u>Cost of Services</u>												
Current service cost	32,947	38,920	2,973	3,974	365	631		126			36,285	43,651
Past service costs								50			0	50
Curtailments & settlements	-1,273	-15,324									-1,273	-15,324
	31,674	23,596	2,973	3,974	365	631	0	176	0	0	35,012	28,377
<u>Financing and Investment Income & Expenditure</u>												
Pension interest cost	48,301	48,558	6,289	6,326	146	196	515	481	2,060	1,884	57,311	57,445
Expected return on assets in the scheme	-41,762	-35,569									-41,762	-35,569
Government Top-Up Grant/Surplus payable to Government			-2,819	-3,161	662	714					-2,157	-2,447
<u>Surplus/Deficit on the Provision of Services</u>	38,213	36,585	6,443	7,139	1,173	1,541	515	657	2,060	1,884	48,404	47,806
Amounts by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	-2,010	-3,541	-4,930	-5,580	-804	-1,131	-223	-288	1,340	1,614	-6,627	-8,926
<u>Actual amount charged against the County Fund Balance for pensions in the year:</u>												
Employer's contributions payable to the scheme	36,203	33,044	1,513	1,559	369	410					38,085	35,013
Retirement benefits payable to pensioners							292	369	3,400	3,498	3,692	3,867

The total contributions expected to be made by the County Council to the Local Government Pension Scheme (LGPS) in 2013/14 are £28.794m for funded benefits (£32.185m in 2012/13). £1.443m of LGPS unfunded benefits are expected to be paid to beneficiaries in 2013/14 (£1.403m in 2012/13). Expected contributions to the Fire-fighters Pension Scheme in 2013/14 (including Government Top-Up Grant) are £4.678m for the 1992 Scheme and a credit of £0.329m (due to the Top-Up Grant arrangement) for the 2006 Scheme (£4.251m and a credit of £0.249m in 2012/13 respectively). Expected payments to beneficiaries in 2013/14 are £3.859m for Teachers Added Years and £0.328m for Fire-fighters' injury pensions and Unfunded Ill Health Retirements (£3.759m and £0.300m in 2012/13 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 £600.983m (2011/12 £661.446m) 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 62% (2011/12 58%). 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Local Government Pension Scheme (funded)		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	
	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000
Opening balance at 1 April	853,175	1,064,177	17,055	18,257	114,993	139,856	2,345	4,089	9,505	10,606	40,502	44,346	1,037,575	1,281,331
Current service cost	32,947	38,920			2,973	3,974	365	631		126			36,285	43,651
Interest cost	47,400	47,750	901	808	6,289	6,326	146	196	515	481	2,060	1,884	57,311	57,445
Contributions by scheme participants	11,028	9,836			764	808	279	320					12,071	10,964
Actuarial gains (-) and losses (+)	154,965	26,067	1,670	3,190	19,934	-7,541	940	2,132	877	-5,040	5,184	7,291	183,570	26,099
Allowance for future injury pensions													0	0
Benefits paid	-34,075	-31,243	-1,369	-1,412	-2,278	-2,368	-648	-729	-291	-369	-3,400	-3,498	-42,061	-39,619
Past service cost										50			0	50
Curtailments	2,476	924											2,476	924
Settlements	-3,739	-26,355											-3,739	-26,355
Fire-fighters pension scheme top-up grant					-2,819	-3,161	662	714					-2,157	-2,447
Closing balance at 31 March	1,064,177	1,130,076	18,257	20,843	139,856	137,894	4,089	7,353	10,606	5,854	44,346	50,023	1,281,331	1,352,043

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Present value liabilities:					
Local Government Pension Scheme (funded benefits)	747,256	1,072,522	853,175	1,064,177	1,130,076
Local Government Pension Scheme (unfunded benefits)	20,463	23,148	17,055	18,257	20,843
Fire-fighters' 1992 Pension Scheme	113,721	135,286	114,993	139,856	137,894
Fire-fighters' 2006 Pension Scheme	1,641	2,149	2,345	4,089	7,353
Fire-fighters' Injury Pensions	4,894	5,675	9,505	10,606	5,854
Teachers' Added Years	52,920	59,844	40,502	44,346	50,023
Total present value liabilities	940,895	1,298,624	1,037,575	1,281,331	1,352,043
Fair value of assets in the Local Government Pension Scheme	383,341	546,584	600,793	619,885	751,060
Deficit in the scheme:					
Local Government Pension Scheme (funded)	363,915	525,938	252,382	444,292	379,016
Local Government Pension Scheme (unfunded)	20,463	23,148	17,055	18,257	20,843
Fire-fighters' 1992 Pension Scheme	113,721	135,286	114,993	139,856	137,894
Fire-fighters' 2006 Pension Scheme	1,641	2,149	2,345	4,089	7,353
Fire-fighters' Injury Pensions	4,894	5,675	9,505	10,606	5,854
Teachers' Added Years	52,920	59,844	40,502	44,346	50,023
Total Net Deficit	557,554	752,040	436,782	661,446	600,983

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2011/12 £'000	2012/13 £'000
Opening balance at 1 April	600,793	619,885
Expected rate of return	41,762	35,569
Actuarial gains (+) and losses (-)	-34,467	95,488
Employer contributions	34,834	31,632
Contributions by scheme participants	11,028	9,836
Benefits paid	-34,075	-31,243
Receipt of bulk transfer	10	-10,107
Closing balance at 31 March	619,885	751,060

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

	31 March 2012 %	31 March 2013 %
Equities	70	69
Gilts	10	10
Other bonds	6	6
Property	6	6
Cash	3	4
Other assets	5	5
Total	100	100

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2012 for the year to 31 March 2013). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields. The assumed rate of return on each asset class is set out in the next table. The actual gain on scheme assets in the year was £131.055m (£7.296m in 2011/12).

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Financial Assumptions	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	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
Long-term expected rate of return on assets in the scheme:												
Equities	6.3%	6.3%	-	-	-	-	-	-	-	-	-	-
Gilts	3.3%	3.3%	-	-	-	-	-	-	-	-	-	-
Other Bonds	4.6%	4.6%	-	-	-	-	-	-	-	-	-	-
Property	5.3%	5.3%	-	-	-	-	-	-	-	-	-	-
Cash	3.0%	3.0%	-	-	-	-	-	-	-	-	-	-
Other assets	6.3%	6.3%	-	-	-	-	-	-	-	-	-	-
Rates of increase:												
Retail Price Index (RPI) increases	3.3%	3.4%	3.3%	3.0%	3.3%	3.4%	3.3%	3.4%	3.3%	3.4%	3.3%	3.0%
Consumer Price Index (CPI) increases	2.5%	2.6%	2.5%	2.2%	2.5%	2.6%	2.5%	2.6%	2.5%	2.6%	2.5%	2.2%
Rate of increase in salaries	4.7%	4.8%	4.7%	4.4%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.7%	4.4%
Rate of increase in pensions and deferred pensions	2.5%	2.6%	2.5%	2.2%	2.5%	2.6%	2.5%	2.6%	2.5%	2.6%	2.5%	2.2%
Rate for discounting scheme liabilities	4.6%	4.6%	4.6%	2.4%	4.6%	4.5%	4.6%	4.5%	4.6%	4.5%	4.6%	2.4%

NOTES TO THE CORE FINANCIAL STATEMENTS

Mortality assumptions	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	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
Base Table*	S1PA Heavy with allowance for medium cohort projection		S1PA Heavy with allowance for medium cohort projection		S1NA for 2007	S1PA Heavy with allowance for medium cohort projection	S1NA for 2007	S1PA Heavy with allowance for medium cohort projection	S1NA for 2007	S1PA Heavy with allowance for medium cohort projection	S1PA Heavy with allowance for medium cohort projection	
Men:												
Cohort improvement factors (from 2007)	N/A		N/A		80% of LC	N/A	80% of LC	N/A	80% of LC	N/A		N/A
Minimum improvement factors	1.00%		1.00%		1.25%	1.00%	1.25%	1.00%	1.25%	1.00%		1.00%
Longevity from 65 (currently aged 65) (yrs)	19.0	19.2	19.0	19.2	22.3	19.2	22.3	19.2	22.3	19.2	19.0	19.2
Longevity from 65 (currently aged 45) (yrs)	21.0	21.1	21.0	21.1	24.7	21.1	24.7	21.1	24.7	21.1	21.0	21.1
Women:												
Cohort improvement factors (from 2007)	N/A		N/A		60% of LC	N/A	60% of LC	N/A	60% of LC	N/A		N/A
Minimum improvement factors	1.00%		1.00%		1.25%	1.00%	1.25%	1.00%	1.25%	1.00%		1.00%
Longevity from 65 (currently aged 65) (yrs)	23.1	23.2	23.1	23.2	24.4	23.2	24.4	23.2	24.4	23.2	23.1	23.2
Longevity from 65 (currently aged 45) (yrs)	25.0	25.1	25.0	25.1	26.8	25.1	26.8	25.1	26.8	25.1	25.0	25.1

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*Explanations of abbreviations are given in the glossary

In addition the following assumptions have been made:

- 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 – for LGPS and Teachers Added Years schemes only

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Sensitivity Analysis	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	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment to discount rate:												
+0.1%												
Reduction in Scheme Liabilities	26,699	25,820	217	145	3,474	2,729	163	268	140	69	510	335
Reduction in Projected Service Cost	1,583	1,379	-	-	169	127	34	41	-	5	-	-
-0.1%												
Increase in Scheme Liabilities	27,458	26,586	220	146	3,582	2,809	171	279	143	71	516	339
Increase in Projected Service Cost	1,632	1,423	-	-	175	132	35	41	-	5	-	-
Adjustment to mortality age rating assumption:												
+1 year												
Reduction in Scheme Liabilities	40,670	43,143	702	802	5,560	5,282	154	281	440	225	1,647	1,855
Reduction in Projected Service Cost	2,033	1,902	-	-	180	150	32	42	-	5	-	-
-1 year												
Increase in Scheme Liabilities	41,218	43,734	710	811	5,597	5,350	155	285	444	228	1,666	1,878
Increase in Projected Service Cost	2,062	1,930	-	-	181	152	32	42	-	5	-	-

NOTES TO THE CORE FINANCIAL STATEMENTS

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 £69.389m (loss of £218.037m in 2011/12) included in Other Comprehensive Income and Expenditure. The cumulative amount of actuarial losses recognised in Other Comprehensive Income and Expenditure is £363.502m (£432.891m in 2011/12).

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

	2011/12 £'000	2012/13 £'000
Balance as at 1 April	-436,782	-661,446
Net charge made for retirement benefits in accordance with IAS19	-6,627	-8,926
Actuarial gains and losses	-218,037	69,389
Additional allowance for fire-fighters injury pensions	0	0
Balance as at 31 March	-661,446	-600,983

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.

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Experience gains and losses on liabilities:					
Local Government Pension Scheme (funded)	-0.35	0.00	6.44	0.00	0.00
Local Government Pension Scheme (unfunded)	-1.20	0.00	-6.49	-6.14	-3.70
Fire-fighters 1992 Pension Scheme	-0.55	16.71	0.00	0.00	-1.11
Fire-fighters 2006 Pension Scheme	0.00	62.96	0.00	0.00	-41.15
Fire-fighters Injury Pensions & Ill health	-1.23	-1.07	-6.88	0.00	3.71
Teachers' Added Years	-1.18	0.00	2.85	-8.56	-3.33
Difference between the expected and actual return on assets in the local government pension scheme	-39.77	21.85	1.44	-5.56	12.71

21. Taxation and Non-Specific Grant Income

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

	2011/12 £'000	2012/13 £'000
Council Tax income	286,745	289,765
Non-domestic rates	93,316	113,119
Non-ringfenced government grants	79,337	57,746
Capital grants and contributions	70,789	59,889
Total Taxation and Non-Specific Grant Income	530,187	520,519

22. Grant Income

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

Credited to Taxation and Non Specific Grant Income:

	2011/12 £'000	2012/13 £'000
Revenue Support Grant	28,844	3,491
Early Intervention Grant	21,445	23,482
Learning Disabilities and Health Reform Grant	19,224	19,722
Council Tax Freeze Grant	7,067	7,113
Other revenue grants	2,757	3,938
Capital grants	64,915	51,736
Developer contributions	4,553	7,056
Other capital contributions	719	1,097
Donated assets	602	0
Total	150,126	117,635

Credited to Services:

	2011/12 £'000	2012/13 £'000
Dedicated Schools Grant	382,418	323,414
Sixth Form Funding	25,611	13,405
Pupil Premium Grant	4,317	7,628
Adult Learning (Skills Funding Agency)	3,934	2,766
Asylum Seekers	1,403	991
Other grants	9,763	5,452
Total	427,446	353,656

23. Related Party Transactions

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

Central government is responsible for the statutory framework within which all local authorities operate and provides the majority of the County Council’s funding in the form of general grants, national non-domestic rates and specific grants. Note 62 on Cash Flow Statement – Operating Activities summarises the main transactions with central government and details of revenue government grant receipts are provided in Note 65.

Members of the County Council have direct control over the County Council’s financial and operating policies. The Chief Executive and directors who are members of the County Council Management Team, deputy directors and other second tier officers may have some influence on the direction of these policies. Wherever applicable, transactions have been made following proper consideration of declarations of interest. One member of the Council is a representative on the Oxfordshire Youth Arts Partnership, which received payments of £0.064m from the County Council in 2012/13. Another member of the Council has links with Donnington Doorstep and Rose Hill & Donnington Advice Centre, which received payments of £0.101m and £0.014m respectively in 2012/13. Neither councillor took part in any decisions to award funding or make payments to these bodies. There are no other related party transactions to disclose between the County Council and members, directors, deputy directors or other second tier officers.

The County Council administers the Oxfordshire Pension Fund and this is a related party. During the year ended 31 March 2013, the County Council made employer contributions totalling £31.967m to the Fund (£35.662m in 2011/12). The County Council charged the Fund £1.042m (£1.035m in 2011/12) for expenses incurred in administering the Fund. As at 31 March 2013 £2.356m was due to the Pension Fund and £0.069m by the Pension Fund (£2.584m and £0.019m respectively as at 31 March 2012).

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 2012/13 are as follows:

<u>Oxford City</u>	<u>South Oxfordshire</u>	<u>West Oxfordshire</u>
Mohammed Altaf-Khan	Tony Harbour	Louise Chapman
Alan Armitage	Anne Purse	Pete Handley
Roy Darke	Bill Service	David Harvey
Jean Fooks	David Turner	Steve Hayward
John Goddard		Hilary Hibbert-Biles
Saj Malik		Neil Owen
Susanna Pressel		
Gill Sanders (from July 2012)		
Val Smith		
John Tanner		

NOTES TO THE CORE FINANCIAL STATEMENTS

Cherwell

Alyas Ahmed
Maurice Billington
Norman Bolster
Ann Bonner
Michael Gibbard
Timothy Hallchurch MBE
Kieron Mallon
George Reynolds
Lawrie Stratford
Nicholas Turner

Vale of White Horse

Marilyn Badcock
Michael Badcock
Jenny Hannaby
Peter Jones
Sandy Lovatt
Melinda Tilley

Two members of the County Council were also members of Thames Valley Police Authority until it ceased in November 2012 and these were considered to be related parties. Details for the financial year 2012/13 is as follows:

Kieron Mallon
Zoe Patrick

Councillor Mallon is a representative on the Thames Valley Police and Crime Panel. This is considered to be a related party.

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

2012/13 District Council	Collection Fund Transactions		Other Transactions	
	Rates £'000	Precepts £'000	Payments £'000	Receipts £'000
Cherwell	1,751	-59,597	1,948	-204
Oxford City	2,012	-54,756	4,126	-2,332
South Oxfordshire	1,549	-65,873	1,770	-460
Vale of White Horse	1,229	-58,303	1,298	-157
West Oxfordshire	1,303	-50,015	1,437	-328
Total	7,844	-288,544	10,579	-3,481

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Other related party transactions in 2012/13, not disclosed elsewhere in the accounts, are as follows:

- Payments of £12.428m (2011/12 £22.546m) were made to The Ridgeway Partnership for the provision of health care and social support services for people who have a learning disability for the period April – October 2012. On 1 November 2012 the Ridgeway Partnership became part of Southern Health NHS Foundation Trust, the latter is not considered to be a related party

No other related parties have been identified.

NOTES TO THE CORE FINANCIAL STATEMENTS

24. Movement of Property, Plant and Equipment

2012/13	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	989,471	127,623	408,676	3,997	9,934	1,539,701	17,816
Additions	20,544	2,406	15,939		8,085	46,974	5,009
Donations						0	
Revaluation increases recognised in the Revaluation Reserve	2,229			132		2,361	73
Revaluation decreases recognised in the Revaluation Reserve	-25,326			-88		-25,414	-643
Revaluation increases recognised in the Surplus/Deficit on Provision of Services	4,852			19		4,871	17
Revaluation decreases recognised in the Surplus/Deficit on Provision of Services	-36,895			-498		-37,393	-3,381
Derecognition - disposals		-801				-801	
Derecognition - other	-201,495	-28,943	-1,088			-231,526	-565
Assets reclassified to / from Held for Sale						0	
Assets reclassified to / from Investment Properties	-342					-342	
Assets reclassified to / from Intangible Assets		-194				-194	
Transfers	-2,136	8,706	790	1,472	-8,832	0	
Other movements in cost or valuation					-103	-103	
Cost or Valuation as at 31 March	750,902	108,797	424,317	5,034	9,084	1,298,134	18,326
Depreciation as at 1 April	-14,186	-33,492	-85,901	-12	0	-133,591	-170
Depreciation charge	-10,592	-9,982	-11,685	-20		-32,279	-242
Depreciation written out to the Revaluation Reserve	11,178			8		11,186	330
Depreciation written out to the Surplus/Deficit on Provision of Services	8,551			8		8,559	61
Derecognition - disposals		761				761	
Derecognition - other	4,371	12,774	64			17,209	1

NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13 Continued	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
Assets reclassified to / from Held for Sale						0	
Assets reclassified to / from Investment Properties						0	
Assets reclassified to / from Intangible Assets		5				5	
Depreciation on transfer	-548	548				0	
Other movements in depreciation						0	
Depreciation as at 31 March	-1,226	-29,386	-97,522	-16	0	-128,150	-20
Impairment as at 1 April	-5,619	-198	0	0	0	-5,817	0
Impairment losses recognised in the Revaluation Reserve	-3,051			-20		-3,071	-38
Impairment loss reversals recognised in the Revaluation Reserve						0	
Impairment losses recognised in the Surplus/Deficit on Provision of Services	-8,707	-365		-442		-9,514	-817
Impairment loss reversals recognised in the Surplus/Deficit on Provision of Services						0	
Impairment written out to the Revaluation Reserve	2,490					2,490	
Impairment written out to the Surplus/Deficit on Provision of Services	13,672			462		14,134	855
Derecognition - disposals						0	
Derecognition - other	947	423				1,370	
Assets reclassified to / from Held for Sale						0	
Impairment on transfer						0	
Other movements in impairment						0	
Impairment as at 31 March	-268	-140	0	0	0	-408	0
Net Book Value at 31 March 2012	969,666	93,933	322,775	3,985	9,934	1,400,293	17,646
Net Book Value at 31 March 2013	749,408	79,271	326,795	5,018	9,084	1,169,576	18,306

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

25. Movement in the Fair Value of Investment Properties

	2011/12		2012/13	
	Non-Current	Current	Non-Current	Current
	£'000	£'000	£'000	£'000
Balance at 1 April	4,780	0	4,521	0
Derecognition	-372			
Net gains (+)/losses (-) from fair value adjustments	113		305	518
Assets reclassified to / from Investment Properties			325	17
Balance at 31 March	4,521	0	5,151	535

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

26. Movement in the value of Assets Held for Sale

2011/12 £'000		2012/13 £'000
984	Balance at 1 April	104
	Assets newly classified as held for sale:	
	- Property, Plant and Equipment	
-7	Revaluation losses	
-248	Impairment losses	
	Assets declassified as held for sale:	
-235	- Property, Plant and Equipment	
-390	Assets derecognised	-104
	Additions	
104	Balance at 31 March	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.

Since 31 March 2013 £1.777m of assets within Property, Plant and Equipment have met the criteria for recognition as Assets Held for Sale.

27. Movement in the value of Intangible Assets

The County Council capitalised £0.069m of purchased software licenses in 2012/13 (£0.405m in 2011/12). The movement in the carrying value of intangible assets for the year was as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2011/12 £'000	2012/13 £'000
Gross Carrying Value at 1 April	6,919	6,180
Additions	405	69
Assets reclassified to/from Intangible Assets		194
Derecognition	-1,144	-782
Gross Carrying Value at 31 March	6,180	5,661
Amortisation at 1 April	-3,432	-4,082
Amortisation for the year	-1,794	-729
Depreciation on reclassification to/from Intangible Assets		-5
Amortisation on derecognition	1,144	755
Amortisation at 31 March	-4,082	-4,061
Impairment at 1 April	0	0
Impairment for the year		-26
Impairment on reclassification to/from Intangible Assets		0
Impairment on Derecognition		26
Impairment at 31 March	0	0
Net Book at 1 April	3,487	2,098
Net Book Value at 31 March	2,098	1,600

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:

Service line	2011/12 £'000	2012/13 £'000
Children's and Education Services	697	278
Adult Social Care	702	213
Highways and Transport Services	180	79
Fire and Rescue Services	121	59
Environmental and Regulatory Services	27	14
Cultural and Related Services	28	55
Planning Services	36	13
Central Services to the Public	3	8
Other Corporate Services	0	10
Total	1,794	729

28. Heritage Assets

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

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

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

- Archaeology collections - these cover a broad time span from the Palaeolithic to the 17th century. Most of the collections are acquired following excavation as a result of development. There are 40,394 items held, almost all of which are owned by the County Council, and include some material of national significance
- History collections - these illustrate the lives of ordinary people in Oxfordshire over the last 400 years. They are used in permanent displays throughout the county, in temporary exhibitions and for study and enjoyment by local groups and individuals. The collections cover a range of industries, crafts and activity including textile industries, agriculture and associated food processing, woodland industries, car manufacture, brewing, retail, slate production and rural crafts. There are 47,694 items held, the vast majority of which are owned by the County Council
- Textile collection - this covers a range of men's, women's and children's dress from the 17th century to the 20th century, together with some costume accessories and textiles and includes some items of national importance
- Other collections - the Museum Service holds 1,000 natural science specimens, a collection of prints and drawings either by an Oxfordshire based artist or depicting Oxfordshire, a collection of contemporary craftwork, photographic collections, a historic motor vehicle and handling collections. The latter comprises approximately 8,544 objects suitable for handling by the public in educational and community sessions. The majority of items reflect domestic and social history, in addition there are archaeological replicas and some boxed natural history specimens

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

- Administrative records - these include items such as county, district and parish council records and court sessions and include minutes, accounts, legal papers, inquests, correspondence and deeds. Some of these are on loan to the County Council
- Church records - These records on loan to the County Council include diocesan records for Oxford Diocese, archdeaconry records for the Archdeaconry of Oxford, and parish records for all parishes within the archdeaconry
- Private deposits - these include items such as business records, estate papers, family papers, property records and a range of other types of deposit. Most of these are on loan to the County Council
- Other records - these include books, newspapers, magazines, journals, pamphlets, posters, ephemera, microfilm, digital files, and research notes. Most of these records are owned by the County Council

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

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

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

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

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

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

Although current valuation information is not available to recognise the heritage assets on the Balance Sheet, contents insurance of £2.6m for the Museum Service and the Oxfordshire History Centre (based on historic valuations) provides an indication of the value of these items not recognised on the Balance Sheet.

29. Valuation of non-current assets

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

- Year 1: Secondary and special schools
- Year 2: Primary, nursery, junior and infant schools
- Year 3: Social care premises, libraries, museums and adult learning premises

- Year 4: Fire & Rescue Service and Community Safety premises, staff housing, central offices and highways depots
- Year 5: Other educational premises, surplus assets and other properties not re-valued within the past 5 years

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

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

Property valuations are conducted by the County Council's appointed external property consultants Carillion Capita Symonds. Carillion Capita Symonds provide an annual valuation report and valuation certificate which give details of their opinion of the value of specific assets, basis of valuation, assumptions made and details of the rolling programme, additional and ad-hoc valuations. Valuations have been undertaken in accordance with the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors. The basis of valuations is set out in Note 1.

As part of the rolling programme Fire & Rescue Service and Community Safety premises, staff housing, central offices and highways depots were revalued as at 1 April 2012.

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

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

The County Council has one PFI type contract (service concession arrangement) with an external operator in relation to the provision of residential care homes and care services, details of which are given below.

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

The operator has built 9 new homes and 4 Extra Care Housing schemes through the redevelopment programme, whilst 11 homes have been closed. Under the Code, the County Council is required to recognise homes that meet tests in respect of control of services and control of the residual interest in property on its Balance Sheet. All homes under the contract are included on the County Council's Balance Sheet, with exception of one home that does not meet the control tests specified in the Code. At the end of the contract, all properties currently on the Balance Sheet revert to County Council ownership.

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The operation of the contract, the services provided through and the future development programme are currently subject to review and significant changes are likely during 2013/14.

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

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

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	20,421	24,330
Increase in liability in the year	4,658	4,444
Liability repaid in the year	-749	-906
Balance at 31 March	24,330	27,868

Details of payments due to be made under the service concession arrangement are as follows, with comparative figures for 2011/12 provided below. These are based on the current financial model and may change as a result of the current review of the contract.

2012/13	Service Costs	Principal Repayments	Interest Costs	Lifecycle Replacement Payments	Total
	£'000	£'000	£'000	£'000	£'000
Within 1 Year	13,947	687	2,122	709	17,465
2 -5 Years	58,713	3,312	7,925	3,130	73,080
6 - 10 Years	86,483	5,768	8,278	4,670	105,199
11 -15 Years	94,750	18,101	5,724	5,681	124,256
Total	253,893	27,868	24,049	14,190	320,000

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

31. Finance Leases

The County Council has acquired some equipment under finance leases. Finance leases relating to schools that have converted to academies during the year have been removed from the Balance Sheet.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	At 31 March 2012 £'000	At 31 March 2013 £'000
Vehicles, plant and equipment	465	211

Contingent rents recognised as an expense in 2012/13 totalled £0.011m (£0.003m in 2011/12).

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

	At 31 March 2012 £'000	At 31 March 2013 £'000
Finance lease liabilities	479	226
Finance costs payable in future years	57	17
Total future minimum lease payments	536	243

The minimum lease payments are payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	At 31 March 2012	At 31 March 2013	At 31 March 2012	At 31 March 2013
	£'000	£'000	£'000	£'000
Within 1 year	175	136	148	125
Within 2nd - 5th years	361	107	331	101
6th year and beyond	0	0	0	0
Total	536	243	479	226

32. Capital Spending 2012/13

The County Council's total capital spend for 2012/13 was £51.497m, which included £4.553m of structural repairs and maintenance of buildings, structural highways maintenance, purchase of vehicles/equipment and ICT, £0.146m of loans for capital works/equipment and £10.229m of work in progress as at 31 March 2013.

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

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Capital Spending	£'000	£'000
Children, Education & Families		
Oxford Wood Farm - replacement of existing buildings	3,503	
Banbury, The Grange - 6 classroom block to replace temporary classrooms	538	
Wantage, Fitzwaryn - Phase 2 (modernisation & new post 16 accommodation)	792	
Oxford Spires Academy	1,700	
Existing Demographic Pupil Provision	820	
Wantage, Charlton - Phase 2 (foundation & Studio)	778	
Oxford, Windale - Phase 2	528	
Cholsey Primary - extensions and remodelling	983	
School Structural Maintenance (including Health & Safety)	3,859	
Devolved Formula Capital	4,792	
Schemes under £500,000	5,380	
Total Children, Education & Families		23,673
Social & Community Services		
Redbridge Hollow Phase 2	801	
Extra Care Housing - Shotover	603	
Banbury Day Centre	508	
Schemes under £500,000	612	
Total Social & Community Services		2,524
Environment & Economy		
Thornhill Park and Ride Extension	1,661	
Bicester town centre access improvements	722	
Didcot Parkway Interchange	1,670	
Non - Principal Roads	3,480	
Footways	1,634	
Routine Surface Dressings	1,776	
Safety Resurfacing	795	
Routine Pre-patching	910	
Drainage	798	
Street Lighting Column Replacement	503	
A4158 Oxford Iffley Road (phase 2)	635	
Schemes under £500,000	5,113	
Total Environment & Economy		19,697
Chief Executive's Office		
Introduction of Radio Frequency Identification in Libraries	557	
Schemes under £500,000	347	
Total Chief Executive's Office		904
Sub Total Capital Programme		46,798

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Spending (Continued)	£'000	£'000
Capitalised Structural Repairs & Maintenance of Buildings		899
Capitalised Highways Maintenance		2,814
Capitalised Purchase of Vehicles / Equipment		461
Capitalised ICT		379
Capitalised Loans		146
Sub Total		4,699
Total		51,497

33. Summary of capital expenditure

Capital expenditure by asset class is as follows:

	2011/12 £'000	2012/13 £'000
Property, Plant and Equipment	72,238	46,974
Intangible Assets	405	69
Revenue Expenditure Funded from Capital under Statute	7,351	9,362
Capital loans	324	146
Repayment of capital grants and contributions	738	
	81,056	56,551
Less assets acquired under service concession arrangements	-4,658	-4,444
Less assets transferred from capital prepayment account	-503	-565
Less assets acquired under finance leases	-171	-45
Total capital expenditure	75,724	51,497

34. Capital Financing

The capital expenditure of £51.497m has been financed from the following sources:

	2011/12 £'000	2012/13 £'000
Prudential and other unsupported borrowing	1,348	757
Grants & Contributions	61,933	44,468
Repayment of capital grants and contributions	738	0
Revenue	11,705	6,272
Total	75,724	51,497

35. Capital Financing Requirement

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

	2011/12 £'000	2012/13 £'000
Capital Financing Requirement as at 1 April	466,604	452,607
New supported borrowing	0	0
New unsupported borrowing	1,348	757
Assets acquired under service concession arrangements	4,658	4,444
Assets acquired under finance leases	171	45
Service concession arrangements - lifecycle prepayments	640	682
Residual interest - asset accumulation prepayments	43	43
Loan repayments and fair value adjustments	103	-4
Reduction in underlying need to borrow arising from writing-off previously capitalised spend	-544	0
Reduction in underlying need to borrow arising from derecognition of finance leases		-163
Repayment of finance liability/correction to finance liability	-262	
Minimum Revenue Provision for the year	-20,154	-19,650
Increase (+)/decrease (-) in Capital Financing Requirement	-13,997	-13,846
Capital Financing Requirement as at 31 March	452,607	438,761

36. Capital Commitments

As at 31 March 2013 the Council was contractually committed to £14.187m (£13.572m as at 31 March 2012) on the following schemes:

	2012/13 £'000	
Children, Education & Families		
Oxford Spires Academy	4,916	
Wood Farm Primary School Phases 2 & 3	2,361	
Cholsey School	828	
Schemes under £500,000	1,529	
		9,634
Environment & Economy		
Didcot Parkway Station Forecourt Improvement	2,048	
Thornhill Park and Ride Extension	559	
A40 Wheatley River Bridge - Crossovers construction	733	
Schemes under £500,000	1,213	
		4,553
TOTAL		14,187

NOTES TO THE CORE FINANCIAL STATEMENTS

As at 31 March 2013 there were no commitments relating to investment property or intangible assets.

37. Financial Instrument Carrying Values

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

	Long-Term		Current	
	At 31 March 2012 £'000	At 31 March 2013 £'000	At 31 March 2012 £'000	At 31 March 2013 £'000
Loans and receivables	92,882	100,926	140,178	223,404
Available-for-sale financial assets	0	0	90,316	29,976
Financial assets at fair value through profit and loss	0	0	0	0
Total Financial Assets	92,882	100,926	230,494	253,380
Financial liabilities at amortised cost	416,493	413,913	128,289	106,435
Total Financial Liabilities	416,493	413,913	128,289	106,435

Statutory debtors and creditors, receipts in advance and the capital prepayment account are not considered to be financial instruments and are therefore excluded from the above carrying values. Following further guidance, the balances as at 31 March 2012 have been adjusted to remove government grant debtors and creditors and all receipts in advance (£0.955m removed from loans and receivables and £40.029m from financial liabilities at amortised cost).

Current financial liabilities as at 31 March 2012 includes £25m for deposits contractually agreed in 2011/12 which were settled in 2012/13. There were no such agreements as at 31 March 2013.

The County Council has £8.163m of loans and receivables as at 31 March 2013 secured on property (£7.606m at 31 March 2012). Of this, £2.624m was new in 2012/13 (£2.626m in 2011/12). The County Council is not permitted to sell or re-pledge this collateral.

The County Council has not pledged any collateral for liabilities or contingent liabilities and, as at 31 March 2013, there were no defaults or breaches relating to loans payable.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	2011/12 £'000	2012/13 £'000
Balance as at 1 April	4,349	4,784
Nominal value of new loans granted	662	278
Fair value adjustment on initial recognition	-25	-11
Loans repaid during the year	-403	-405
Impairment losses recognised	-30	-39
Interest credited to the Surplus/Deficit on Provision of Services	232	93
Other changes	-1	28
Balance as at 31 March	4,784	4,728

The soft loans comprise key worker loans for assistance with the purchase of housing, loans under the Children’s Act relating to foster care accommodation, loans under the Chronically Sick and Disabled Persons Act for adaptations to homes, deferred payment agreements for clients’ care costs and deferred payment for ICT equipment under the City Council ICT agency agreement. The nominal value of the soft loans as at 31 March 2013 was £4.870m (£5.007m at 31 March 2012).

38. Financial Instrument Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s-length transaction. Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair values can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

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

The fair values calculated are as follows:

	At 31 March 2012		At 31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and receivables	233,060	231,132	324,330	326,017

As at 31 March 2013 the fair value is higher than the carrying value amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest

NOTES TO THE CORE FINANCIAL STATEMENTS

receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of the loans.

	At 31 March 2012		At 31 March 2013	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	544,782	585,950	520,348	574,807

As at 31 March 2013 the fair value is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans. Similarly the discount rate implied in the service concession arrangement and finance leases is higher than the rates available for new borrowing at the Balance Sheet date.

39. Impairment of Investments

Early in October 2008, the Icelandic bank Landsbanki collapsed and went into administration. The County Council had £5m deposited with this institution, with varying maturity and interest rates. All monies with this institution are subject to the administration process. The position as at 31 March 2012 was as follows:

Deposit	Date invested	Maturity date	Amount invested £'000	Interest rate	Accrued Interest £'000	Repayment (net of accrued interest) £'000	Impairment £'000	Carrying amount £'000
1	05/09/2008	05/12/2008	2,000	5.83%	17	-282	-627	1,108
2	10/09/2008	28/11/2008	3,000	5.73%	25	-431	-927	1,667
Total			5,000		42	-713	-1,554	2,775

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

It is now considered likely that UK local authorities will recover 100% of their deposits, subject to potential future exchange rate fluctuations. The position as at 31 March 2012 reflected this assumption.

Following the decision of the Supreme Court in October 2011, the Winding Up Board made their first distribution to priority creditors. The amount distributed was close to one third of each qualifying creditor's priority claim as determined by the Winding Up Board. The County Council received this first distribution in February 2012. The distribution was made in a basket of currencies, with the element paid in Icelandic Kroner held in escrow

NOTES TO THE CORE FINANCIAL STATEMENTS

pending subsequent payment. It has been assumed that the distribution was in respect of interest accrued up to December 2011, with the remainder repaying the principal element of the deposits.

During 2012/13 two further distributions were received from the Winding Up Board. It has been assumed that the distributions, received in May and October 2012 were in respect of interest accrued up to the end of September 2012, with the remainder repaying the principal element of the deposits.

The pattern of future distributions by the Winding Up Board is not known. For the purposes of estimating the total recoverable amount it was assumed that the remainder of the claim would be paid in seven instalments received in December of each year, with the final payment being received in December 2019. The changes to the carrying value of the deposits as a result of the repayments received as at 31 March 2013 and after applying the estimated repayment profile described above are set out in the table below.

Deposit	Carrying amount at 1 April 2012 £'000	Interest accrued (April to Sept 2012) £'000	Repayments (May and October 2012) £'000	Adjustment to Impairment £'000	Interest accrued (Oct 2012 to March 2013) £'000	Carrying amount at 31 March 2013 £'000
1	1,108	33	-365	23	31	830
2	1,667	48	-547	33	47	1,248
Total	2,775	81	-912	56	78	2,078

The impairment has been calculated by discounting the assumed future cash flows at the effective interest rate of the original deposits to recognise the anticipated loss of interest to the County Council until monies are recovered. The requirement to use the original interest rate and not the prevailing market rate is specified by the Code. The favourable £0.056m adjustment to the impairment recognised in the Comprehensive Income and Expenditure Statement in 2012/13 is due to the second and third distributions, being received earlier than had been assumed previously.

40. Investment Impairment Allowance Account

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

2011/12 £'000		2012/13 £'000
-1,810	Balance at 1 April	-1,554
256	Decrease in allowance	56
	Increase in allowance	
-1,554	Balance at 31 March	-1,498

41. Long Term Debtors

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

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	At 31 March 2012 £'000	At 31 March 2013 £'000
Key Worker Loans	447	447
Car Loans to Employees	45	37
Chronically Sick & Disabled Persons Act – loans	2,070	2,107
Children’s Act: loans to foster carers	482	514
Oxford City Council ICT	301	0
Other	44	30
	3,389	3,135
Capital Prepayment Account	2,670	2,830
Total	6,059	5,965

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

The Capital Prepayment Account holds prepayments for lifecycle replacement costs relating to the service concession arrangement. As lifecycle replacements actually take place the value of the works is transferred to Property, Plant and Equipment (£0.565m was transferred in 2012/13). For one property that the County Council has control over the residual interest but not control over the services (and therefore does not meet the tests of a service concession arrangement), the account also holds an amount for the excess of the expected fair value of the property at the end of the arrangement over the amount the County Council is required to pay upon reversion. This is built up from payments made by the County Council over the life of the arrangement.

42. Inventories

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

2012/13	Balance at 1 April 2012 £'000	Purchases £'000	Recognised as an expense in the year £'000	Written Off Balances £'000	Balance at 31 March 2013 £'000
Food & catering supplies	130	87	-209	0	8
Cleaning and other supplies	28	39	-55	0	12
Road salt	126	0	0	0	126
Fire & Rescue Service equipment	72	61	-68	-1	64
Total	356	187	-332	-1	210

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2011/12	Balance at 1 April 2011	Purchases	Recognised as an expense in the year	Written Off Balances	Balance at 31 March 2012
	£'000	£'000	£'000	£'000	£'000
Food & catering supplies	119	2,179	-2,168	0	130
Cleaning and other supplies	36	132	-140	0	28
Road salt	126	0	0	0	126
Fire & Rescue Service equipment	66	88	-81	-1	72
Total	347	2,399	-2,389	-1	356

The internal trading operation for catering and cleaning transferred into the new Property & Facilities contract on 1 July 2012 and stock balances have been recognised as an expense accordingly.

43. Debtors

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

	2012 £'000	2013 £'000
Government Departments	4,929	5,477
Other Local Authorities	7,183	6,953
Health Authorities	1,997	1,670
Public Corporations and Trading funds	15	0
Payments in Advance	2,790	3,888
Sundry	27,683	29,500
	44,597	47,488
Less Impairment Allowance Account	-7,301	-7,406
	37,296	40,082

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:

2011/12 £'000		2012/13 £'000
-7,363	Balance at 1 April	-7,301
366	Decrease in allowance	312
-304	Increase in allowance	-417
-7,301	Balance at 31 March	-7,406

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

44. Cash and Cash Equivalents

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

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

	At 31 March 2012 £'000	At 31 March 2013 £'000
Cash at bank and in hand	-1,372	-4,355
Call Accounts	10,006	15,031
Money Market Funds	65,987	2,345
Total	74,621	13,021

45. 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,

NOTES TO THE CORE FINANCIAL STATEMENTS

viability rating below bb or support rating below 3, unless there are other exceptional circumstances including Government ownership or Government guarantee.

Longer-term deposits of 1 year or more are restricted to the higher rated institutions with a minimum short-term FITCH rating of F1+, long-term rating AA-, viability rating bbb and support rating 2, or other Government bodies (e.g. other local authorities). However, the Landsbanki deposit, which was a short-term deposit with an F1 rating, is now classed as partly short-term, as the next repayment is expected in December 2013, with the remainder long-term as full and final repayment is not expected until 2019.

The following table summarises the nominal value of the Council's investment portfolio at 31 March 2013, and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

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Counterparty	Credit rating criteria met when investment placed?	Credit rating criteria met on 31 March 2013?	Balance invested as at 31 March 2013						Total
			Up to 1 month	1-3 months	3 - 6 months	6 – 12 months	1 – 2 years	2 – 3 years	
			£'000	£'000	£'000	£'000	£'000	£'000	
Banks									
UK Banks non-UK:	Yes	Yes	-	10,000	20,000	9,000	10,000	-	49,000
Singapore	Yes	Yes	-	-	15,000	5,000	-	-	20,000
Total Banks			-	10,000	35,000	14,000	10,000	-	69,000
Local Authorities and Police Authorities	Yes	Yes	15,000	9,000	22,000	66,000	44,000	42,000	198,000
Building Societies - UK	Yes	Yes	-	5,000	10,000	-	-	-	15,000
Short dated Bond Funds	Yes	Yes	15,220	-	-	-	-	-	15,220
Money Market Funds	Yes	Yes	2,345	-	-	-	-	-	2,345
Call Accounts	Yes	Yes	15,031	-	-	-	-	-	15,031
Total			47,596	24,000	67,000	80,000	54,000	42,000	314,596

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The above analysis shows that all deposits outstanding as at 31 March 2013 met the County Council's credit rating criteria at that date.

The amount best representing the Council's maximum exposure to credit risk at the reporting date is deemed to be nil.

The above analysis excludes the estimated carrying value after impairment of the Council's Icelandic Bank investment of £2.1m.

£12.411m was invested in externally managed funds at 31 March 2013 (£12.278m at 31 March 2012). The County Council has no experience of default for any instrument held by external fund managers.

Within the £25.322m short-term debtors included in loans and receivables, £18.834m were past due at 31 March 2013 (£15.968m at 31 March 2012). The past due amount can be analysed by age as follows:

	At 31 March 2012 £'000	At 31 March 2013 £'000
Less than 1 month	8,070	10,878
Between 1 and 3 months	2,148	1,860
Between 3 and 6 months	1,540	1,620
Between 6 months and 1 year	1,339	1,241
Between 1 and 3 years	2,369	2,399
Over 3 years	502	836
Total	15,968	18,834

None of these past-due short-term debtors have been individually impaired. An impairment allowance of £1.160m has been provided for past due debtors that are financial instruments based on past experience (£1.327m at 31 March 2012). This is the County Council's estimate of maximum exposure to uncollectability. £1.014m of the debtor impairment allowance is based on a collective assessment of debtors with similar characteristics. An individual impairment allowance has been provided for overdue library fines (£0.146m). There have been improvements in the collection of debts in recent years, hence the current estimate of uncollectability is lower than the average for the previous 5 years. The past due debtors analysis and impairment allowance quoted above exclude those for statutory debtors as these are not considered to be financial instruments.

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

Liquidity Risk

As the County Council has access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the County Council may be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

NOTES TO THE CORE FINANCIAL STATEMENTS

The strategy is to spread the maturity dates of fixed debt so that a significant proportion of the portfolio does not mature in any one year.

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

At 31 March 2012 £'000		At 31 March 2013			
		Fixed Rate Borrowing £'000	Variable Rate Borrowing £'000	Other Finance Liabilities £'000	Total £'000
60,028	Less than 1 year	15,933	15,676	812	32,421
16,759	Between 1 and 2 years	2,002	5,247	818	8,067
38,256	Between 2 and 5 years	32,000	25,000	2,594	59,594
71,650	Between 5 and 10 years	51,000	5,000	5,768	61,768
289,828	More than 10 years	266,382	0	18,102	284,484
476,521		367,317	50,923	28,094	446,334

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

Market Risk

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	2011/12 £'000	2012/13 £'000
Increase in interest payable on new borrowings	0	0
Decrease in interest receivable on variable and structured investments	-185	-161
Increase in interest receivable on fixed rate investments	-1,200	-1,264
Increase in the gain arising from the revaluation of available for sale assets	-123	-254
Impact on Comprehensive Income & Expenditure Statement	-1,508	-1,679

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

	2011/12 £'000	2012/13 £'000
Decrease in interest payable on new borrowings	0	0
Increase in interest receivable on variable and structured investments	0	0
Decrease in interest receivable on fixed rate investments	1,150	997
Decrease in the gain arising from the revaluation of available for sale assets	102	254
Impact on Comprehensive Income & Expenditure Statement	1,252	1,251

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

Price Risk

The County Council does not generally invest in equity shares but does have investments in one externally managed fund which may include investments in gilts. The fund managers monitor price fluctuations and have strategies for limiting the impact of adverse price movements.

Foreign Exchange Risk

As at 31 March 2013 the Council had approximately £2.1m remaining in Iceland and is working with the Local Government Association and its lawyers along with other affected authorities to recover Icelandic deposits.

46. Creditors

A breakdown of the items within the creditors category on the Balance Sheet is given in the following table.

An estimate for the amount of a developer contribution repayable as at 31 March 2012 has been reduced by £1.009m as at 31 March 2013 in the light of new information.

NOTES TO THE CORE FINANCIAL STATEMENTS

	At 31 March 2012 £'000	At 31 March 2013 £'000
Receipts in Advance		
Government Departments	1,504	1,597
Other Local Authorities	53	13
Health Authorities	30	15
Public Corporations and Trading Funds	0	6
Sundry	3,316	3,625
	4,903	5,256
Creditors		
Government Departments	13,184	11,067
Other Local Authorities	6,729	5,635
Health Authorities	657	1,378
Public Corporations and Trading Funds	137	10
Sundry	60,624	66,349
	81,331	84,439
Long Term Receipts in Advance	0	1,755
	86,234	91,450

Long Term Receipts in Advance relate to contributions received which have conditions attached to them that are not expected to be satisfied within the next 12 months.

47. Provisions

A breakdown of the items within the Provisions category on the Balance Sheet is set out below, analysed between those due within 1 year and those due after 1 year, together with the movements for the year is as follows:

	Balance at 31 March 2012 £'000	Reclass- ification between short and long term £'000	Additional provisions made in 2012/13 £'000	Amounts used in 2012/13 £'000	Unused amounts reversed in 2012/13 £'000	Balance at 31 March 2013 £'000
Provision due within 1 year						
Insurance	504	610	1,686	-1,812	-664	324
Pooled Budgets	751		1,770	-758		1,763
Redundancy	1,177		292	-867	-310	292
Fairer Charging Refunds	0		445			445
Carbon Commitment Levy	493		658	-493		658
Retained Fire Fighters	100		0	-100		0
MMI Scheme of Arrangement	0		466			466
Other	55			-55		0
	3,080	610	5,317	-4,085	-974	3,948
Provision due after 1 year						
Insurance	5,160	-610	2,943	-1,068	-1,799	4,626
Total	8,240	0	8,260	-5,153	-2,773	8,574

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at 31 March 2011	Reclass- ification between short and long term	Additional provisions made in 2011/12	Amounts used in 2011/12	Unused amounts reversed in 2011/12	Balance at 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000
Provision due within 1 year						
Insurance	760	1,261	2,549	-2,780	-1,286	504
Pooled Budgets	1,141		222	-612		751
Redundancy	4,875		1,177	-4,875		1,177
Landfill Usage	1,024		0	-1,024		0
Carbon Commitment Levy	0		493			493
Retained Fire Fighters	0		100			100
Other	805			-750		55
	8,605	1,261	4,541	-10,041	-1,286	3,080
Provision due after 1 year						
Insurance	3,392	-1,261	4,042	-498	-515	5,160
Total	11,997	0	8,583	-10,539	-1,801	8,240

Details of the provisions held at 31 March 2013 are as follows:

- Details of the insurance provision are given in Note 48 below
- The Pooled Budgets provision reflects the County Council's share of the estimated liability to pay claims in respect of continuing care assessments (under both the old and new frameworks) in its capacity as host of the Older People's and Physical Disabilities Pooled Budgets arrangement
- The redundancy provisions reflect the estimated liability for redundancy costs arising from further service redesign within the Children, Education and Families directorate. This is expected to take place in 2013/14. The estimate is based on assumptions about numbers, grades of post and average length of service and is subject to change
- The Fairer Charging Refunds provision reflects the estimated reimbursement to clients to take account of variations in care costs
- The Carbon Commitment Levy provision reflects the County Council's estimated liability for purchasing carbon allowances for carbon dioxide emissions in 2012/13 under the Government's Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The County Council is required to purchase and surrender allowances, currently retrospectively, on the basis of carbon dioxide produced as energy is used. The liability will be discharged by surrendering allowances
- The County Council has claims outstanding with Municipal Mutual Insurance Plc. (MMI). In November 2012 the directors of MMI triggered a process to wind up the business. This means the County Council may have to repay all or part of the insurance claims settled since the company ceased to trade, as well as fund any

outstanding claims. A provision has been made for the initial 15% levy rate confirmed by the scheme administrator

48. 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 66, 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 £0.018m 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.

49. Deferred Income

The deferred income balance of £5.123m at 31 March 2013 (£5.481m at 31 March 2012) relates to lease premiums received under the service concession arrangement with Oxfordshire Care Partnership and in relation to two other leases, which are being released to the Comprehensive Income and Expenditure Statement over the lives of the arrangements.

50. 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 2012/13, split between short term and long term is as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13	Capital Grants	Developer Contributions	Other Contributions	Total
	£'000	£'000	£'000	£'000
Short term:				
Balance as at 1 April 2012	6,455	2,848	12	9,315
Received/refunded during the year	1,226	1,686		2,912
Transferred to the Comprehensive Income and Expenditure Statement during the year	-4,391	-5,195		-9,586
Reclassification between short and long term	1,228	2,058	-12	3,274
Balance at 31 March 2013	4,518	1,397	0	5,915
Long term:				
Balance as at 1 April 2012	8,227	20,215	65	28,507
Received/refunded during the year		5,969		5,969
Transferred to the Comprehensive Income and Expenditure Statement during the year	-107	-939		-1,046
Reclassification between short and long term	-1,228	-2,046		-3,274
Balance at 31 March 2013	6,892	23,199	65	30,156
Total at 31 March 2013	11,410	24,596	65	36,071

The capital grants reported above includes £8.370m held on behalf of Oxfordshire Local Enterprise Partnership (LEP), for which the County Council is the accountable body. It has been assumed that £1.478m of the grant will be paid to successful bidders within the next year and the remainder in later years. Note 2 provides further information on the LEP and grant funding.

The comparative amounts for 2011/12 are given in the following table:

NOTES TO THE CORE FINANCIAL STATEMENTS

2011/12	Capital Grants	Developer Contributions	Other Contributions	Total
	£'000	£'000	£'000	£'000
Short term:				
Balance as at 1 April 2011	16,877	4,766	0	21,643
Received/refunded during the year	1,024	-261	12	775
Transferred to the Comprehensive Income and Expenditure Statement during the year	-15,113	-6,255		-21,368
Reclassification between short and long term	3,667	4,598		8,265
Balance at 31 March 2012	6,455	2,848	12	9,315
Long term:				
Balance as at 1 April 2011	3,776	21,596	65	25,437
Received/refunded during the year	8,118	2,521		10,639
Transferred to the Comprehensive Income and Expenditure Statement during the year		696		696
Reclassification between short and long term	-3,667	-4,598		-8,265
Balance at 31 March 2012	8,227	20,215	65	28,507
Total at 31 March 2012	14,682	23,063	77	37,822

51. County Fund Balance

The opening and closing balance on the County Fund and the movements during the year are shown in the Movement in Reserves Statement, with details in Note 4.

NOTES TO THE CORE FINANCIAL STATEMENTS

52. Earmarked Reserves

Balance at 1 April 2011 £'000	Contribution from Reserve £'000	Contribution to Reserve £'000	Balance at 31 March 2012 £'000		Balance at 1 April 2012 £'000	Contribution from Reserve £'000	Contribution to Reserve £'000	Balance at 31 March 2013 £'000
21,570	-5,389	13,118	29,299	Local Management of Schools	29,299	-9,327	6,274	26,246
-362	-678	649	-391	Other Schools Reserves	-391	-510	1,890	989
1,505	-58	417	1,864	Vehicle and Equipment Reserve	1,864	-142	1,058	2,780
0		7,203	7,203	Grants and Contribution Reserve	7,203	-3,710	8,380	11,873
0		2,175	2,175	ICT Projects	2,175	-1,222	1,181	2,134
218	-1	410	627	CE&F Commercial Services	627	-353	753	1,027
171		148	319	CE&F Joint Use	319		233	552
0		622	622	CE&F Joint working with Police	622	-119	276	779
0		1,861	1,861	CE&F School Intervention Fund	1,861	-1,861	1,418	1,418
0		204	204	CE&F Foster Carer Loans	204	-10	31	225
0		600	600	CE&F Academies Conversion Support	600	-600	600	600
0		140	140	CE&F School Amalgamations	140			140
0		158	158	CE&F Staff Training and Development	158		95	253
148	-25	246	369	CE&F Early Intervention Service Reserve	369		481	850
0			0	CE&F Thriving Families	0		800	800
0			0	CE&F Children's Social Care	0		195	195
0			0	CE&F Pay Protection Costs	0	-123	448	325
147	-147		0	CE&F Youth Offending Service	0			0
188	-188		0	S&CS Adult Social Care Personal Budgets Reserve	0			0
1,424	-1,424	5,434	5,434	S&CS Older People Pooled Budget Reserve	5,434	-4,586	6,621	7,469
0			0	S&CS Physical Disabilities Pooled Budget Reserve	0		1,311	1,311

NOTES TO THE CORE FINANCIAL STATEMENTS

Balance at 1 April 2011 £'000	Contribution from Reserve £'000	Contribution to Reserve £'000	Balance at 31 March 2012 £'000		Balance at 1 April 2012 £'000	Contribution from Reserve £'000	Contribution to Reserve £'000	Balance at 31 March 2013 £'000
0		804	804	S&CS Learning Disabilities Pooled Budget Reserve	804	-1,208	608	204
64			64	S&CS OSJ Client Income Reserve	64	-64		0
23			23	S&CS S117 Reserve	23	-23		0
378		707	1,085	S&CS Fire Control	1,085	-282		803
212	-88	69	193	S&CS Fire & Rescue & Emergency Planning Reserve	193	-50	18	161
210	-70	15	155	S&CS Community Safety Reserve	155	-66		89
371		14	385	EE Highways and Transport Reserve	385			385
0		413	413	EE Area Stewardship	413		449	862
1,094	-1,006	1,902	1,990	EE On Street Car Parking	1,990	-2,083	2,325	2,232
18		1	19	EE Countryside Ascott Park - Historical Trail	19		1	20
60			60	EE Carbon Reduction	60			60
129	-113		16	EE SALIX Repayments	16		4	20
121	-19		102	EE Oxfordshire Waste Partnership Joint Reserve	102		31	133
879	-467	168	580	EE Dix Pit Engineering Works & WRC Development	580	-44	168	704
1,912	-2,070	2,165	2,007	EE Waste Management	2,007		1,242	3,249
53		0	53	EE Capital Salaries transfer	53	-53		0
114		45	159	EE Property Disposal Costs	159		68	227
328	-328		0	EE Landfill Allowance Trading Scheme (LATS) Reserve	0			0
191	-35	81	237	EE Developer Funding (Revenue)	237	-49	117	305
218	-81		137	EE West End Partnership	137	-51		86
1,409	-27	89	1,471	EE Catering Investment Fund	1,471	-479	239	1,231
0			0	EE Asset Rationalisation	0		765	765

NOTES TO THE CORE FINANCIAL STATEMENTS

Balance at 1 April 2011 £'000	Contribution from Reserve £'000	Contribution to Reserve £'000	Balance at 31 March 2012 £'000		Balance at 1 April 2012 £'000	Contribution from Reserve £'000	Contribution to Reserve £'000	Balance at 31 March 2013 £'000
0			0	EE Minerals and Waste Project	0		191	191
2,356	-141	746	2,961	EE OCS Development Reserves	2,961	-828	95	2,228
40		30	70	EE Money Management Reserve	70		80	150
332	-129	3	206	EE Oxfordshire - Buckinghamshire partnership	206	-6	41	241
868	-327	230	771	CEO Change Fund	771	-1,228	457	0
0		163	163	CEO Big Society Fund	163	-163	90	90
36		22	58	CEO CIPFA Trainees	58			58
0		160	160	CEO Change Management & New Ways of Working	160	-25		135
0		133	133	CEO Coroner's Service	133			133
207		126	333	CEO Council Elections	333		203	536
180		373	553	CEO Registration Service	553			553
945	-16	241	1,170	Cultural Services Reserve	1,170	-74	295	1,391
6,249	-2,853	63	3,459	Insurance Reserve	3,459	-523	1,800	4,736
9,891	-9,891	8,410	8,410	Carry Forward Reserve	8,410	-8,410	3,168	3,168
16,579		363	16,942	Capital Reserve	16,942		1,477	18,419
0		578	578	Rolling Fund Reserve	578		981	1,559
-1	-1,083	1,083	-1	Financing Capital	-1	-342	343	0
496	-61		435	LABGI Reserve	435	-120		315
6,107	-6,107	4,361	4,361	Budget Reserve - 2009/10 to 2013/14	4,361	-1,020		3,341
0			0	Budget Reserve - 2013/14 to 2016/17	0		17,211	17,211
3,776	-1,686	8,739	10,829	Efficiency Reserve	10,829	-18,522	11,077	3,384
3,885	-102	1,250	5,033	Prudential Borrowing Reserve	5,033	-89	1,382	6,326
84,739	-34,610	66,932	117,061	Total Earmarked Reserves	117,061	-58,365	76,971	135,667

The purposes of the earmarked reserves are as follows:-

Local Management of Schools

In accordance with the Education Reform Act 1988, the scheme of Local Management of Schools provides for the carry forward of individual school surpluses and deficits. These reserves are committed to be spent on schools.

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

	Balance at 31 March 2012		Balance at 31 March 2013	
	No. of schools	Balance £'000	No. of schools	Balance £'000
Primary Schools				
Schools in surplus	227	14,359	226	14,312
Schools in deficit	14	-160	11	-170
Secondary Schools				
Schools in surplus	24	7,242	13	4,325
Schools in deficit	2	-307	1	-82
Special Schools				
Schools in surplus	13	1,517	9	1,234
Schools in deficit	0	0	0	0
Sub-Total Revenue	280	22,651	260	19,619
Closed Schools		-325		
Schools Contingency & Schools Forum		6,973		6,627
Total		29,299		26,246

Other School Reserves

These reserves cover a number of miscellaneous education activities, including amounts loaned to individual schools against schools reserves, operating under Fair Funding regulations and School Partnership accounts which are operated in respect of inter-school activities, primarily relating to training and staff development, and curriculum initiatives. The use of the monies is agreed by the schools in each of the partnerships.

Vehicle and Equipment Reserve

This reserve is to fund future replacements of vehicles and equipment.

Grants and Contributions Reserve

This reserve has been set up to hold unspent grants and contributions committed to be spent in future years.

ICT Projects Reserve

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

CE&F Commercial Services

This reserve has combined a number of smaller reserves and includes the Oxfordshire Safeguarding Children Board Reserve, which was set up to hold contributions from participants in the Board (the balance will be drawn down as required) and the Governor Services Reserve, which has been set up to hold any surpluses arising on the service to help the service move towards a self-financing basis in future years.

CE&F Joint Use Reserve

This reserve has been established to hold the balance of funds for the joint-use sports agreements with the district councils.

CE&F Joint Working with Police Reserve

This reserve is to fund a two-year project due to anticipated increase in referrals. It is planned to be spent in 2014/15.

CE&F School Intervention Fund Reserve

This reserve is for school improvement projects in line with the Education Strategy. It is expected to be used in 2013/14.

CE&F Foster Carer Loans Reserve

Funds set aside to meet potential write-off of Children's Act loans and interest costs in future years.

CE&F Academies Conversion Support Reserve

This reserve is to meet costs arising in legal services, human resources, property, finance and other areas as a consequence of school conversions to academies, and to provide the opportunity to investigate and implement alternate trust structures for groups of schools considering conversion to academies.

CE&F School Amalgamations Reserve

This reserve is to meet costs associated with school amalgamations. These potential amalgamations include the merger of attached nurseries into the associated primary school and the merger of separate infant and junior schools into an all-through primary.

CE&F Staff Training & Development Reserve

This reserve is for training and staff development towards new ways of working following the restructuring of the Children, Education and Families directorate. It is expected to be spent in 2014/15.

CE&F Early Intervention Service Reserves

These reserves have combined several small reserves that have been set up to meet contractual costs in 2013/14 and also incorporates the Early Intervention Service Equipment reserve, which is to be used as required in future years for maintenance and replacement of equipment across all hubs e.g. minibuses, portable climbing wall.

CE&F Thriving Families Reserve

This reserve is to be used to fund the Thriving Families project in 2013/14 and 2014/15.

CE&F Children's Social Care Reserve

This is a new reserve created for earmarked amounts within Children's Social Care to be spent in 2013/14.

CE&F Pay Protection Costs Reserve

This reserve is to be used to meet pay protection costs over the next five years.

CE&F Youth Offending Service Reserve

This reserve has been used to meet costs relating to temporary Youth Offending Service Officers/Bail Support Officers.

S&CS Adult Social Care Personal Budgets Reserve

This reserve was used to hold the balance of clients' unspent personal budgets at year end. The balance was spent by relevant clients in 2011/12.

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

These reserves hold the County Council's element of the pooled budget underspends. To be used in future years as agreed by the Joint Management Group.

S&CS OSJ Client Income Reserve

This reserve was set up to provide for potential client income refunds.

S&CS S117 Reserve

This reserve was set up in 2008/09 for potential costs relating to S117 reassessments.

S&CS Fire Control Reserve

This reserve has been created to hold funding for agreed spending in future years on the Fire Control project (Oxfordshire/Berkshire Fire Control Centre).

S&CS Fire & Rescue Emergency Planning Reserves

These reserves are to be used for future unbudgeted fire hydrant work and renewal of IT Equipment.

S&CS Community Safety Reserves

These reserves have combined some smaller reserves, including the Gypsy & Traveller Service reserve, which is being used for the refurbishment/extension of 14 amenity units at the Gypsy & Traveller site at Redbridge Hollow. The other reserves are to be used for costs of complex investigations, e.g. expert witnesses.

EE Highways and Transport Reserve

This reserve combines a number of smaller reserves including the Oxfordshire Highways Central reserve, which will be used for future repair and maintenance of road signs, and the Tourism Signing Reserve, which is for the future maintenance of tourism signs.

EE Area Stewardship Reserve

Funds have been set aside to manage the Area Stewardship Scheme.

EE On-Street Parking Account Reserve

This surplus has arisen under the operation of the Road Traffic Regulation Act 1984 (Section 55). The purposes for which these monies can be used are defined by statute.

EE Countryside, Ascott Park - Historical Trail Reserve

This reserve has been set up to help fund future revenue expenditure.

EE Carbon Reduction Reserve

This reserve is to support any unforeseen costs associated with the Carbon Reduction Commitment scheme.

EE SALIX Energy Schemes Reserve

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

EE Oxfordshire Waste Partnership Joint Reserve

This reserve holds the revenue proportion of the unutilised element of the performance reward grant secured by the Oxfordshire Waste Partnership (OWP).

EE Dix Pit Engineering Works & WRC Development Reserve

These reserves are to meet engineering work at Dix Pit waste management site and development of the Waste Recycling Centres. The level of work required at Dix Pit is dependent on future levels of waste deposited.

EE Waste Management

This reserve is to fund future initiatives to minimise the use of landfill (including the bid and planning costs of the Waste Treatment Project).

EE Capital Salaries Transfer

This reserve was used to manage reductions in staffing costs charged to the Capital Programme.

EE Property Disposal Costs Reserve

This reserve was set up to meet disposal costs in excess of the 4% eligible to be charged against capital receipts.

EE Landfill Allowance Trading Scheme (LATS) Reserve

This reserve represented the value of unused Landfill Allowances under the Landfill Allowance Trading Scheme. The scheme came to an end in 2012/13.

EE Developer Funding (Revenue) Reserve

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

EE West End Partnership Reserve

This reserve has been established to ring-fence funding relating to the West End Project.

EE Catering Investment Fund Reserve

This reserve will be used to invest in catering facilities and includes a contingency for unforeseen costs.

EE Asset Rationalisation Reserve

This reserve is for the implementation of the property asset rationalisation strategy.

EE Minerals and Waste Project Reserve

This reserve is to fund the Minerals and Waste Project.

EE OCS Development Reserves

This reserve combines the Development Reserve, which is to be used to fund Oxfordshire Customer Services projects and will contribute to achieving the business strategy, and the

Customer Service Centre Reserve, which has been established to fund the Customer Service Centre Project.

EE MM Money Management Reserve

This reserve is to be used to meet shortfalls arising when client income received is less than expenditure incurred.

EE Oxfordshire - Buckinghamshire Partnership Reserve

This reserve has been set up to ring-fence funding for the Oxfordshire & Buckinghamshire Partnership graduate teacher training programme.

CEO Change Fund Reserve

This reserve was held for projects that meet criteria set by the Chief Executive for modernisation and change management agendas.

CEO Big Society Fund Reserve

This reserve has been set-up to ring-fence funding for the Big Society Fund.

CEO CIPFA Trainees Reserve

This reserve is to even out the CIPFA trainees costs as pay costs fluctuate according to the qualification level that the current trainees have reached.

CEO Change Management and New Ways of Working

This reserve has been set up to provide funding to support the Change Management and New Ways of Working project.

CEO Coroner's Service

This reserve has been set up to manage the costs of several projects, including the refurbishment of the Coroner's Court and Office and the new Coroner's Court recording system, that will be completed in 2014.

CEO Elections Reserve

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

CEO Registration Service

This reserve is for the refurbishment of registrar's buildings and facilities, and for other registration service projects.

Cultural Services Reserves

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

Insurance Reserve

This reserve covers the County Council for insurance claims that, based on the previous experience of the County Council, are likely to be received, as well as a number of insurance related issues.

An independent actuary, Gallagher Heath, carries out a full valuation of the County Council's employers and public liability, motor, property and personal accident liability every three years using generally accepted actuarial methods. Interim valuations take place

NOTES TO THE CORE FINANCIAL STATEMENTS

annually in between. The valuation completed this year as at 31 March 2013 was a full valuation exercise.

The actuaries projected the standard claims arising in future years in respect of the period up to 31 March 2013 at £2.443m. In addition to these claims the actuaries have also highlighted an amount in respect of non-standard claims, for example exceptional and latent claims – which in total has been assessed at £1.789m. £0.404m has been included in the reserve to cover Municipal Mutual Insurance Plc (MMI) clawback (see Note 66) - the best estimate of the total clawback is 28%, of which 15% has been specifically provided for as a result of the notification from the Scheme Administrator. The reserve also includes £0.100m for the implementation of risk management initiatives throughout directorates.

	At 31 March 2012 £'000	At 31 March 2013 £'000
Standard claims likely to be received as at 31 March	1,823	2,443
Additional IBNR/Latent claims as assessed by Actuarial review	43	1,789
MMI Clawback as assessed by actuarial review	1,493	404
Risk management initiatives	100	100
Total	3,459	4,736

Carry Forward Reserve

This reserve allows budget managers to carry forward under and over spent budgets between financial years in accordance with the County Council's budget management arrangements, subject to Cabinet approval.

A summary of the carry-forwards for each directorate is as follows:

Directorate	At 1 April 2012 £'000	At 31 March 2013 £'000
Children, Education & Families	3,735	187
Social & Community Services	1,494	1,779
Environment & Economy	2,416	702
Chief Executive's Office	765	500
Total	8,410	3,168

Capital Reserve

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

Rolling Fund Reserve

The Rolling Fund has been established with New Homes Bonus grant to facilitate, through forward funding, the timely provision of critical infrastructure that supports planned growth.

Financing Capital Reserve

This reserve is used for facilitating capital financing adjustments.

LABGI Reserve

This reserve contains Local Authority Business Growth Incentive funding that is either yet to be allocated by Cabinet/Council or has been allocated to directorates but will not be spent until future years.

Budget Reserves – 2009/10 to 2013/14 and 2013/14 to 2016/17

The creation of budget reserves was agreed as part of the service and resource planning process. These sums 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.

Efficiency Reserve

This reserve is to help deliver the Business Strategy in the medium term through one-off investment or to enable potential redundancy costs to be met without putting further pressure on service budgets.

Prudential Borrowing Reserve

This reserve was created as part of the service and resource planning process to meet the costs of borrowing for increased funding for the Capital Programme. Contributions are to be made each year with draw-downs being required as costs are incurred.

53. Useable Capital Receipts

	2011/12 £'000	2012/13 £'000
Balance as at 1 April	7,666	9,420
Net receipts from sale of assets	1,353	822
Net receipts from repayment of loans	401	375
Receipts applied to finance capital expenditure	0	0
Balance as at 31 March	9,420	10,617

This reserve has been established for the purpose of financing capital expenditure in future years. Unutilised capital receipts at 31 March 2013 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
Champion House	727
Other receipts from sale of assets under £500,000	95
Total	822

54. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2011/12 £'000	2012/13 £'000
Balance as at 1 April	28,638	39,830
Applied during the year	-4,070	-15,613
Recognised as income but not applied during the year	15,262	29,913
Balance as at 31 March	39,830	54,130

55. Unusable Reserves

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

	Balance at 31 March 2012 £'000	Balance at 31 March 2013 £'000
Revaluation Reserve	91,749	67,179
Available-for-Sale Financial Instruments Reserve	102	403
Pensions Reserve	-661,446	-600,983
Capital Adjustment Account	868,630	676,820
Financial Instruments Adjustment Account	-471	-389
Collection Fund Adjustment Account	3,866	5,087
Accumulated Absences Account	-9,154	-6,831
Total	293,276	141,286

The only movement on the Available-for-Sale Financial Instruments Reserve during 2012/13 was an increase in the value of available-for-sale financial assets. Movements on the Pensions Reserve are set out in the Retirement Benefits Note 20.

56. Revaluation Reserve

The Revaluation Reserve contains the gains made by the County Council arising from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired, consumed through depreciation or disposed. The Reserve contains only revaluation gains accumulated since 1 April 2007, when the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

NOTES TO THE CORE FINANCIAL STATEMENTS

2011/12 £'000			2012/13 £'000	
	93,105	Balance as at 1st April		91,749
13,583		Upward revaluation of assets	2,361	
-2,203		Downward revaluation of assets	-25,414	
-6,713		Impairment of assets	-3,071	
697		Write back of accumulated depreciation on revaluations	11,186	
58		Write back of accumulated impairment on revaluations	2,490	
	5,422	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		-12,448
1,877		Difference between fair value depreciation and historical cost depreciation	1,879	
-8,655		Accumulated gains on assets sold or scrapped	-14,001	
	-6,778	Amounts written off to the Capital Adjustment Account		-12,122
	91,749	Balance as at 31st March		67,179

57. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences between accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the County Council as finance for the costs of acquisition, construction or enhancement. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

NOTES TO THE CORE FINANCIAL STATEMENTS

2011/12 £'000			2012/13 £'000	
	962,448	Balance as at 1st April		868,630
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
-36,455		Charges for depreciation for non-current assets	-32,279	
-17,343		Charges for impairment for non-current assets	-9,540	
-9,825		Revaluation losses on Property, Plant and Equipment	-14,882	
5,866		Reversal of revaluation losses on Property, Plant and Equipment	5,053	
-1,794		Amortisation of Intangible Assets	-729	
-7,351		Revenue expenditure funded from capital under statute	-9,362	
-124,427		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on derecognition	-212,987	
		Removal of finance liability on derecognition of assets held under finance leases	163	
	-191,329	Adjusting amounts written out of the Revaluation Reserve:		-274,563
-1,877		Difference between fair value depreciation and historical cost depreciation	-1,879	
8,649		Accumulated gains on assets sold or scrapped	13,986	
	6,772			12,107
	777,891	Net written out amount of the cost of non-current assets consumed in the year		606,174
		Capital financing applied in the year:		
57,428		Capital grants and contributions credited to the CIES that have been applied to capital financing	29,892	
4,505		Application of grants to capital financing from the Capital Grants Unapplied account	14,576	
-2,296		Reversal of grants and contributions applied in previous years	-103	
20,154		Statutory provision for the financing of capital investment charged against the County Fund balance	19,650	
11,705		Capital expenditure charged against the County Fund balance	6,272	
-60		Reversal of revenue applied to capital financing in previous years		
	91,436			70,287
	113	Movements in the market value of Investment Properties debited or credited to the CIES		823
	-372	Amounts of Investment Properties written off on disposal or sale as part of the gain/loss on derecognition		
	602	Movement in the Donated Asset Account credited to the CIES		
	-7	Revaluation losses on Assets held for Sale		
		Revaluation gains on Assets held for Sale		
	-248	Impairment losses on Assets held for Sale		
	6	Accumulated gains on Assets held for Sale sold or scrapped		15
	-390	Amounts of Assets held for Sale written off on disposal or sale as part of the gain/loss on derecognition		-104
	-401	Repayment of loans treated as capital receipts		-375
	868,630	Balance as at 31 March		676,820

58. 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.

2011/12 £'000		2012/13 £'000
-679	Balance as at 1 April	-471
-25	Write-down/write-ups to fair value	-12
233	Effective interest rate adjustments	94
208	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	82
-471	Balance at 31 March	-389

59. 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:

2011/12 £'000		2012/13 £'000
3,577	Balance as at 1 April	3,866
-380	Decrease in Council Tax surpluses/increases in deficits	-328
669	Increases in Council Tax surpluses/reductions in deficits	1,549
289	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	1,221
3,866	Balance at 31 March	5,087

60. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the County Fund balance from accruing for compensated absences earned but not taken in the year. Statutory provisions require that the impact on the County Fund balance is neutralised by transfers to or from the account.

The main element of the balance relates to teachers' accumulated holiday pay. The balance has reduced because of the conversion of schools to academies.

NOTES TO THE CORE FINANCIAL STATEMENTS

2011/12 £'000		2012/13 £'000	
-9,660	Balance at 1 April		-9,154
9,660	Settlement or cancellation of previous year's accrual	9,154	
-9,154	Amount accrued at the end of the current year	-6,831	
506	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute		2,323
-9,154	Balance at 31 March		-6,831

61. 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:

	2011/12 £'000	2012/13 £'000
Depreciation/amortisation of fixed assets	-38,249	-33,008
Impairment charges/revaluation losses	-21,557	-19,369
Retirement benefit adjustments	-6,627	-8,926
Impairment allowance for doubtful debts	233	167
Other financial instrument adjustments	733	-40
Provisions set aside in the year	4,228	-2,399
Deferred income released	387	358
Movement in value of investment properties	113	823
Carrying amount of non-current asset sold	-125,189	-212,928
Transfers from Capital Grants Receipts in Advance	20,672	10,632
Previous years' capitalised spend written-off	-2,900	-103
Donated assets	602	0
Increase/decrease(-) in landfill allowances	-1,352	0
Increase/decrease(-) in inventories	9	-146
Increase/decrease(-) in debtors	-7,241	3,553
Increase(-)/decrease in creditors	-2,884	-570
Total adjustments for non-cash movements	-179,022	-261,956

62. Cash Flow Statement – Operating Activities

The cash flows for operating activities are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

2011/12 £'000		2012/13 £'000	
	Cash outflows		
501,302	Cash paid to and on behalf of employees	432,581	
405,080	Other operating costs	418,340	
906,382			850,921
	Cash inflows		
-286,456	Council Tax receipts	-288,544	
-93,316	Non-domestic rate income	-113,119	
-28,844	Revenue Support Grant	-3,491	
-505,071	Other government grants and contributions	-439,317	
-68,414	Other cash received for goods and services	-62,890	
-982,101			-907,361
	Cash outflows		
18,364	Interest paid	18,961	
1,569	Interest element of finance lease rental payments	1,860	
19,933			20,821
	Cash Inflows		
-2,179	Interest received		-2,772
-57,965	Total operating activities		-38,391

Payments on behalf of employees have reduced primarily due to the conversion of schools to academies, and also due to transfer of functions to partner organisations such as Carillion Capital Symonds – the latter is reflected in increased operating costs.

63. Cash Flow Statement – Investing Activities

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

	2011/12 £'000	2012/13 £'000
Purchase of property, plant and equipment, investment property and intangible assets	72,024	36,455
Purchase of short-term and long-term investments	297,000	381,100
Other payments for investing activities	1,007	871
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-1,353	-822
Capital grants	-74,565	-58,639
Proceeds from short-term and long-term investments	-299,274	-267,889
Other receipts from investing activities	-539	-476
Total investing activities	-5,700	90,600

64. Cash Flow Statement – Financing Activities

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

	2011/12 £'000	2012/13 £'000
Cash receipts of short- and long-term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet service concession arrangements	954	1,041
Repayments of short- and long-term borrowing	13,690	8,350
Other payments for financing activities	0	0
Total financing activities	14,644	9,391

65. Analysis of Government Grants

The total cash received for revenue government grants (other than Revenue Support Grant and National Non-Domestic Rate receipts) is £407.964m. An analysis is set out in the following table:

Government Grants	2011/12 £'000	2012/13 £'000
Dedicated Schools Grant (Dept for Education)	382,091	323,414
Early Intervention Grant (Dept for Education)	21,445	23,482
Learning Disabilities and Health Reform Grant (Dept of Health)	19,224	19,722
Sixth Form Funding (Education Funding Agency)	25,611	13,405
Pupil Premium Grant (Dept for Education)	4,317	7,628
Council Tax Freeze Grant (Dept for Communities & Local Government)	7,067	7,113
Adult Learning (Skills Funding Agency)	3,960	3,442
Asylum Seekers (Home Office)	1,587	1,278
Graduate Teacher Programme (Teachers' Development Agency)	1,165	959
Other grants less than £1m	6,875	7,521
Total	473,342	407,964

In 2011/12 £1.355m was shown separately as Local Services Support Grant. This is a payment mechanism for a number of smaller grants, rather than a single grant. For consistency with 2012/13 the grants have been included within 'other grants less than £1m'.

The conversion of schools to academies, particularly in the secondary sector, has resulted in a reduction in both Dedicated Schools Grant and Sixth Form Funding.

66. Contingent Liabilities**Sheltered Housing with Care Schemes**

The County Council is providing 27 permanent residential and nursing places, based in Banbury and Faringdon, in conjunction with a Housing Association. The schemes involve the use of County Council land with the Association raising loans to finance development costs. To offer further assistance the County Council has agreed to underwrite the development costs and will become liable for outstanding liabilities previously approved by the County Council should the association cease to operate. In the event of an Association ceasing to operate the County Council would seek to find an alternative Association to take on and operate the scheme and to include outstanding liabilities. The schemes came into operation between 1991 and 1995 and are still with the original Housing Association. The County Council agreed to underwrite around £2.3 million of schemes costing £3.25 million. The total liability outstanding for the year ending 31 March 2012 is £0.570 million.

Municipal Mutual Insurance Plc

The County Council has claims outstanding with Municipal Mutual Plc to the value of £0.178m. Notification of 15% clawback has been received and accordingly a provision of £0.466m has been made. The most recently received report dated September 2012 at that time indicated that the County Council's maximum liability would be £2.977m. In line with advice from the Fund's Actuary, an allocation representing 28% of our maximum liability less the new provision has been included in the Insurance Reserve.

The Independent Insurance Company

The County Council has placed its employer's and public liability insurance with the Independent Insurance Company between 1992 and 1994. This company has ceased trading leaving a possibility that the County Council may be exposed to a large claim relating to the period of cover. No significant claims have been received to date. The usual legal principles relating to limitations should apply if any claim is now made against the County Council.

Nettlebed School site

The County Council sold the site some months ago so as to hold the proceeds of sale free from any trust under the School Sites Acts. A claim has been received from the purported beneficiaries which has been rebuffed. Counsel's Advice has been received. If legal proceedings are issued the claim for the proceeds of sale could be £1.35m. Proceedings were threatened over 12 months ago but still no action has been taken by the claimants to date.

Landfill Site Contracts

The Council has a possible obligation to meet cessation costs relating to landfill site contracts. It is not possible at this stage to quantify this obligation.

Child Sexual Exploitation

The County Council may receive claims relating to child sexual exploitation cases following the recent Bullfinch Trial, although no claims have yet been received. It is not possible to estimate the value of potential claims or the timing of any potential payouts given the uncertainties on claims and outcomes.

67. Material Post Balance Sheet Events

Events after the balance sheet date have been considered up until 18 September 2013, when the accounts were authorised for issue.

There have been no significant post balance sheet events requiring amendment to the accounts.

Sixteen schools have converted to academy trusts since 31 March 2013, five of which relate to schools that are not included on the County Council's Balance Sheet. The value of Property, Plant and Equipment that is expected to transfer to academy trusts during 2013/14 is £38.2m. £1.8m of revenue and capital reserves/balances is also expected to transfer to the academy trusts for these converted schools.

New arrangements for the local retention of business rates came into effect on 1 April 2013. The County Council's share of the liability to refund ratepayers who have successfully appealed against their rateable value is estimated to be £1.6m.

On 1 April 2013 responsibility for the Public Health function transferred from the Oxfordshire Primary Care Trust to the County Council. In 2013/14 this new service will be funded by a £25.264m ring-fenced government grant.

68. Changes in accounting policy

The County Council is required to disclose information relating to the impact of an accounting change on the financial statements as a result of the adoption by Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) of a new standard that has been issued, but is not yet required to be adopted by the County Council for the current reporting year (2012/13).

The 2013/14 Code has adopted amendments to some financial standards that may have an impact on the amounts disclosed within the accounts. Of these, only the IAS19 Employee Benefits (June 2011 Amendments) are likely to have a material impact on the accounts.

The changes to IAS19 Employee Benefits impact mainly on the retirement benefit disclosures. Some of these changes are presentational only, however the following two changes will have an effect on the amount charged to the Surplus or Deficit on the Provision of Services:

- The expected return on assets is replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate
- Administration expenses will be accounted for as a charge to the Surplus or Deficit on the Provision of Services, previously this was deducted from the actual and expected returns on assets and included within Other Comprehensive Income and Expenditure as part of the actuarial gains/losses

The impact of these changes will be to increase the charge to the Surplus or Deficit on the Provision of Services by £7.5m and reduce Other Comprehensive Income and expenditure

by £0.4m. Within the Balance Sheet the Pension Liability will increase by £7.1m with a corresponding increase in the Pensions Reserve.

69. Authorisation of the Accounts

The Statement of Accounts was authorised for issue on 18 September 2013 by Sue Scane, Assistant Chief Executive and Chief Finance Officer. Events after the balance sheet date have been considered up to this time.

TRUST FUNDS

70. 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.

		2011/12	2012/13	
Trust Funds where Oxfordshire County Council acts as sole trustee		Value of Fund £'000	No. of Funds	Value of Fund £'000
Children, Education & Families	Funds for the Development of Hill End Residential Centre	101	1	114
	Oxford Boys	22	1	22
	Criminal Injuries Compensation Awards	58	5	21
	Other (under £10,000)	10	7	10
Chief Executive's Office	Bequest of Property at Watlington	211	1	87
Total		402	15	254

		2011/12	2012/13	
Trust Funds where Oxfordshire County Council acts as joint trustees		Value of Fund £'000	No. of Funds	Value of Fund £'000
Children, Education & Families	Funds to be used for the benefit of Wallingford School	3,193	3	3,231
	Other (under £10,000)	2	1	1
	Social & Community Services	Junior Citizens Trust	8	1
Total		3,203	5	3,238

		2011/12	2012/13	
Other Funds		Value of Fund £'000	No. of Funds	Value of Fund £'000
Children, Education & Families	Thomas Gifford Charity	350	1	351
	City Lectureship Scholarship	17	1	17
	Other (under £10,000)	32	15	32
	Social & Community Services	Other (under £10,000)	9	1
Total		408	18	409

THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS: FUND ACCOUNT

Fund Account for the Year Ended 31 March 2013			
	Notes	2012 £'000	2013 £'000
Contributions and Benefits			
Contributions Receivable	7	-102,349	-78,406
Transfers from Other Schemes	8	-6,725	-5,769
Other Income	9	0	-528
Income Sub Total		-109,074	-84,703
Benefits Payable	10	68,041	65,846
Payments to and on Account of Leavers	11	6,132	4,215
Administrative Expenses Borne by the Scheme	12	1,360	1,438
Other Expenses	9	2,748	0
Expenditure Sub Total		78,281	71,499
Net Additions from dealings with members		-30,793	-13,204
Returns on Investments			
Investment Income	13	-21,855	-17,850
Commission Recapture		0	-1
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	17a	-21,534	-175,818
Less Investment Management Expenses	14	2,159	3,032
Less Taxes on Income	13	135	87
Net returns on Investments		-41,095	-190,550
Net Increase in the Net Assets Available for Benefits During the Year		-71,888	-203,754
Opening Net Assets of the Scheme		1,248,106	1,319,994
Closing Net Assets of the Scheme		1,319,994	1,523,748

THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS: NET ASSETS STATEMENT

Net Assets as at 31 March 2013			
	Notes	2012 £'000	2013 £'000
Investment Assets			
Fixed Interest Securities	17b	142,416	65,628
Index Linked Securities	17b	68,246	77,416
Equities	17b	231,167	455,489
Pooled Investments	17b	652,936	676,896
Pooled Property Investments	17b	78,731	86,589
Private Equity	17b	72,736	90,881
Derivative Contracts	17b	932	813
Cash Deposits	17b	3,172	8,995
Other Investment Balances	17b	10,687	4,247
Investment Liabilities			
Derivative Contracts	17c	-20	-55
Other Investment Balances	17d	-3,215	-5,742
Total Investments		1,257,788	1,461,157
Assets and Liabilities			
Current Assets	18	47,212	50,966
Current Liabilities	19	-1,471	-2,505
Net Current Assets		45,741	48,461
Long-Term Assets	20	16,465	14,130
Net Assets of the scheme available to fund benefits at year end		1,319,994	1,523,748

Note 1 – Description of the fund

This description of the fund is a summary only. Further details are available in the Fund's 2012/13 Annual Report and in the underlying statutes.

General

The Oxfordshire County Council Local Government Pension Fund is a statutory, funded final salary pension scheme. It is "contracted-out" of the state scheme and is termed a defined benefit scheme. Oxfordshire County Council is the administering body for this pension fund. The scheme is principally governed by the Superannuation Act 1972. The fund is administered in accordance with Local Government Pension Scheme Regulations. The scheme covers eligible employees and elected members of the County Council, District Councils within the county area and employees of other bodies eligible to join the Scheme.

This defined benefit scheme provides benefits related to salary for its members. Pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. The amount is determined by the Secretary of State.

There were no significant changes to the asset allocation of the fund during 2012/13. As planned, during the year the full balance of £153m that was being held in a transition fund with Legal & General on a pooled basis was transferred to Wellington International Management to form a new active global equities portfolio.

Membership

Members are made up of three main groups. Firstly, the contributors - those who are still working and paying money into the Fund. Secondly, the pensioners - those who are in receipt of a pension and thirdly, by those who have left their employment with an entitlement to a deferred benefit on reaching pensionable age.

Organisations participating in the Oxfordshire County Council Pension Fund include:

- Scheduled Bodies – Local Authorities and similar bodies, such as Academies, whose staff are automatically entitled to become members of the fund
- Admitted Bodies – Organisations that participate in the fund under an admission agreement between the fund and the organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector
- Admitted Bodies can be split in to two groups:
 - Community Admission Bodies – these are typically employers that provide a public service on a not-for-profit basis and often have links to scheduled bodies already in the fund. Housing Corporations fall under this category.
 - Transferee Admission Bodies – these are bodies that provide a service or asset in connection with the exercise of a function of a scheme employer in certain circumstances. Typically this will be when a service is transferred from a scheme employer and is to allow continuing membership for staff still involved in the delivery of the service transferred

Full definitions are contained in The Local Government Pension Scheme (Administration) Regulations 2008.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

The table below details the composition of the Fund's membership:

	As at 31 March 2012	As at 31 March 2013
Number of Contributory Employees in Scheme		
Oxfordshire County Council	12,599	12,070
Other Scheduled Bodies	5,241	6,657
Admitted Bodies	742	1,235
	18,582	19,962
Number of Pensioners and Dependants		
Oxfordshire County Council	6,863	7,219
Other Scheduled Bodies	4,244	4,395
Admitted Bodies	576	636
	11,683	12,250
Deferred Pensioners		
Oxfordshire County Council	12,214	12,721
Other Scheduled Bodies	5,207	5,512
Admitted Bodies	803	810
	18,224	19,043

Nineteen Scheduled Bodies, of which seventeen are Academies and two are Parish Councils, plus ten Admitted Bodies joined the scheme in 2012/13. There was no significant impact on the membership of the scheme because the majority of the new bodies are Academies, whose members were previously in the scheme as County Council employees. Scheme membership of other new bodies is small.

Funding

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The contribution from employees is prescribed by statute, and for the year ending 31 March 2013 rates ranged from 5.5% to 7.5% of whole time equivalent pensionable earnings.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The next actuarial valuation is to take place in 2013.

Benefits

The benefits payable under the Scheme are laid down by the Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007 and are summarised in the following table. Pension payments are guaranteed and any shortfall is met through the Pension Fund through employer contribution rates set by the fund valuation. The Scheme is a 'final salary' scheme and provides a pension as a proportion of final salary according to the length of service.

The scheme also provides a range of other benefits including early retirement, disability pensions and death benefits.

Benefits are index-linked in order to keep pace with inflation. The Government announced in June 2010 that the basis of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

	Service Pre 1 April 2008	Service Post 31 March 2008
Pension	Each full-time year worked is worth $1/80 \times$ final pensionable salary.	Each full-time year worked is worth $1/60 \times$ final pensionable salary.
Lump Sum	Automatic lump sum of $3 \times$ salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Note 2 – Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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 24.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The actuarial position of the scheme which takes into account these obligations is dealt with in the Actuarial Statement on page 160.

Note 3 – Summary of Significant Accounting Policies

Investments

1. Investments are shown in the accounts at market value, which has been determined as follows:
 - (a) The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, as at 31 March 2013.
 - (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 2013.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

- (e) Fixed Interest stocks are valued on a 'clean' basis (i.e. the value of interest accruing from the previous interest payment date to the valuation date has been included within the amount receivable for accrued income).
- (f) Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Foreign Currencies

- 2. Balances denominated in foreign currencies are translated at the rate ruling at the net assets statement date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

Contributions

- 3. Employee normal contributions are accounted for when deducted from pay. Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid.

Employers' pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

The Actuary at his triennial valuations of the Fund's assets and liabilities determines the employers' rate for contributions. Employees' contributions have been included at rates required by the Local Government Pension Scheme Regulations.

Benefits, Refunds of Contributions and Transfer Values

- 4. Benefits payable and refunds of contributions have been brought into the accounts on the basis of all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities. Transfer values are those sums paid to, or received from, other pension schemes and relate to periods of previous pensionable employment. Transfer values have been included in the accounts on the basis of the date when agreements were concluded.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

In the case of inter-fund adjustments provision has only been made where the amount payable or receivable was known at the year-end. Group transfers are accounted for in accordance with the terms of the transfer agreement.

Investment Income

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Change in Market Value'. Foreign income has been translated into sterling at the date of the transaction. Income due at the year-end was translated into sterling at the rate ruling at 31 March 2013.

Investment Management and Scheme Administration

6. A proportion of relevant County Council officers' salaries, including salary oncosts, have been charged to the Fund on the basis of time spent on scheme administration and investment related business. The fees of the Fund's general investment managers have been accounted for on the basis contained within their management agreements. Investment management fees are accounted for on an accruals basis.

Expenses

7. Expenses are accounted for on an accruals basis.

Cash

8. Cash held in bank accounts and other readily accessible cash funds is classified under cash balances as it is viewed that these funds are not held for investment purposes but to allow for effective cash management. Cash that has been deposited for a fixed period and has been placed as such as an investment decision has been included under cash deposits.

Note 4 – Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this involves the use of significant judgements by the managers. The value of unquoted private equity investments at 31 March 2013 was £45.497m (£39.450m at 31 March 2012).

Pension Fund Liability

The pension fund liability is calculated every three years by the funds actuary, with annual updates in the intervening years. Methods and assumptions consistent with IAS19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 28. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 5 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:-

Item	Uncertainties	Potential Impact
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. The fund engages an actuarial firm to provide expert advice on the assumptions to be applied.	The actuarial present value of promised retirement benefits included in the financial statements is £2,305m. There is a risk that this figure is under, or overstated in the accounts.
Unquoted Private Equity	Unquoted private equity investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation.	Unquoted private equity investments included in the financial statements total £45.497m. There is a risk these investments are under, or overstated in the accounts.
Fund of Funds Hedge Funds	Fund of Funds Hedge Fund investments are valued based on the sum of the fair values provided by the administrators of the underlying funds, plus adjustments that directors of the fund of funds deem appropriate. As these investments are not publicly listed there is a degree of estimation involved in the valuation.	The total value for Fund of Funds Hedge Funds included in the financial statements is £32.842m. There is a risk that these investments could be under, or overstated in the accounts.

Note 6 – Events After the Balance Sheet Date

There have been no events since 31 March 2013, up to the date when these accounts were signed, which require any adjustments to these accounts.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 7 – Contributions

	2011/12 £'000	2012/13 £'000
Employers		
Normal	-41,769	-41,381
Augmentation	-26	0
Deficit Funding	-37,858	-16,523
Costs of Early Retirement	-3,527	-1,831
	-83,180	-59,735
Members		
Normal	-18,694	-18,321
Additional *	-475	-350
	-19,169	-18,671
Total	-102,349	-78,406

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 24.

	Employer Contributions		Members Contributions	
	2011/12	2012/13	2011/12	2012/13
	£'000	£'000	£'000	£'000
Oxfordshire County Council	-35,662	-31,967	-10,907	-9,819
Scheduled Bodies	-43,015	-22,845	-6,900	-7,483
Resolution Bodies	-530	-607	-196	-198
Community Admission Bodies	-3,131	-3,087	-954	-790
Transferee Admission Bodies	-842	-1,229	-212	-381
Total	-83,180	-59,735	-19,169	-18,671

Note 8 – Transfers In

	2011/12 £'000	2012/13 £'000
Group Transfers In from other schemes	-131	0
Individual Transfers In from other schemes	-6,594	-5,769
Total	-6,725	-5,769

Note 9 – Other Income and Expenses

Other Income for 2012/13 of £0.528m reflects the interest resulting from the unwinding of the discount for the long-term receivable recognised for transfers to Magistrates' Courts. In 2011/12 there were £2.748m of Other Expenses which related to the difference between the cash payments due and the value of these payments on a discounted cash-flow basis in relation to transfers to Magistrates' Courts (see note 20 for further details).

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 10 – Benefits

	2011/12 £'000	2012/13 £'000
Pensions Payable	47,843	52,673
Lump Sums – Retirement Grants	18,513	11,593
Lump Sums – Death Grants	1,685	1,580
Total	68,041	65,846

	Pensions Payable		Lump Sums	
	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000
Oxfordshire County Council	23,599	26,281	11,873	7,045
Scheduled Bodies	21,698	23,577	6,429	4,653
Resolution Bodies	399	430	44	56
Community Admission Bodies	1,656	1,742	1,108	831
Transferee Admission Bodies	491	643	744	588
Total	47,843	52,673	20,198	13,173

Note 11 – Payment to and on account of leavers

	2011/12 £'000	2012/13 £'000
Refunds of Contributions	18	6
Payments for members joining state scheme	-4	-5
Group Transfers Out to other schemes	0	0
Individual Transfers Out to other schemes	6,118	4,214
Total	6,132	4,215

Note 12 – Administrative Expenses

	2011/12 £'000	2012/13 £'000
Employee Costs		
- Administrative	727	697
- Investment	184	178
Support Services Including ICT	52	67
Actuarial Fees	35	17
External Audit Fees	24	48
Internal Audit Fees	14	14
Printing & Stationary	28	34
Advisory & Consultancy Fees	56	50
Other	240	333
Total	1,360	1,438

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 13 – Investment Income

	2011/12 £'000	2012/13 £'000
Fixed Interest Securities	-6,258	-2,071
Index Linked Securities	-2,119	-1,593
Equity Dividends	-9,081	-10,030
Pooled Property Investments	-2,913	-2,976
Pooled Investments – Unit Trusts & Other Managed Funds	-364	0
Interest on Cash Deposits	-241	-287
Private Equity Income	-832	-861
Other – Securities Lending	-47	-32
	-21,855	-17,850
Irrecoverable Withholding Tax - Equities	135	87
Total	-21,720	-17,763

Note 14 – Investment Management Expenses

	2011/12 £'000	2012/13 £'000
Management Fees	2,104	2,858
Custody Fees	42	76
Performance Monitoring Service	13	13
Other	0	85
Total	2,159	3,032

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 15 – Securities Lending

In April 2004 the Fund introduced an arrangement with its custodian BNY Mellon to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the aggregate market value of the Fund. Collateralised lending generated income of £0.032m in 2012/13 (2011/12 £0.047m). This is included within investment income in the Pension Fund Accounts. At 31 March 2013 £22.999m of stock (1.51% of the Fund) was on loan, for which the Fund was in receipt of £23.723m worth of collateral. Collateral consists of acceptable securities and government and supranational debt.

Note 16 – 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.

Members of the Pension Fund Committee and the post of Service Manager (Pensions, Insurance & Money Management) are the key management personnel involved with the Pension Fund. During 2012/13, the Committee consisted of seven County Councillors, two District Councillors and a beneficiary observer. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts. An amount of £0.056m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2011/12 £'000	2012/13 £'000
Short Term Benefits	44	47*
Long Term/Post Retirement Benefits	9	9
Total	53	56

* Includes allowance paid to Chairman of Pension Fund Committee

These figures represent the relevant proportion of the salary and employer pension contributions for the key Council staff, reflecting their work for the Pension Fund.

As the County Council is the designated statutory body responsible for administering the Oxfordshire Pension Fund, it is a related party.

For the 12 months ended 31 March 2013, employer contributions to the Pension Fund from the County Council were £31.967m (2011/12 £35.662m). At 31 March 2013 there were receivables in respect of contributions due from the County Council of £2.356m and payables due to the County Council of £0.069m for support services.

The County Council was reimbursed £1.042m (2011/12 £1.035m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 17 – Investments

	Value at 31 March 2012 £'000	Value at 31 March 2013 £'000
Investment Assets		
Fixed Interest Securities	142,416	65,628
Index Linked Securities	68,246	77,416
Equities	231,167	455,489
Pooled Investments	652,936	676,896
Pooled Property Investments	78,731	86,589
Private Equity	72,736	90,881
Derivatives:		
- Forward Currency Contracts	932	813
Cash Deposits	3,172	8,995
Investment Income Due	3,977	2,961
Amounts Receivable for Sales	6,710	1,286
Total Investment Assets	1,261,023	1,466,954
Investment Liabilities		
Derivatives:		
- Forward Currency Contracts	-20	-55
Investment Expenses Due	-630	-1,111
Amounts Payable for Purchases	-2,585	-4,631
Total Investment Liabilities	-3,235	-5,797
Net Investment Assets	1,257,788	1,461,157

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 17a – Reconciliation of Movements in Investments and Derivatives

	Value at 1 April 2012	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	142,416	90,494	-169,110	1,828			65,628
Index Linked Securities	68,246	51,302	-48,597	6,465			77,416
Equities	231,167	217,227	-58,568	65,663			455,489
Pooled Investments	652,936	267,180	-324,129	80,909			676,896
Pooled Property Investments	78,731	10,145	-1,537	-750			86,589
Private Equity	72,736	2,860	-6,249	21,534			90,881
<u>Derivative Contracts</u>							
Futures	0						0
FX	912	4,360	-4,815	301			758
<u>Other Investment Balances</u>							
Cash Deposits	3,172	40,019	-35,619	-132	1,555		8,995
Amounts Receivable for Sales of Investments	6,710					-5,424	1,286
Investment Income Due	3,977					-1,016	2,961
Amounts Payable for Purchases of Investments	-3,215					-2,527	-5,742
Total	1,257,788	683,587	-648,624	175,818	1,555	-8,967	1,461,157

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

	Value at 1 April 2011	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	130,276	250,385	-245,422	7,177			142,416
Index Linked Securities	62,860	144,562	-150,766	11,590			68,246
Equities	443,438	24,327	-241,264	4,666			231,167
Pooled Investments	420,125	518,547	-285,719	-17			652,936
Pooled Property Investments	75,241	4,797	-2,339	1,032			78,731
Private Equity	76,979	2,357	-4,330	-2,270			72,736
<u>Derivative Contracts</u>							
Futures	28		-59	31			0
FX	-985	2,454	-2,073	1,516			912
<u>Other Investment Balances</u>							
Cash Deposits	5,875	42,809	-42,633	-2,191	-688		3,172
Amounts Receivable for Sales of Investments	1,746					4,964	6,710
Investment Income Due	4,046					-69	3,977
Amounts Payable for Purchases of Investments	-3,290					75	-3,215
Total	1,216,339	990,238	-974,605	21,534	-688	4,970	1,257,788

Included within the above purchases and sales figures are transaction costs of £0.336m. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

There have been no employer-related investments at any time during the year.

Note 17b – Analysis of Investments (Excluding Derivative Contracts)

Fixed Interest Securities

	2011/12 £'000	2012/13 £'000
UK Public Sector	57,939	33,327
UK Other	60,423	3,570
Overseas Public Sector	24,054	28,731
Total	142,416	65,628

Index Linked Securities

	2011/12 £'000	2012/13 £'000
UK Public Sector Index Linked	68,246	77,416
Total	68,246	77,416

Equity Investments

	2011/12 £'000	2012/13 £'000
UK listed equities	231,167	290,833
Overseas Listed Equities:		
North America	0	91,275
Japan	0	14,503
Europe	0	30,329
Pacific Basin	0	4,552
Emerging Markets	0	23,997
Total	231,167	455,489

Pooled Investment Vehicles

	2011/12 £'000	2012/13 £'000
UK Registered Managed Funds – Property	18,286	18,250
Non UK Registered Managed Funds – Property	15,660	18,023
UK Registered Managed Funds – Other	400,972	391,229
Non UK Registered Managed Funds – Other	84,578	96,581
UK Registered Property Unit Trusts	39,582	45,100
Non UK Registered Property Unit Trusts	5,203	5,216
Non UK Registered Unit Linked Insurance Fund	167,386	189,085
Total	731,667	763,484

Private Equity

	2011/12 £'000	2012/13 £'000
Listed Investments	72,727	90,872
Unlisted Investments	9	9
Total	72,736	90,881

Total Investments (excluding derivative contracts)

	2011/12 £'000	2012/13 £'000
	1,246,232	1,452,898

Note 17c – 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:

Forward Foreign Exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

Hedge Funds

IFRS accounting requires that the Fund discloses information on fair value hedges, cash flow hedges and hedges of net investments in foreign operations. The Fund has exposure to such hedges through its £32.842m investment in a Fund of Funds Hedge Fund. As the Fund has no direct ownership in these hedge arrangements, with all decisions made by the Fund Managers rather than the Oxfordshire Pension Fund, the hedge disclosure requirements are deemed not to apply.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Forward Foreign Exchange (FX)

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

Contract	Settlement Date	Currency Bought	Currency Sold	Asset value At year end £'000	Liability value at year end £'000	Net Forward currency Contracts £'000
		'000	'000			
Forward OTC	3 months	1,287 GBP	1,920 USD	22		
Forward OTC	3 months	453 GBP	695 CAD	3		
Forward OTC	3months	97 GBP	930 SEK	3		
Forward OTC	3months	140 GBP	1,195 DKK	4		
Forward OTC	3 months	10,572 GBP	12,100 EUR	329		
Forward OTC	3 months	9,802 GBP	14,600 USD	183		
Forward OTC	3 months	9,187 GBP	1,316,000 JPY		-40	
Forward OTC	3 months	990 USD	665 GBP		-12	
Forward OTC	1 month	1,001 EUR	847 GBP		-1	
Forward OTC	2 months	825 USD	545 GBP		-2	
Forward OTC	2 months	943 GBP	1,113 EUR	1		
Forward OTC	3 months	15,253 GBP	17,710 EUR	263		
Forward OTC	1 month	822 USD	643 EUR	3		
Forward OTC	1 month	1,412 USD	1,101 EUR	2		
Forward Currency Contracts at 31 March 2013				813	-55	758
Prior Year Comparative						
Forward Currency contracts at 31 March 2012				932	-20	912

Note 17d – Other Investment Balances

	2011/12 £'000	2012/13 £'000
<u>Receivables</u>		
Sale of Investments	6,710	1,286
Dividend & Interest Accrued	3,865	2,810
Inland Revenue	105	144
Other	7	7
	10,687	4,247
<u>Payables</u>		
Purchase of Investments	-2,585	-4,631
Management Fees	-625	-1,077
Custodian Fees	-5	-34
	-3,215	-5,742
Total	7,472	-1,495

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Cash Deposits

	2011/12 £'000	2012/13 £'000
Non-Sterling Cash Deposits	3,172	8,995
Total	3,172	8,995

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

	2011/12 £'000	% of Total Fund	2012/13 £'000	% of Total Fund
UBS Global Optimal Thirds	167,386	12.68	189,086	12.41
L&G World Equity Index	154,443	11.70	0	0.00
L&G UK FTSE100 Equity Index	130,835	9.91	151,058	9.91
L&G World (ex-UK) Equity Index	100,139	7.59	128,102	8.41
L&G Core Plus Bond Fund	0	0.00	92,649	6.08

Note 18 – Current Assets

2012/13	Central Gov't Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,121	4,231	20	52	518	6,942
Employee Contributions	0	1,410	6	16	64	1,496
Transferred Benefits	0	542	0	0	0	542
Costs of Early Retirement	0	927	0	43	236	1,206
Inland Revenue	21	0	0	0	0	21
Other	46	163	0	3	94	306
Cash Balances	0	0	0	0	40,453	40,453
Total	2,188	7,273	26	114	41,365	50,966

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

2011/12	Central Gov't Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Receivables:						
Employer Contributions	2,122	4,283	1	4	233	6,643
Employee Contributions	0	1,446	0	2	77	1,525
Transferred Benefits	0	176	0	0	0	176
Costs of Early Retirement	0	1,097	0	13	254	1,364
Inland Revenue	60	0	0	0	0	60
Other	46	151	0	14	18	229
Cash Balances	0	0	0	0	37,215	37,215
Total	2,228	7,153	1	33	37,797	47,212

Note 19 – Current Liabilities

2012/13	Central Government Bodies	Local Authorities	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000
Transferred Benefits	0	-1,359	0	0	-1,359
Benefits Payable	0	-79	0	-15	-94
Inland Revenue	-736	0	0	0	-736
Costs of Early Retirement	-201	0	0	0	-201
Staff Costs	0	-69	0	0	-69
Consultancy	0	0	-4	0	-4
Other	-1	-6	-33	-2	-42
Total	-938	-1,513	-37	-17	-2,505

2011/12	Central Government Bodies	Local Authorities	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000
Transferred Benefits	0	-112	0	-183	-295
Benefits Payable	0	-209	0	-22	-231
Inland Revenue	-665	0	0	0	-665
Costs of Early Retirement	-201	0	0	0	-201
Staff Costs	0	-31	0	0	-31
Consultancy	0	0	-9	0	-9
Other	-1	-7	-6	-25	-39
Total	-867	-359	-15	-230	-1,471

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 20 – Long-Term Assets

2012/13	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Employer Contributions	13,148	0	0	0	0	13,148
Costs of Early Retirement	0	742	0	81	159	982
Total	13,148	742	0	81	159	14,130

2011/12	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Employer Contributions	14,806	0	0	0	0	14,806
Costs of Early Retirement	0	1,274	0	11	374	1,659
Total	14,806	1,274	0	11	374	16,465

Long-Term assets for 2012/13 include deferred receivables in relation to the transfer of staff to Magistrates' Courts for which the payment of £21.860m is due to be received in ten equal annual instalments, in line with the national agreement reached between Actuaries on behalf of Pension Funds, and the Government Actuary Department on behalf of the Government.

Note 21 - Assets under External Management

The market value of assets under external fund management amounted to £1,344.655m as at 31 March 2013. The table below gives a breakdown of this sum:

	2011/12		2012/13	
	Market Value £'000	%	Market Value £'000	%
Alliance Bernstein	117	0.01	0	0.00
Baillie Gifford	253,802	21.26	304,811	22.67
Legal & General	606,360	50.78	521,324	38.77
UBS	290,216	24.30	286,281	21.29
Wellington	0	0.00	180,813	13.45
Adams Street Partners	13,888	1.16	18,166	1.35
Partners Group	29,750	2.49	33,260	2.47
Total	1,194,133	100.00	1,344,655	100.00

Note 22 – Top 5 Holdings

Value of the Fund's Top Five Holdings	£'000	% of Fund
Electra Investment Trust	24,022	1.58
HG Capital Trust	22,860	1.50
British American Tobacco	15,249	1.00
HSBC Holdings	14,237	0.93
BG Group Plc	12,055	0.79

Note 23 – Taxation

The scheme is a 'registered pension scheme' for tax purposes under the Finance Act 2004. As such the fund is exempt from UK income tax on interest received and from capital gains. However, the Scheme cannot reclaim certain amounts of withholding taxes relating to overseas investment income which are suffered in the country of origin.

Note 24 – Additional Voluntary Contributions

	Market Value 31 March 2012 £'000	Market Value 31 March 2013 £'000
Prudential	14,517	14,534

AVC contributions of £1.671m were paid directly to Prudential during the year (2011/12 - £1.711m).

The AVC provider to the Fund is the Prudential. The assets of these investments are held separately from the Fund. The AVC provider secures additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year.

Note 25 – Contingent Liabilities

There are two contingencies to note:

1. The Museums, Libraries and Archive (MLA) Council. Staff from three of the regional MLA employers who were previous members of the Oxfordshire County Council Pension Fund transferred to the MLA Council on 6 April 2009 and 31 March 2010. Actuaries are currently working on the calculation of the payments to be made to the Premium section of the Principal Civil Service Pension Scheme in relation to the transfer of past service rights.
2. The Pension Fund received a Final Determination from the Pension Ombudsman, in which he has instructed the Administering Authority to pay compensation to a complainant as a result of mal-administration. The final level of compensation is contingent on the circumstances of the complainant over the next 11 years, though the maximum payment has been calculated as approximately £0.2m plus pensions increase.

As at 31 March 2012 the fund had outstanding capital commitments (investments) totalling £59.970m (31 March 2011 - £48.825m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

Note 26 – Contingent Assets

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.

Two Admitted Body employers in the Oxfordshire County Council Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations to the fund. These bonds are drawn in favour of the pension fund and payment of the bond will only be triggered in an event of default by the employer.

Note 27 – Statement of Investment Principles

Oxfordshire County Council Pension Fund has a statement of investment principles (SIP). This is published in the Pension Fund Annual Report and Accounts which is circulated to all scheme employers and is also available on the Council's internet.

Note 28 - Actuarial Present Value of Promised Retirement Benefits

	2012 £'000	2013 £'000
Present Value of Funded Obligation	2,083,843	2,304,966

Present Value of Funded Obligation consists of £1,833.996m (2012 – £1,683.817m) in respect of Vested Obligation and £470.970m (2012 – £400.026m) in respect of Non-Vested Obligation. The movement from March 2012 can in part be explained by the normal changes over the year as new benefits are accrued and previous benefits paid out. This explains an increase in the present value of the Funded Obligation of £114.361m (2012 - £94.843m).

There has been a further increase in the present value of the Funded Obligation of £106.762m (2012 - £304.242m) reflecting a change in the actuarial assumptions as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- An increase in the assumed level of CPI and therefore pension increase from 2.5% to 2.6% (net effect an increase in Present Value of Funded Obligation)
- An increase in the assumed level of pay increases from 4.7% to 4.8% (net effect an increase in Present Value of Funded Obligations)
- A reduction in the discount factor from 4.6% to 4.5% (net effect an increase in Present Value of Funded Obligations)

Note 29 - Financial Instruments

Note 29a – Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

	2011/12			2012/13		
	Fair Value through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000
Financial Assets						
Fixed Interest Securities	142,416			65,628		
Index Linked Securities	68,246			77,416		
Equities	231,167			455,489		
Pooled Investments	652,936			676,896		
Pooled Property Investments	78,731			86,589		
Private Equity	72,736			90,881		
Derivatives	932			813		
Cash		40,387			49,448	
Other Investment Balances	10,582			4,103		
Receivables		72			65	
	1,257,746	40,459	0	1,457,815	49,513	0
Financial Liabilities						
Derivatives	-20			-55		
Other Investment Balances	-3,215			-5,742		
Payables			-58			-108
	-3,235	0	-58	-5,797	0	-108
Total	1,254,511	40,459	-58	1,452,018	49,513	-108

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 29b – Fair Value of Financial Instruments and Liabilities

The carrying values of the financial assets and liabilities compared with their fair values are summarised below by instrument class.

	2012		2013	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
Financial Assets - Current				
Loans & Receivables	40,459	40,459	49,513	49,513
Financial Assets at fair value through profit or loss	1,212,278	1,212,278	1,404,114	1,404,114
	1,252,737	1,252,737	1,453,627	1,453,627
Financial Assets – Long Term				
Financial Assets at fair value through profit or loss	45,468	45,468	53,701	53,701
Financial Liabilities – Current				
Amortised Cost	-58	-58	-108	-108
Financial Liabilities at fair value through profit or loss	-3,235	-3,235	-5,797	-5,797
	-3,293	-3,293	-5,905	-5,905
Total	1,294,912	1,294,912	1,501,423	1,501,423

The Fair Value of operational debtors and creditors, cash and short-term deposits, is assumed to be equal to the carrying value.

Note 29c – Net Gains and Losses on Financial Instruments

	31 March 2012 £'000	31 March 2013 £'000
Financial Assets		
Fair Value through Profit and Loss	22,209	175,650
Loans and Receivables	-2,191	-132
Financial Liabilities		
Fair Value through Profit and Loss	1,516	301
Financial Liabilities Measured at Amortised Cost	0	0
Total	21,534	175,819

Note 29d – Valuation of Financial Instruments Carried at Fair Value

Financial instruments have been classified in to one of the following three categories to reflect the level of uncertainty in estimating their fair values:

Level 1

Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Fair value is based on inputs other than quoted prices included within Level 1 that are observable either directly (i.e., from prices) or indirectly (i.e., derived from prices).

Level 3

Fair value is determined by reference to valuation techniques using inputs that are not observable in the market.

Included within Level 3 are pooled private equity investments made in Limited Liability Partnerships where fair value is determined using valuation techniques which involve significant judgements by fund managers due to the unquoted nature of the fund investments. Fund of funds hedge fund investments are included within Level 3 of the hierarchy as the fair value is based on the sum of the fair values of the underlying funds, which are unlisted, as provided by the fund administrators and is subject to adjustments by the Directors of the fund of funds as deemed appropriate. Some listed private equity investments have been included within Level 3 of the hierarchy where it has been determined that the market for the fund is inactive.

Categorisation of financial instruments within the levels is based on the lowest level input that is significant to the fair value measurement of the instrument.

The following table presents the Fund's financial assets and liabilities within the fair value hierarchy.

Value at 31 March 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	617,520	749,787	93,862	1,461,169
Loans and Receivables	21,190	24,968	0	46,158
Total Financial Assets	638,710	774,755	93,862	1,507,327
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	-5,742	-55	0	-5,797
Financial Liabilities at Amortised Cost	-108	0	0	-108
Total Financial Liabilities	-5,850	-55	0	-5,905
Net Financial Assets	632,860	774,700	93,862	1,501,422

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Value at 31 March 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	403,222	766,546	87,978	1,257,746
Loans and Receivables	19,001	21,458	0	40,459
Total Financial Assets	422,223	788,004	87,978	1,298,205
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	-3,215	-20	0	-3,235
Financial Liabilities at Amortised Cost	-58	0	0	-58
Total Financial Liabilities	-3,273	-20	0	-3,293
Net Financial Assets	418,950	787,984	87,978	1,294,912

Purchases and sales represent -£0.175m of the movement in assets classified under level 3 of the hierarchy between 2011/12 and 2012/13. The remaining movement is made up of £2.498m of realised profits and £3.561m from the movement in fair value estimated using valuation techniques.

Note 30 - Risk

The Pension Fund is subject to risk in terms of its key responsibility to meet the pension liabilities of the scheme members as they become due. These risks relate to the value of both the assets and the liabilities of the Fund and the timing of when the payment of the liabilities becomes due.

At a strategic level, the main tools used by the Pension Fund to manage risk are:

- The tri-annual Fund Valuation which reviews the assets and liabilities of the Fund, and resets employer contribution rates to target a 100% Funding Level. The 2010 Valuation estimated that the current Funding Level is only 79%, but set contribution rates to address the deficit over the next 25 years
- The Statement of Investment Principles which sets out the Fund's approach to the investment of funds, and specifically sets out the approach to the mitigation of investment risk
- The review of the Strategic Asset allocation to ensure compliance with the Statement of Investment Principles
- The regular review of the performance of all Fund Managers

Key elements of the approach to managing the investment risk as set out in the Statement of Investment Principles include:

- Maintaining an element of the asset allocation in fixed income securities, the behaviour of which most closely mirrors that of the Fund liabilities. The allocation to fixed income securities is constantly reviewed with the proposal that the allocation will increase as the maturity of the fund increases. Whilst the Fund maintains a high proportion of active members where the payment of liabilities is not due for many

decades, the Fund can afford to seek the higher investment returns associated with the more volatile asset classes

- Maintaining an element of the asset allocation in passive equity funds which remove the risk associated with poor manager performance (though retaining the market risk)
- Ensuring a diversification amongst asset groups, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance
- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values
- Restrictions on investments in line with the LGPS Investment Management Regulations, which set limits for total exposure to different investment classes, investment types etc

The key risks associated with the level of liabilities stem from the level of initial pension benefit payable, the indexation of this benefit and the time the benefit is in payment for. These risks largely lie outside the control of the Pension Fund. Management of these risks is a key element of the Government's current review of all public sector pension schemes. The recent proposals agreed by the employers and unions subject to wider consultation link normal retirement age to future estimates of life expectancy to bring stability to the length of time benefits are in payment, the introduction of career average revalued earnings schemes to avoid the sudden hike possible in final benefits under a final salary scheme, and the switch to indexation under CPI. The new scheme is planned to take effect from 1 April 2014.

The Actuary when completing the 2010 Valuation undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.5% per annum in the discount rate would move the calculated funding level from 79% down to 73% or up to 85%. A change in mortality rates of 10% per annum would lead to a reduction in the funding level to 77% or an increase to 81%.

In terms of the investment in the various Financial Instruments open to the Pension Fund, the Fund is exposed to the following risks:

- Credit risk – the possibility of financial loss stemming from other parties no longer being able to make payments or meet contractual obligations to the Pension Fund
- Liquidity Risk – the possibility that the Pension Fund might not have the funds available to meet its payment commitments as they fall due
- Market Risk – the possibility that the Pension Fund may suffer financial loss as a consequence of changes in such measures as interest rates, market prices, and foreign currency exchange rates

Credit Risk

In terms of the Pension Fund, the credit risk is largely associated in terms of the Fund's investments in Fixed Interest and Index Linked Securities, Cash Deposits and Short Term loans, where the risk is that the other parties fail to meet the interest payment or to return the Fund's investment at the end of the investment period.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

At 31 March 2013 the Fund's exposure to credit risk was therefore limited to the following investments:

Investment Category	31 March 2012	31 March 2013
	£'000	£'000
UK Government Gilts	57,939	33,328
UK Corporate Bonds	60,423	96,219
UK Index Linked Gilts	68,246	77,416
Overseas Government Bonds	24,054	28,731
Non-Sterling Cash Deposits	3,172	8,995
Cash Balances	37,215	40,453
Total	251,049	285,142

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates whilst limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be in sub-investment grade bonds. Cash held in Sterling at 31 March 2013 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2012	Rating	Balance as at 31 March 2013
		£'000		£'000
Money Market Funds				
Deutsche Managed Sterling Fund	AAA	19,016	AAA	21,324
Ignis Asset Management	AAA	543	AAA	0
Bank Deposit Accounts				
Royal Bank of Scotland Plc	A	8,497	A	8,773
Euroclear Bank S.A.	AA+	397	AA+	876
UBS AG	A	4	A	0
Santander UK Plc	A	0	A	501
Bank Current Accounts				
Lloyds TSB Plc	A	8,758	A	8,979
Total		37,215		40,453

The Pension fund has no experience of default against which to quantify the credit risk against the current investments.

Liquidity Risk

Liquidity risk represents the risk that the Fund will be unable to meet its financial obligations as they fall due. At the present time, the Liquidity risk is seen, relatively, as the greatest threat to the Pension Fund, although the absolute risk itself is still seen to be very low, particularly in the short term.

During 2012/13 the Pension Fund received/accrued contributions of £84.7m (2011/12 - £109.0m) and paid out benefits of £71.5m (2011/12 - £78.3m). There were further receipts/accruals of £17.9m (2011/12 - £21.9m) in respect of investment income, against

which need to be set investment management fees of £3.0m (2011/12 - £2.2m) and taxes of £0.1m (2011/12 - £0.2m). The net inflow was therefore £28.0m (2011/12 - £50.2m).

These figures indicate significant levels of flexibility around the levels of cash available to meet liabilities as they are due. A cash flow forecast is maintained for the Fund to understand and manage the timing of the Fund's cash flows. On a daily basis, the Fund holds a minimum of £10m of cash in call accounts and money market funds to meet benefit payments due, drawdowns from the private equity fund managers, and other payments due from the Fund.

For the Fund to be required to liquidate assets at financial loss would therefore require a significant change in either the levels of contributions received, and/or the levels of benefits payable as well as the loss of all current investment income.

There are risks in this area going forward as a result of the scale of the reductions in public expenditure, and the forthcoming changes to the local government pension scheme. The reductions in public sector expenditure will impact on the liquidity of the Pension Fund both in terms of a reduction in contributions receivable as the workforce shrinks, as well as an increase in benefits payable as staff above the age of 55 are made redundant and become entitled to early payment of their pension.

The risks associated with the reform of the LGPS are largely in respect of the contributions receivable (benefits in payment are unlikely to be significantly impacted in the short term, and are likely to reduce in the longer term). These risks are seen to have reduced in light of the specific proposals now issued for consultation. The fact that no staff on salaries below £43,000 will see an increase in their contribution rate has reduced the risk of widespread opt out, though the risk still remains. Similarly, confirmation of the retention of the Fair Deal provisions reduces the sudden loss of significant contributions on the outsourcing of services, though this remains a longer term risk to the on-going liquidity of the Fund. The new element of risk introduced by the proposals relates to the introduction of an option to pay 50% of your contribution for 50% of your future benefits. If this option sees a significant take up, this will impact on current contributions received.

The Fund's auto-enrolment staging date was 1 February 2013. This has resulted in an initial increase in contribution levels. Opt-out rates will need to be monitored to evaluate the impact this will have on the Fund's cashflow going forward.

However, as noted above, for the Fund to reach a position where it is forced to sell assets and therefore face a potential financial loss (as well as to forego future investment returns which have been assumed to meet pension liabilities in the future), the net movement in cash would be equivalent to a reduction in contributions received in the region of 50% or an increase in benefits payable in the region of 70%. Movements of this scale are deemed highly unlikely. The Pension Fund will seek to mitigate these risks through advice to the Government on the impact of any proposals for change, as well as clear communication to current scheme members of the on-going benefits of scheme membership and the personal risks to their future financial prospects of opting out at this time.

Market Risk

The whole of the Pension Fund's investment asset base is subject to financial loss through market risk, which includes the impact of changes in interest rates, movements in market prices and movements in foreign currency rates. However, as noted above under the

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

liquidity risk, these financial losses are not automatically realised, as all assets held by the Pension Fund are done so on a long term basis. Subject to the liquidity risk above, it is many years into the future before any assets will be required to be realised, during which time market risk will have the opportunity to even itself out.

Market risk is generally managed through diversification of investments within the portfolio in terms of asset types, geographical and industry sectors, and individual securities.

Whilst widespread recession will drive down the value of the Fund's assets and therefore funding level in the short term, this will have no direct bearing on the long term position of the Fund, nor the contribution rates for individual employers. Under the LGPS Regulations, the Fund Actuary is required to maintain as near stable contribution rate as possible, and as such the Valuation is based on long term assumptions about asset values, and all short term movements smoothed to reflect the long term trends.

Interest Rate Risk

The direct exposure of the fund to interest rate risk and the impact of a 100 basis point movement in interest rates are presented in the table below. This analysis assumes that all other variables remain constant:

Asset Type	Carrying Amount as at 31 March 2013	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	8,995	90	-90
Cash Balances	40,453	405	-405
Fixed Interest Securities	235,694	2,357	-2,357
Total Change in Assets Available	285,142	2,852	-2,852

Asset Type	Carrying Amount as at 31 March 2012	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	3,172	32	-32
Cash Balances	37,215	372	-372
Fixed Interest Securities	210,662	2,107	-2,107
Total Change in Assets Available	251,049	2,511	-2,511

In the short term, interest rate risk is difficult to quantify in that it impacts directly on both the price of fixed interest and index linked securities as well as the discount factor used to value liabilities. Increases in interest rates which will drive down security prices and asset values will also reduce the future pension liabilities and therefore improve funding levels rather than worsen them.

Currency Risk

Currency risk concerns the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to foreign exchange risk on financial instruments that are denominated in currencies other than the Fund's functional currency (£GBP). Risks around foreign currency rates are mitigated in part by allowing the Fund Managers to put in place currency hedging arrangements up to the value of the stock held in a foreign currency (also see note 17c).

Based on the Fund's exposure to various currencies at 31 March 2013 and data on the level of volatility associated with these currencies provided by the Fund's performance monitoring service provider it has been determined that the likely volatility associated with exchange rate movements is 5.8%. This is based on a one standard deviation movement in the foreign exchange data over a 36 month period and is adjusted for currency correlation. The inclusion of currency correlation is an addition from the previous year which will act to dampen volatility and has been incorporated to more accurately reflect the currency risk the Fund is exposed to.

This analysis assumes that all other variables remain constant.

The table below shows the impact a 5.8% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits:

Currency Exposure - Asset Type	Asset Values as at 31 March 2013	Change in Year in the Net Assets Available to Pay Benefits	
		5.8%	5.8%
	£'000	£'000	£'000
Overseas Equities	164,656	9,483	-9,483
Pooled Overseas Equities	335,438	19,318	-19,318
Private Equity	6,035	348	-348
Pooled Private Equity (LLPs)	43,222	2,489	-2,489
Pooled Property	23,239	1,338	-1,338
Cash	8,995	518	-518
Total Change in Assets Available	581,585	33,494	-33,494

Currency Exposure - Asset Type	Asset Values as at 31 March 2012	Change in Year in the Net Assets Available to Pay Benefits	
		+9.6%	-9.6%
	£'000	£'000	£'000
Overseas Bonds	24,054	2,309	-2,309
Private Equity	6,395	614	-614
Pooled Private Equity (LLPs)	37,620	3,612	-3,612
Pooled Property	6,019	578	-578
Cash	3,172	304	-304
Total Change in Assets Available	77,260	7,417	-7,417

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Other Price Risk

Other price risk represents the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or foreign exchange risk.

All investments in securities present a risk of loss of capital. The maximum risk is the fair value of the financial instrument.

Based on an analysis of historical data by the Fund's performance monitoring service provider, movements in market price that are reasonably possible have been determined. This is based on a one standard deviation movement in historical price data over a 36 month period. These are presented in the table below along with the effect on total assets available to pay benefits assuming all other factors remain constant:

Asset Type	Value as at 31 March 2013 £'000	Percentage Change %	Value Increase £'000	Value Decrease £'000
UK Equities	461,312	12.8	520,314	402,310
Pooled Overseas Equities	500,094	14.9	574,558	425,630
UK Bonds	129,547	4.4	135,234	123,860
Overseas Bonds	28,731	2.4	29,432	28,030
UK Index Linked Bonds	77,416	8.4	83,950	70,883
Pooled Hedge Funds	32,842	2.8	33,775	31,910
Private Equity	90,881	13.7	103,313	78,448
Pooled Private Equity (LLPs)	45,488	8.4	49,291	41,685
Pooled Property	86,589	1.6	88,009	85,168
Cash	49,448	0.0	49,458	49,438
Total Assets Available to Pay Benefits	1,502,348		1,631,549	1,373,145

The totals for value on increase and value on decrease do not equal the total of the values for the individual asset classes. This is because the impact of correlation across asset classes has been incorporated at total asset level.

Asset Type	Value as at 31 March 2012 £'000	Percentage Change %	Value Increase £'000	Value Decrease £'000
UK Equities	389,943	14.1	444,925	334,961
Pooled Global Equities	142,056	16.6	165,638	118,475
Pooled Overseas Equities	280,975	17.4	329,865	232,085
UK Bonds	118,362	4.7	123,926	112,800
Overseas Bonds	24,054	2.5	24,655	23,452
UK Index Linked Bonds	68,246	7.7	73,501	62,991
Pooled Hedge Funds	31,688	3.7	32,860	30,515
Private Equity	72,736	15.4	83,937	61,535
Pooled Private Equity (LLPs)	39,441	18.7	46,816	32,065
Pooled Property	78,731	5.2	82,825	74,637
Cash	40,387	0.0	40,387	40,387
Total Assets Available to Pay Benefits	1,286,619		1,449,335	1,123,903

Actuarial Valuation

The contribution rates within the 2012/13 Pension Fund Accounts were determined at the actuarial valuation carried out as at 31 March 2010.

This valuation showed that the required level of contributions to be paid to the Fund by the County Council for the year ended 31 March 2013 was 19.3% of Pensionable Pay. The corresponding rates of contribution that are required from the major participating employers for this period are:

	% Pay	Additional Monetary Amounts £'000
South Oxfordshire District Council	13.3	350
West Oxfordshire District Council	14.4	430
Cherwell District Council	13.9	1,005
Oxford City Council	20.2	-
Vale of White Horse District Council	14.5	520
Oxford Brookes University	18.5	-

For some employers, contributions are stepped up to the total rate required over a period not exceeding 3 years ending in the year 2013/14.

The funding policy of the scheme is set out in the Funding Strategy Statement and can be summarised as follows:-

- To enable Employer contribution rates to be kept as stable as possible and affordable for the Fund's Employers
- To make sure the Fund is always able to meet all its liabilities as they fall due
- To manage Employers' liabilities effectively
- To enable the income from investments to be maximised within reasonable risk parameters

The actuarial method used to calculate the future service contribution rate for most Employers was the Projected Unit Method with a one year control period. The Attained Age Method has been used for some Employers who do not permit new employees to join the fund. These calculations draw on the same assumptions used for the funding target.

The market value of the Fund's assets at the valuation date was £1,111.6m. The smoothed market value¹ of the Fund's assets at the valuation date was £1,079.4m representing 79% of the Fund's accrued liabilities, allowing for future pay increases. The Actuary has certified contribution rates for all Fund employers from 1 April 2011, which subject to the financial assumptions contained in the valuation, would result in the deficit being recovered over a period of no more than 25 years.

The contribution rates have been calculated using assets at their smoothed market value and financial assumptions which are consistent with the assets being taken at their smoothed market value. The main financial assumptions were as follows:

LOCAL GOVERNMENT PENSION FUND ACTUARIAL VALUATION

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.

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

FIRE-FIGHTERS' PENSION FUND ACCOUNTS: FUND ACCOUNT

Fund Account for the year ended 31 March 2013

Fund Account	2011/12 £'000	2012/13 £'000
-		
Contributions Receivable		
From employer		
- normal	-1,839	-1,868
- early retirements	0	0
Other (ill health retirement contribution)	-43	-101
From members	-1,046	-1,134
	-2,928	-3,103
Transfers in	-19	0
Benefits Payable		
Pensions	3,935	4,207
Commutations and lump sum retirement benefits	1,002	1,084
Lump sum death benefits	1	0
Other (ill health lump sums)	124	100
	5,062	5,391
Payments to and on account of leavers		
Individual transfers out to other schemes	36	159
	36	159
Net amount payable/receivable for the year before top-up grant receivable/amount payable to sponsoring department	2,151	2,447
Top-up grant receivable	-2,151	-2,447
Net amount payable/receivable for the year	0	0

FIRE-FIGHTERS' PENSION FUND ACCOUNTS: NET ASSETS STATEMENT

Net Assets Statement	2011/12 £'000	2012/13 £'000
Net Current Assets and Liabilities		
Contributions due from employer	9	17
Pension top-up grant receivable from sponsoring department	652	118
Other Current Assets	0	13
Pension top-up grant payable to sponsoring department	0	0
Other current liabilities (other than liabilities to pay pensions and other benefits in the future)	-8	-45
Cash balance	-653	-103
Total	0	0

1. Basis of Preparation

The fund, which reflects the new financial arrangements relating to both the 1992 and the 1996 Firefighter Pension schemes, came into being on 1 April 2006.

The financial arrangements for the Fire-fighters' Pension Scheme 1992 were made in exercise of the power conferred by section 26 of the Fire Services Act 1947 and for the Fire-fighters' Pension Scheme 2006 by the power conferred by section 34 of the Fire Services Act 2004.

The accounts have been prepared in accordance with the requirements of the above powers.

2. Payment of the employers and employees contributions towards pension liabilities

Fire & rescue authorities are required to make an employer contribution, as a percentage of pensionable pay, towards the future pension liability for all serving members, i.e. all Fire-fighters but not pension credit members, of the 1992 and 2006 Fire-fighters' Pension Schemes, into their pension fund.

Fire & rescue authorities are required to pay employees' contributions, the percentage of pensionable pay paid by all serving members, i.e. all Fire-fighters but not pension credit members of the 1992 and 2006 Fire-fighters' Pension Schemes towards their future pension liability into their pension funds.

3. Ill health early retirements

Fire & rescue authorities are required to make a payment into their pension fund of 4x average pensionable pay in respect of all higher tier ill health retirements and 2x average pensionable pay in respect of all lower tier ill-health retirements.

As the number of firefighters who retire on grounds of ill health varies from year to year and will cause financial volatility authorities are required to spread the charges over a period of 3 years. Oxfordshire Fire & Rescue Service had two ill health retirements in 2012/13.

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.

NOTES TO THE FIRE-FIGHTERS' PENSION FUND ACCOUNTS

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 2013.

	1992 Scheme	2006 Scheme
Contributors	183	398
Pensioners	291	5
Preserved Pensions	26	155

8. Long-term pension obligations

Details of the County Council's long-term pension obligations in respect of fire-fighters can be found in the Retirement Benefits Note 20 to the core financial statements.

9. Contingent Liability

Complaints have been made to the Pensions Ombudsman regarding the lack of a review by the Government Actuary of the Firefighters' Pension Scheme 1992 commutation factors between 1998 and 2006. The Ombudsman intends to consider a test case on the same issue brought by a member of the Fire-fighters' scheme. Legal hearings have taken place to determine whether the Ombudsman has jurisdiction over the Government Actuary's Department for the entirety of the relevant period. The High Court found in favour of the Ombudsman and the Government is appealing the decision to the Court of Appeal. If the Court of Appeal finds in favour of the Ombudsman over jurisdiction, they will then begin a maladministration investigation. There is a possibility that additional lump sums may be required to be paid relating to retirements between 1998 and 2006 following a ruling on the test case from the Ombudsman. As the potential change to the commutation factors is not known at this stage it is not possible to estimate a contingent liability.

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

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Annual Governance Statement 2012/13

INTRODUCTION

1. Good corporate governance means that:

- The purpose and vision of the Council is clear to everyone
- The Council has clear values, focusing on customers and the way we work
- There is robust engagement with local people and stakeholders and their views are considered
- Councillors and officers have clear functions, roles, responsibilities and appropriate training to carry them out
- Standards of conduct and behaviour are high, and meet the values of the Council
- Decisions are taken in an informed, transparent and accountable way, focusing on outcomes for the community
- Decisions are the subject of review and scrutiny
- Risks are considered and managed to a reasonable level
- There are internal controls on decisions and actions; and that
- Each year, the governance structure itself is reviewed and updated, progress planned last year is checked and new plans for further improvements are put in place

For Oxfordshire County Council; corporate governance is about ensuring that we do the right things, in the right way, for the right people in an accountable, honest, inclusive, open and timely manner. Therefore, excellent systems, processes, cultures and values are needed to control the Council and make it engage with and lead Oxfordshire to meet the needs of service users and the public in general.

2. This Statement describes the corporate governance in Oxfordshire County Council in 2012/13 and up to the date of approval of the Statement of Accounts. It also shows how systems have been reviewed and will be improved. This Annual Governance Statement is required by Regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

3. The Council is subject to other complex legal requirements in this area. We:

- Are responsible for ensuring that our business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and that it is used economically, efficiently and effectively
- Have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which our functions are exercised, having regard to a combination of economy, efficiency and effectiveness; and
- Are responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk

ANNUAL GOVERNANCE STATEMENT

4. Oxfordshire County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE¹ Framework 'Delivering Good Governance in Local Government'. A copy of the code is on our public website².
5. The result is our 'governance framework'. This is the system that we use to direct and control the activities of the Council. We use this system to check whether we achieve our objectives and deliver appropriate services and value for money. Internal controls – such as internal audit - are an important part of the governance framework. They help us identify and manage risks. Internal controls cannot eliminate all risks, but they do provide a reasonable level of assurance.
6. This statement covers all services including the Fire & Rescue Service. However the Fire & Rescue Service are now required to produce a separate Statement of Assurance which will supplement this statement. A copy of the Fire and Rescue Service Annual Statement of Assurance for 2012/13 can be found on our public website at:
<http://www.oxfordshire.gov.uk/cms/content/oxfordshire-fire-and-rescue-service-performance>
7. The following sections cover the key elements of our Council's governance framework:
 - A vision for Oxfordshire
 - Consultation
 - Decision making structures
 - Senior Management
 - Controls on Projects, ICT and Information
 - Codes of Conduct
 - Training

Further sections cover working with others:

- Schools
- Partnerships

Next, processes to ensure that good governance is in place:

- Measuring service performance
- Compliance, Risks, Complaints and Whistleblowing
- Internal Audit
- Checking the Effectiveness of our Governance

Then we review past plans, review our effectiveness and introduce new plans:

- Progress in 2012/13
- Review of effectiveness
- Action Plans for 2013/14

And finally, the signatures of our Leader and key managers show their approval of our Annual Governance Statement.

¹ Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives

² <http://www.oxfordshire.gov.uk/cms/public-site/corporate-governance>

OUR GOVERNANCE FRAMEWORK

A vision for Oxfordshire

8. Oxfordshire County Council plans to deliver three strategic objectives, which are set out in our published Corporate Plan. These are:

- Building a world-class economy
- Supporting healthy and thriving communities
- Enhancing the Environment

These objectives will be achieved by:

- Delivering efficient public services; and
- Providing leadership and enabling partnership working

9. Our planning process for the Corporate Plan 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 Review and Scrutiny Committee for further advice and consideration and then submitted to full Council for approval.

10. Our strategic priorities are translated into SMART³ outcome-focused targets which are monitored through our corporate 'Balanced Scorecard' (focussing on performance in four areas – Customers, Finance, People and Process). Our Corporate Plan is supported by Directorate Business Strategies which encompass what the Council is aiming to achieve to deliver the vision. Each of these plans is also supported by a Balanced Scorecard to allow us to measure on-going progress.

Consultation

11. Oxfordshire County Council's Communication team manages channels for communicating with residents and staff which include:

- The Council website with information on services and policies;
- A Press office to respond to media enquiries and run targeted media campaigns;
- Marketing channels to reach residents directly, including poster sites, email newsletters and social media channels (for example Twitter and Facebook).

Council staff are kept informed about important workplace developments via the Intranet and regularly cascaded manager briefings. The Council holds an annual staff conference and a series of staff road shows led by the Chief Executive, Directors and senior managers, to directly engage with staff and communicate possible changes.

Oxfordshire County Council also has established public affairs channels managed by the Policy team for communicating with MPs, representatives from district councils and other local and national partners. This includes a monthly MPs briefing.

³ Specific, Measurable, Achievable, Realistic, Timely

12. We also have well established consultation and involvement arrangements to specifically engage the community and its staff. There is a council-wide Consultation & Involvement Strategy called 'Ask Oxfordshire', a research governance framework covering consultation, evaluation and research with adult social care customers and a dedicated engagement team working with children and young people and vulnerable adults. Details of the Council's consultation and involvement activities such as service and policy change consultations, surveys of our Citizens' Panel 'Oxfordshire Voice', service user events and Sounding Boards are published on an online consultation calendar that can be found at: <http://www.oxfordshire.gov.uk/consultation>.
13. Oxfordshire County Council's Health and Wellbeing Board brings together County and District Councillors, health professionals, senior officers and public representatives, to assist in the identification of the health needs of the local community. The Joint Strategic Needs Assessment plans for the commissioning of services (Health & Wellbeing Strategy) and monitors the effectiveness of health services provided for the people of Oxfordshire. The Public Involvement Network will support this work, ensuring that the views of the public, service users, carers and advocacy groups are at the centre of service and strategy development. The Board became a formal statutory committee of the Council on 1 April 2013.
14. Oxfordshire County Council uses a wide range of evidence and information to inform strategy, policy development and service planning and delivery. Examples of this include feedback from consultation and involvement activities, evidence bases 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 'Insight'⁴, which replaces the Oxfordshire Data Observatory, an established 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 whilst encouraging self-help solutions.

Decision making structures

15. Oxfordshire County Council's Constitution sets out the roles of and relationships between the full Council, the Cabinet, Review and Scrutiny and other Committees in the budget-setting and policy and decision-making processes. It notes the legal requirements. The County Council's Corporate Plan supplements our Policy Framework. These formal policies are approved by full Council in accordance with the provisions of Oxfordshire County Council's Constitution.
16. The Constitution also sets out a scheme of delegation. The Chief Finance Officer approves the financial scheme and the Monitoring Officer approves the decision making scheme. The Constitution also records what responsibility each Oxfordshire County Council body or individual delegate (councillor or officer) has for particular types of decisions or areas or functions. The Constitution requires that all decisions taken by or on behalf of the County Council are made in accordance with given principles.

⁴ <http://insight.oxfordshire.gov.uk/cms/>

17. The Constitution also sets out how the public can take part in the decision-making process. The Cabinet's Forward Plan alerts the public to what business the Cabinet will be undertaking to give members of the public the right to make representations before a decision is taken. Some of the responsibilities of the County Council committees require statutory consultation to precede a decision being taken.
18. The Constitution is reviewed annually by the Monitoring Officer with recommendations of changes being made to Full Council for consideration and adoption.
19. There is a thirty minute Question Time at all Cabinet and individual Cabinet Member delegated decisions. Any councillor may, by giving notice, ask a question on any matter in respect of the Cabinet's delegated powers. The number of questions which may be asked by any councillor at any one meeting is limited to two (or one question with notice and a supplementary question at the meeting). As with questions at Council, any questions which remain unanswered at the end of this item receive a written response.
20. The Council has retained its procedure for dealing with Councillor Calls for Action and retains a duty on Directors to respond to petitioners within 10 working days. The Council has extended these rights of challenge by way of adopting a new petition scheme and arrangements are in place for the creation of e-petitions.
21. Oxfordshire County Council has an Audit & Governance Committee which meets six times a year and has functions and operates in accordance with proper practice as defined in the guidance published by CIPFA in 2005⁵. The County Council also operates an Audit Working Group, made up of members of the Committee and Senior Officers, chaired by a co-opted member of the Audit & Governance Committee. The Audit Working Group looks in detail at specific areas of governance, risk or control under the direction of the Audit & Governance Committee.
22. The Monitoring Officer and Head of Law & Culture monitors and reviews the operation of the Constitution to ensure that its aims, principles and requirements are given full effect and makes recommendations on any necessary amendments to it to Full Council. They are authorised to make any changes to the Constitution which require compliance with the law; or to give effect to decisions of the Council or (so far as within their powers) the Cabinet, Review and Scrutiny committee and ordinary committees; or to correct errors and otherwise for accuracy or rectification. All other changes to the Constitution will only be approved by the full Council after consideration of a recommendation from the Monitoring Officer and Head of Law & Culture.

Senior Management

23. Oxfordshire has a Chief Executive who is responsible for the head of paid service function. Her role, in summary, includes co-ordinating the different functions of the council, staff appointment, organisation, management, numbers and grades. Additional responsibilities set out in the Constitution include supporting councillors and the democratic process, overall corporate management and promoting our objectives, performance management, strategic partnership, the community strategy, media and communications.

⁵ Audit Committees, Practical Guidance for Local Authorities, CIPFA

24. Our Assistant Chief Executive & Chief Finance Officer holds the statutory role of 'Chief Financial Officer' within the Council. In 2010 CIPFA issued a Statement on the "Role of the Chief Financial Officer in Local Government"⁶. This outlines five principles that define the core activities and behaviours that belong to the role of Chief Financial Officer and the governance requirements needed to support them. A self-assessment confirms that the Council's financial management arrangements conform with the governance principles of the CIPFA statement as outlined below:

1. Our Chief Finance Officer is also the Assistant Chief Executive of Oxfordshire County Council. She is a member of the County Council Management Team, helping it to develop and implement strategy and to fund and deliver the County Council's strategic objectives.
2. Our Chief Finance Officer is actively involved in and can influence all material business decisions. She can make sure that immediate and longer term implications, opportunities and risks are fully considered and aligned with the Medium Term Financial Plan.
3. Our Chief Finance Officer leads the promotion and delivery by the County Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
4. Our Chief Finance Officer leads and directs a finance function that is adequately resourced and is fit for purpose.
5. Our Chief Finance Officer is professionally qualified and suitably experienced.

25. The Financial Procedure Rules are part of the Constitution and are published on the public website. These rules and the supporting Financial Regulations are reviewed by the Chief Finance Officer. Schemes of Financial Delegation and Delegation of Powers are reviewed and updated six monthly and are published on the County Council's Intranet along with guidance on how these should be maintained.

26. These financial documents are supported by a Treasury Management Manual, a Capital Manual, an Accounting Manual and information for use by non-finance specialists which are published on Oxfordshire County Council's Intranet.

27. There are teams of professionally qualified staff in the Chief Executive's Office and within Oxfordshire Customer Services. Part of their role is to support managers throughout the County Council in fulfilling their financial responsibilities and in providing regular review, scrutiny and challenge where appropriate. They also provide assurance that financial management is carried out across the organisation in accordance with the requirements of the CIPFA "Role of the Chief Financial Officer" Statement.

28. Oxfordshire has a Monitoring officer and Head of Law & Culture. He is responsible for the Monitoring officer function. His role, in summary, includes meeting all legal requirements, ensuring effective administration and compliance with statutory

⁶ See: http://www.cipfa.org/Policy-and-Guidance/Reports/-/media/Files/Publications/Reports/role_of_CFO_in_LG_2010_WR.pdf

responsibilities around the councillors code of conduct and the ethical standards of officers. Additional responsibilities set out in the Constitution include maintaining the Constitution itself, work for the Standards Committee, advising on ethical and legal issues, supporting the complaints procedure and promoting good corporate governance.

Controls on Projects, ICT and Information

29. Oxfordshire County Council requires projects to be managed using the Project Management Framework which gives a comprehensive structure and processes for project management. The Directorates review projects (progress and governance) as part of quarterly performance reporting. An escalation process is in place to report significant project issues/ risks to the County Council Management Team (CCMT) as part of the quarterly performance reporting process and separately to the Audit Working Group. Project registers are challenged by the Chief Executive's Office as part of the quarterly corporate monitoring.
30. Our ICT Service Manager has overall responsibility for ICT development and security for Oxfordshire County Council. The Deputy Head of Law & Culture is the Council's Data Controller and chairs the Information Governance Group as the Council's Information Governance Lead. This group has with representatives from all Directorates (as well as Fire & Rescue and Public Health) and specialists from Human Resources and ICT services. The group has appointed a Senior Risk Information Owner, an Information Risk Owner for ICT, and Information Risk Owner for Joint Commissioning; as well as linking with the Caldicott Guardian (responsible for patient confidentiality).
31. Our Information Governance Group reviews and implements corporate policies, including the new Information Governance Policy, the Data Sharing Policy and new tools and methods of work evaluated by ICT Business Delivery to improve the security of data transfer.

Codes of Conduct

32. Oxfordshire County Council has developed and adopted separate Codes of Conduct for Councillors and Officers; both Codes clearly define the high standards of behaviour expected by the County Council and the duty owed to the public. Training to embed the requirements of the codes is provided by the Council's Monitoring Officer for both Councillors and Officers. Both codes form part of the County Council's Constitution and are readily accessible via the council's Internet and Intranet websites. Both codes are reviewed by the Monitoring Officer to ensure that they continue to be effective and up to date. The Monitoring Officer undertakes a confidential biennial survey of Member/Officer relations.
33. Each Council must adopt a local Code of Conduct and have arrangements in place to investigate complaints made against Members. Our Council has agreed to include standards within the terms of reference of the Audit & Governance Committee. The work relating to standards being undertaken by a small advisory group led by the Monitoring Officer with the advice and assistance of independent persons.

Training

34. We have specific role descriptions for Leader of the Council, Deputy Leader of the Council and Cabinet and Shadow Cabinet Members. In addition, Oxfordshire County Council's Constitution sets out the roles and functions for all councillors. Members' development needs and appropriate learning and development opportunities are checked against these role descriptions and prioritised by the cross-party Member Development Group, having regard to emerging issues, skills requirements and formal roles.
35. Training and development needs for senior managers are identified and followed up through the appraisal and personal development plan process. 2012/13 was the first of a two year Senior Leadership Programme for the top three tiers of management. This aims to give senior managers the tools and support needed to tackle complex public sector issues.

WORKING WITH OTHERS

Schools

36. The financial framework for local authority maintained schools is set out in the Scheme for Financing Schools, which is approved by the Schools Forum or by the Secretary of State for Education. Practical day to day application of the Scheme is set out in the Financial Manual of Guidance, which also includes links to the County Council Constitution, DfE (Department for Education) Toolkit and the best practice advice from the Audit Commission. The Scheme is reviewed through the Schools Forum and schools receiving delegated budgets must adhere to the financial framework. Failure of a school to comply with the Scheme can ultimately lead to withdrawal of delegation.
37. The Dedicated Schools Grant (DSG) for 2012-13 was divided between funding direct to maintained schools via a formula (known as the Individual Schools Budget or ISB) and centrally retained expenditure that supports education through key central services to schools. Schools also received other grant streams via the council and from external sources, particularly for sixth form provision. All local authorities are required, under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009, to publish via their public web site an annual budget statement and an annual outturn statement. Oxfordshire's Section 251 budget statement for 2012/13 and the budget and outturn statements for previous years are available on the Council's website.
38. Significant changes introduced by the DfE effective from April 2013 have added to the complexity of DSG allocations for 2013/14. From April 2013 there are three separate blocks within the DSG, each of which with its own allocation rules. Funding for higher levels of special needs in further education colleges has become a responsibility of the County Council, funded from the DSG. The County Council is also responsible for the allocation of DSG to academy budget shares, though not for the actual payment to academies. Government continues to make other grant streams available to schools via the County Council, including funding for school sixth forms and the Pupil Premium. Budget allocations for 2013/14 have been finalised in accordance with the new

structures and preparation of the 2013/14 Section 251 budget statement is in progress at the time of writing.

39. It is the responsibility of each school's governing body to set down and oversee 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 and give 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 give them immediate SAP applications support and finance guidance where needed. The team's use a comprehensive risk assessment tool to identify schools with higher financial risks or issues and give them additional support and oversight. Where progress is not made, a notice of concern can be issued advising the school of required actions. Ultimately failure to comply with a notice of concern could lead to withdrawal of delegated budget powers from a school.
40. The management accounting team reviews the expenditure and governance of the centrally retained DSG expenditure in Children, Education and Families. Both management accounting and schools support are in turn supported by schools technical advisers responsible for the DSG funding formula calculation and other funding streams based on DfE Regulations, Terms and Conditions of DSG and DfE guidance. Schools support and compliance teams each have responsibilities to ensure compliance with the Scheme for Financing Schools (section 48 of Schools Standards and Framework Act 1998) and the Financial Manual of Guidance as well as the national statutory and regulatory environment governing schools finance.
41. Oxfordshire Schools Forum is consulted on financial and governance issues and advises the County Council on these from the schools' perspective. 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.
42. The successful schools support, compliance, helpline and technical team structures were in operation throughout 2012/13 and supported improvements in the use of SAP by schools along with schools' budget planning and monitoring for that year. These structures have enabled staffing resources to be directed to more effectively challenge higher risk schools and thereby improve financial management and governance across all schools.
43. All Oxfordshire maintained schools formally achieved the Financial Management Standard in Schools (FMSiS) by 2011. In 2011 the government withdrew the formal FMSiS and later replaced it with the Schools Financial Value Standard (SFVS). For the period 2011/12 to 2013/14 the Schools Forum agreed a continuation of the local arrangements using the council's internal audit service to complete assessments against the new Standard, which created efficiencies and synergies for both schools and the council. Amended arrangements for monitoring the SFVS are being implemented for 2013/14.

44. Academies are legally separate entities and therefore their effective governance does not fall within the control or responsibilities of the County Council. The County Council retains responsibilities to ensure that special educational needs are met and that the free entitlement to early years education is provided by academies where applicable. Oxfordshire academies can use the County Council guidance for maintained schools as one source of information on governance.

Partnerships

45. Oxfordshire County Council continues to deliver jointly in partnership with the:

- Oxfordshire Local Enterprise Partnership
- Oxfordshire Skills Board
- Oxfordshire Strategic Planning and Infrastructure Partnership
- Oxfordshire Safeguarding Children Board; Oxfordshire Environment and Waste Partnership
- Oxfordshire Health and Wellbeing Board (including sub groups on Health Improvement, Adult and Social Care, Children and Young People and Public Involvement)
- Oxfordshire Stronger Communities Alliance (voluntary and community sector); and
- Oxfordshire Safer Communities Partnership

All partnerships are driven by the priorities set by the Oxfordshire Partnership, which continues to meet to provide a light-touch overarching sense of direction and ensure delivery of the priorities in 'Oxfordshire 2030' - our community strategy. Our arrangements respect the guidance issued by the Audit Commission in 2005⁷.

46. The Oxfordshire Children and Young People's Trust has been replaced by the new Children & Young People's Partnership Board (CYPP). The CYPP Board is part of the new Health and Wellbeing Board arrangements for Oxfordshire.

REVIEWING OUR EFFECTIVENESS

Measuring Service Performance

47. The Performance Overview and Scrutiny Committee holds 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 service planning framework to ensure service priorities are in accordance with Oxfordshire County Council's objectives. We also use consultation and engagement exercises with our residents.

48. The County Council and Directorate Business Strategies for 2013/14 to 2014/15 were updated through the 2013/14 Service & Resource Planning process. These set out a programme that will enable the Council to deliver its required savings. They will also 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.

⁷ Governing Partnerships, Bridging the accountability gap, Audit Commission, 2005

Compliance, Risks and Complaints & Whistleblowing

Compliance

49. Oxfordshire 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 Chief Internal Auditor
- Corporate Governance Strategy for Law and Culture; and a
- Protocol for Implementing New Legislation

50. Guidance and advice on all our key policies and procedures have been reviewed and updated. All policies and guidance are available on the Intranet within the Corporate Governance Library as well as separate pages for Human Resources and Finance.

51. Compliance with our policies is monitored by the relevant corporate lead officers. Their assessment is incorporated in the year end 'Certificate of assurance' signed off by each corporate lead officer.

52. 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 2012/13. The Monitoring Officer undertakes a review of the County Council's annual governance arrangements. This review is formally reported to the Audit & Governance Committee.

Risks

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

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

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

56. Risk Management in projects is required in our Corporate Project Management Framework⁸. It includes the requirement for risk registers to be maintained as part of the project management process.

Complaints & Whistleblowing

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

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

Internal audit

59. In 2010 CIPFA issued a Statement on the "Role of the Head of Internal Audit in public service organisations". This outlines the principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit and the governance requirements needed to support them. The Council's arrangements conform with the governance requirements of the CIPFA statement as our Chief Internal Auditor:

- Objectively assesses the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments
- Gives an objective and evidence based opinion on all aspects of governance, risk management and internal control
- Is a Senior Manager with regular and open engagement across the organisation, including the Leadership Team and the Regulatory and Audit Committee; and
- Leads and directs an internal audit service that is resourced to be fit for purpose; and is professionally qualified and suitably experienced.

60. 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 & Governance Committee, and a survey of Senior Management on the effectiveness of Internal Audit.

⁸ <http://projectmanagement.oxfordshire.gov.uk/wps/wcm/connect/occ/project+management+framework/Home/>

61. The Audit & Governance Committee has determined the process by which this review is undertaken. It includes continuous monitoring of the Internal Audit process by the Committee in conjunction with the Audit Working Group.
62. In the resulting report to the Audit & Governance Committee it was concluded that the Internal Audit Service overall continues to be effective but there are areas for improvement which are receiving attention. The Chief Internal Auditor is also required to complete and report to the Audit Working Group, a self-assessment against the new Public Sector Internal Audit Standards that replaced the 2006 CIPFA Code from 1 April.
63. The Chief Internal Auditor has prepared an Annual Report on the work of Internal Audit which concludes that the system of internal control provides reasonable assurance regarding the effective, efficient and economic exercise of the County Council's functions. Where areas for improvement have been identified, management action plans are in place.

Checking the Effectiveness of our Governance

64. Oxfordshire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the County Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, whistleblowing reports and comments made by the external auditors and other review agencies and inspectorates.
65. The following paragraphs describe the process that we have applied to maintain and review the effectiveness of the governance framework. They also include some comment on the role of key bodies.

Audit & Governance Committee

66. The Chairman of our Audit & Governance Committee produces an Annual Report to Council. The Annual Report also covers the work of the Audit Working Group. This group has met regularly throughout the year and reviewed specific areas of governance, risk and control, reporting any significant issues identified to the Committee.

Overview and Scrutiny Committees

67. CIPFA guidance indicated that Audit Committees 'should have clear reporting lines and rights of access to.... for example scrutiny committees'. The Chairman of the Performance Overview and Scrutiny Committee has a standing invitation to attend our Audit & Governance Committee to provide advice in relation to the work of Overview and Scrutiny Committees. An annual report on key achievements of all Overview and Scrutiny Committees is considered by our Audit & Governance Committee in draft and submitted for agreement by Council.
68. The Council reviewed the Scrutiny Committee arrangements at its meeting in April 2013. We now have three standing Overview and Scrutiny Committees for the following broad areas:

- Education
- Performance
- Health (including aspects of adult social care)

These provide advice to the Cabinet on major policy decisions and may review the Cabinet's decisions. Each committee may establish its own working groups to explore particular issues in more depth. Councillors will be able to suggest issues for consideration by an Overview and Scrutiny Committee subject to the relevant Committee Chairman's agreement. In addition:

- Policy development work will be carried out by a number of Cabinet Advisory Groups;
- There will be a standing Transport Advisory Panel; and
- Local member engagement will be strengthened by Locality meetings that focus on local issues.

Corporate Governance Assurance Group

69. This Group monitors and reviews the Annual Governance Statement action plan, the effectiveness of the corporate governance framework, as well as monitoring and challenging the assurance framework owned by the designated Corporate Leads. The Group identifies and considers weaknesses in the internal control environment. It has primary responsibility for collating all of the evidence and producing the first draft of the Annual Governance Statement. No recommendations for improvements were made by the external auditors (the Audit Commission) relating to the 2011/12 Annual Governance Statement.

Key Deliverables

70. Key deliverables within Directorate Business Strategies are managed as projects as a part of our directorate business management process. Updates on projects are reported quarterly, with information reported through existing quarterly business management (performance/risk/projects) reporting procedures. The forecast financial position is reported monthly to Leadership Teams and through the regular Financial Monitoring Reports to Cabinet.

71. Further to these monitoring arrangements, the Chief Finance Officer meets monthly with all Deputy Directors to ensure that support is targeted to projects as necessary.

72. Delivery of the Directorate Business Strategies is also being regularly reported to CCMT as part of the Quarterly Business Management report

Other external reviews

73. Oxfordshire County Council receives external reports from a range of sources that can provide assurance or indicate any issues related to internal control and governance. These are generally ad-hoc and are reported to CGAG by the Research & Major Programme Officer so that governance issues can be reported to Audit & Governance Committee. No issues have been raised for 2012/13.

SIGNIFICANT GOVERNANCE ISSUES

Progress in 2012/13

74. The Progress Report on Actions planned for 2012/13 follow:

Action planned for 2012/13	Progress	Status
<p>Data Transfers and Security</p> <p>To set out and monitor in an action plan:</p> <p>a) improvements to ensure effective information governance relating to external data transfers and data security; and</p> <p>b) planned actions to raise staff awareness of the requirements of the Acceptable Use Policy.</p>	<p>a) Membership of the Corporate Information Governance Group (IGG) has been reviewed. New members have been appointed with specific, high-level responsibility for information governance within their respective Directorate. The Senior Information Risk Owner (SIRO) has been appointed along with Information Governance Lead. Roles and Responsibilities documented and agreed subject to approval of IGG.</p> <p>An ICT solution to ensure secure data transfer/secure e-mail with third parties is proceeding well and a further 250 licences have just been purchased.</p> <p>b) Reminders about the “ICT Acceptable Use Policy” and “Information Security Policy Overview” have been provided through Intranet news items during 2012/13,</p>	<p>In progress – on-going actions reflect the requirement to embed the new governance arrangements for data transfers and security and data quality.</p> <p>Complete but on-going actions required to embed requirements.</p>
<p>Delivery of the Internal Audit Counter-Fraud Plan</p>	<p>The refreshed Counter-fraud Plan was presented to the Audit & Governance Committee on 16 January 2013 as part of the “Internal Audit 2012/13 Progress Report and Quarter 4 Plan”.</p> <p>The plan is now on track, resources are allocated.</p>	<p>Complete – the Plan is being delivered as agreed.</p>

ANNUAL GOVERNANCE STATEMENT

Action planned for 2012/13	Progress	Status
<p>Health & Safety To ensure the Health & Safety Strategy is embedded across the organisation and</p> <p>a) That roles and responsibilities are clear and understood;</p> <p>b) H&S arrangements in commissioning, awarding and managing service provider contracts are robust.</p>	<p>The Health & Safety (H&S) Policy Framework has been reviewed and refreshed. This includes the new Deputy Director Part 3 H&S Arrangements and Premises H&S Responsibilities document (OCC/Carillion):</p> <p>Directorate Action Plans are currently being developed by Leadership teams. The SCS Action Plan is completed, E&E, CEF and CEX Action Plans are being developed.</p> <p>H&S Roles and Responsibilities have been refreshed:</p> <p>All staff have been emailed by the Chief Executive informing them of their H&S responsibilities. Strategic HR have written to Tier 2 and Service Managers.</p>	<p>On-going</p>
<p>Business Continuity Stakeholders Group to ensure that all directorates have clear and robust recovery systems and procedures and have identified all critical documentation that needs to be restored as a matter of priority.</p> <p>ICT to operate a repository of those critical documents to be restored as agreed by backup arrangements including the Disaster Recovery facility at Kidlington.</p>	<p>All council data is backed up at the data centre at Kidlington Fire Headquarters. The target recovery time is four hours for Priority 1 systems.</p> <p>All files and documents stored on shared drives or personal drives are available as part of the ICT infrastructure and should also be available within the target recovery time.</p>	<p>Complete</p> <p>Complete</p>

ANNUAL GOVERNANCE STATEMENT

Action planned for 2012/13	Progress	Status
Implementation and embedding of the Data Quality Policy	Data Handling Guidelines are being considered by the reconstituted Information Governance Group (IGG).	Draft Data Quality Guidelines have been published.
Embedding effective Governance arrangements relating to contracts within Children, Education & Families and Social & Community Services and to ensure that procurement and contract monitoring arrangements are robust.	<p>Following the creation of the Joint Commissioning Team, the Quality Procurement and Contracts Team is taking a more consistent approach to care quality monitoring. Key actions are:</p> <ul style="list-style-type: none"> ❖ All contracts to be reviewed annually and all follow up actions completed within three months; ❖ A review of the size/complexity of contracts in place, profiling the risks associated with each ❖ On-going review of systems of contract management to ensure they are effective and robust. ❖ Contract monitoring to include Health & Safety Part 3 and Information Governance related performance indicators. 	Complete
Embedding effective Governance arrangements relating to contracts within Environment & Economy and to ensure that procurement and contract monitoring arrangements are robust.	<p>Arrangements for reporting and monitoring contracts are set out in the documentation relating to each contract.</p> <p>The monitoring of key deliverables, outcomes and performance targets for the main contracts, Highways for example, are reported to the Highways Operations board. Transport contracts are reported to the divisional leadership team and escalated to the directorate leadership team by exception.</p> <p>An exercise to review and map contract governance within the Directorate is progressing and will be considered by Corporate Governance Assurance Group.</p>	<p>Complete</p> <p>On-going</p>

ANNUAL GOVERNANCE STATEMENT

Action planned for 2012/13	Progress	Status
<p>Routine management and monitoring of the performance of procurement controls to be introduced, with escalation of serious and/or persistent non-compliance to Directors, S151 Officer, Monitoring Officer and Cabinet Member for information and action.</p> <p>Management report to cover:</p> <ul style="list-style-type: none"> - Live vendors by vendor category – Actual against target - Use of one-time vendors – with commentary on inappropriate use including multiple use - FB60 payments/services using FB60 process - Red route orders with a commentary of those that have resulted in vendor creation - Duplicate Payments & vendors 	<p>The Procure to Pay project is at implementation stage and progressing well overall.</p> <p>A range of key performance indicators is now available and is reported to the Deputy Chief Finance Officer in a dashboard format.</p> <p>Any escalation of concerns arising from the dashboard results will be addressed with Service Managers via the Commercial Services Board.</p>	<p>In progress in line with Procure to Pay project plan.</p>

A Review of the effectiveness of our governance arrangements

75. We have reviewed our overall effectiveness. Key points are that:

- We have made good progress on implementing our Action Plan for 2012/13 as noted above
- Our decision taking processes are clear
- The council has effective financial management providing good value for money and operating within a budget that included freezing council tax levels in 2012/13 and achieving £37m of savings
- We have put in place shadow arrangements to manage our new role in Public Health that went live on 1 April 2013
- We have reviewed and improved our Scrutiny functions
- We monitor key governance issues through a system of Corporate Lead Officers, for example one covers Business Continuity
- Key management roles are defined and in place – Chief Executive, Chief Finance Officer, Monitoring Officer and Chief Internal Auditor
- Internal Audit's Annual Report concludes that the system of internal control provides reasonable assurance regarding the effective, efficient and economic exercise of Oxfordshire County Council's functions; and
- Through the governance assurance framework, issues and unacceptable risk exposures are being highlighted with action plans devised and implementation monitored on a timely basis. This will ensure that the level of risk is returned to acceptable levels as soon as possible

Thus we consider that our governance arrangements are in good shape. They have dealt with issues arising from the May 2013 election which left no party in overall control of the Council. We have continuing and new plans to improve our governance in 2013/14 which are listed below.

Action Plans for 2013/14

76. For 2013/14, some areas have been identified where the quality of our governance could be improved, or where we have planned material changes to the governance arrangements. Our action plan for 2013/14 follows:

ANNUAL GOVERNANCE STATEMENT

	Action planned for 2013/14	Timescale for Completion	Responsible Officer	Monitoring Body
1	<p>Data Transfers and Security (on-going from 2012/13)</p> <p>To implement the strategy to:</p> <p>a) ensure effective information governance relating to external data transfers and security and to raise staff awareness, for new and existing staff of the legal requirements;</p> <p>b) improve staff awareness of the requirements of the Acceptable Use Policy.</p> <p>c) ensuring that where appropriate, data is transmitted securely either using 'Government Connect', or Egress Switch email and file transfer software or another secure software system.</p>	<p>Initial report by the Data Controller by 31 July 2013 then on-going monitoring</p>	<p>Data Controller and ICT Corporate Lead</p>	<p>Information Governance Group</p>

ANNUAL GOVERNANCE STATEMENT

	Action planned for 2013/14	Timescale for Completion	Responsible Officer	Monitoring Body
2	<p>Health & Safety (on-going from 2012/13)</p> <p>To ensure the Health & Safety Strategy is embedded across the organisation and:</p> <p>a) that roles and responsibilities in directorates and corporately are clear and understood;</p> <p>b) Health & Safety arrangements in commissioning, awarding and managing service provider contracts are robust.</p> <p>c) that the recommendations from the Internal Audit of Health & Safety are actioned.</p> <p>d) that an effective Health & Safety working group is in operation</p> <p>e) that Directorate action plans in place by the end of July 2013</p>	31 March 2014 or dates set out within the Internal Audit report of Health & Safety.	Health & Safety Corporate Lead	CCMT
3	<p>Legislation</p> <p>Develop and implement an action plan to raise awareness of the implications of new legislation, statutory guidance and best practice and forward planning to allow for government policy developments in directorates.</p>	30 December 2013	Monitoring Officer	CGAG

ANNUAL GOVERNANCE STATEMENT

	Action planned for 2013/14	Timescale for Completion	Responsible Officer	Monitoring Body
4	<p>Data Quality</p> <p>Agree, implement and report on the performance of a Data Quality Strategy within the organisation and with third parties</p>	31 March 2014	Business Management Corporate Lead (Research & Major Projects Officer)	CGAG
5	<p>Commercial Services Board</p> <p>Is implemented effectively and</p> <ul style="list-style-type: none"> • provides an on-going robust overview of the adequacy of procurement and contract management arrangements across the organisation including contract performance and visibility of issues/risks. • issues in CEF contract management are addressed 	31 March 2014	Deputy Chief Finance Officer and County Procurement Manager	CGAG
6	<p>Implementation of Self-Service for Human Resources and Finance</p> <p>Actions to introduce user – friendly systems to enable improvements to financial management and human resources processes are completed in line with project plans and staff are aware of and using the new tools effectively.</p>	31 December 2013	Deputy Chief Finance Officer and Head of Human Resources	Transformation Board

ANNUAL GOVERNANCE STATEMENT

	Action planned for 2013/14	Timescale for Completion	Responsible Officer	Monitoring Body
7	<p>Improve Client Charging arrangements in Social and Community Services and in Oxfordshire Customer Services</p> <p>Actions to address issues raised by the Internal Audit report</p>	31 March 2014	<p>Deputy Director, Adult Social Care</p> <p>and:</p> <p>Deputy Director, Oxfordshire Customer Services</p>	<p>Audit Working Group</p> <p>and:</p> <p>CGAG</p>

ANNUAL GOVERNANCE STATEMENT

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

SIGNATURES

Signed on behalf of Oxfordshire County Council:

.....	Date	Date
Joanna Simons Chief Executive		Sue Scane Assistant Chief Executive & Chief Finance Officer	

.....	Date	Date
Councillor Ian Hudspeth Leader of the Council		Peter Clark Monitoring Officer	

Actuarial gains and losses

These are changes in deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.

Amortised

Written off over a period of time.

Bond Fund

A fund primarily invested in government and corporate bonds. The value of the investment changes as the market value of assets held by the fund changes.

Capital Receipts

Receipts from the sale of capital assets.

Cash Equivalent

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collection Fund

A fund maintained by each district council to receive all income raised through the Council Tax. The County Council precepts the district councils to receive its share of Collection Fund receipts.

Contingent Asset

A possible asset arising from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the County Council's control.

Commutation Factor

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

Contingent Liability

A condition which exists at the balance sheet date, where the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the County Council's control, or where it is not probable that an outflow of resources will be required to settle the obligation.

Contingent Rent

The portion of a lease payment that is not fixed at the start of the lease but is based on the future amount of a factor that changes other than with the passage of time (e.g. amount of future use, future price indices).

County Fund

The main revenue fund of the County Council into which precept income and Government grants are paid and from which day-to-day payments are made.

Creditors

Amounts owed by the County Council for work done, goods received or services rendered within the financial year for which payment has not yet been made.

Current Asset

An asset which will be used up during the next accounting period eg stocks.

Curtailment

Early retirement costs calculated in accordance with accounting standard IAS19.

Debtors

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

Deferred Income

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

Depreciation

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

Derecognition

Removal of an asset or liability from the Balance Sheet.

Equity instrument

A contract such as an equity share in a company.

Escrow

Money held by a third party on behalf of transacting parties.

Fair value

Fair value is generally the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. This definition is modified by the Code for certain categories of assets and liabilities e.g. Property, Plant and Equipment.

Financial asset

A right to future economic benefits controlled by the County Council that is represented by cash, an equity instrument of another entity, a contractual right to receive cash (or another financial asset) from another entity or a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the County Council.

Financial liability

An obligation to transfer economic benefits controlled by the County Council that is represented by a contractual obligation to deliver cash (or another financial asset) to another entity, or a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the County Council.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial instruments include bank deposits, investments, debtors, long-term debtors, creditors, temporary loans and borrowings.

Financial Year

The County Council's accounts cover the period from 1 April in one year to 31 March in the next year.

Fixed Asset

A tangible asset that yields benefit to the County Council and the services it provides for a period of more than one year.

General Government Grants

These are general grants paid by central government in aid of local authority services as opposed to specific grants which may only be used for a specific purpose. The main general grant is Revenue Support Grant.

Impairment

A reduction in the carrying value of an asset arising from physical damage, obsolescence or a significant decline in market value.

Inventories

Raw materials and stores which the County Council has bought and holds in stock for use as required such as salt for roads and catering supplies.

Intangible Asset

An asset that does not have physical substance but is identifiable and controlled by the organisation through custody or legal rights e.g. software licenses.

International Financial Reporting Standards (IFRS's)

These are issued by the International Accounting Standards Board and provide standards for the preparation of financial statements.

Landfill Allowance

Allowance to use landfill allocated by the Department for the Environment, Food and Rural Affairs under the Landfill Allowance Trading Scheme.

Lease

A method of financing capital expenditure where a rental charge is paid for an asset for a specified period of time.

Lessee

A party to a lease agreement who makes payment to use an asset.

Lessor

A party to a lease agreement who receives payment for the use of an asset.

Liabilities

Amounts owed by the County Council which will be paid at some time in the future.

Long Term Investments

Investments that are not due to mature within the next 12 months.

Money Market Fund

Funds are invested in short dated assets including certificates of deposits, government securities and commercial papers making them highly liquid. Money Market Funds must be AAAMf rated, invest in high credit quality assets and maintain a weighted average maturity of 60 days or fewer. Investments have a stable net asset value and dividends are paid to investors on their investment.

Mortality Assumptions – Abbreviations

S1NA - Mortality table for those retiring in normal health based on pension amounts issued as part of the "S1" series of mortality tables produced by the Continuous Mortality

GLOSSARY OF TERMS

Investigation. The "S1" mortality tables are based on mortality experience in Self-Administered Pension Schemes between 2000 and 2006 and published in CMI Working Paper 35.

S1PA Heavy - Mortality table for those pensioners with the lowest pensions based on pension amounts issued as part of the "S1" series of mortality tables produced by the Continuous Mortality Investigation. The "S1" mortality tables are based on mortality experience in Self-Administered Pension Schemes between 2000 and 2006.

LC - Long Cohort, being the mortality improvement rates issued by the Continuous Mortality Investigation with the 92 series mortality tables in CMIR 17(1999), as amended by CMI Working Paper 1 (2002) to take account of improvements observed from 1992 to 1999, assuming that the faster rate of improvement would fade away from 2000 to 2040.

Net Debt

The County Council's borrowings and finance liabilities less cash and liquid resources.

Net Operating Expenditure

The amount which it costs to provide services after any specific grants and/or income from fees and charges is taken into account, but ignoring general government grant and local taxation.

Non-current Asset

A long-term asset that is not expected to be used up or realised within the next 12 months e.g. Property, Plant and Equipment.

Non Domestic Rate

A levy on businesses based on a national rate in the pound set by the government multiplied by the 'rateable value' of the premises they occupy.

Pooled Fund

Funds from individual investors are aggregated for the purposes of investment and returns are apportioned between investors according to the size of the investment.

Pooling

Where services benefit larger areas than the local authorities which provide them, the expenditure is sometimes pooled according to a formula which reflects usage of the service.

Precept

The levy made by the precepting authority (the County Council) on billing authorities (the district councils in Oxfordshire) requiring the latter to collect income from council taxpayers on their behalf.

Private Finance Initiative (PFI)

A scheme to encourage private sector investment in the public sector. Typically these involve a private sector operator building or enhancing property and operating services on behalf of a public sector organisation.

Professional Fees

The fees paid by the County Council for professional services such as those of architects and quantity surveyors.

Provision

An amount of money put aside in the accounts for anticipated liabilities which cannot be accurately estimated eg insurance provision for claims awaiting resolution.

Public Works Loan Board

A central government agency which provides long and shorter term loans to local authorities at interest rates slightly higher than those at which the government itself can borrow. Local authorities are able to borrow a proportion of their requirement to finance capital spending from this source.

Reserves

Amounts of money put aside to meet certain categories of expenditure in order to avoid fluctuations in the charge to the County Fund.

Revenue Expenditure

The County Council's day-to-day expenditure on items which include wages, supplies and services and interest charges.

Revenue Expenditure Funded from Capital Under Statute

Capital expenditure as defined by statute that does not result in the acquisition, creation or enhancement of fixed assets and is charged to the Comprehensive Income & Expenditure Statement in accordance with the accounting policy.

RIA

Receipts received in advance.

Segregated Mandate Fund

Funds from individual investors are invested on a segregated basis so that the holdings can be directly attributed to investors.

Settlement (Retirement Benefits)

Settlement relates to a bulk transfer out of the Fund as a result of outsourcing. It reflects the difference between the liability transferred (calculated in accordance with accounting standard IAS19) and the assets transferred to settle the liability.

Specific Grants

Grants paid by the Government in respect of specific services.

Strategic Measures

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

Supported Capital Expenditure (Revenue) (SCE(R))

Borrowing supported by the government through general grant.

Transfer Values

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

Unusable Reserves

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



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Joanna Simons
Chief Executive
September 2013

My ref:

Your ref:

-

This matter is being dealt with by Sue Scane
Email: sue.scane@oxfordshire.gov.uk

Direct Line: 01865 816399

Audit of Oxfordshire County Council for the 2012/13 year ended 31 March 2013

This representation letter is provided in connection with your audit of the financial statements of Oxfordshire County Council ("the Council") for the year ended 31 March 2013. I recognise that obtaining representations from management concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Oxfordshire County Council as of 31 March 2013 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

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

A. Financial Statements and Financial Records

1. I have fulfilled my responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
2. I acknowledge my responsibility for the fair presentation of the financial statements. I believe the financial statements referred to above give a true and fair view of the



financial position, and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and are free of material misstatements, including omissions. I have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. I believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

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

C. Compliance with Laws and Regulations

I have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

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

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. I have made available to you all minutes of the meetings of the Council, Cabinet and Audit and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting of the Council on 10 September 2013 and the Cabinet on 17 September 2013.
4. I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. I have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 66 to the financial statements all guarantees that the Council has given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

Other than the material post balance sheet events described in Note 67 to the financial statements, events subsequent to the end of the reporting period have been disclosed in the financial statements or notes thereto.

G. Accounting Estimates

1. I believe that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:

- I believe the measurement processes, including related assumptions and models, used in determining accounting estimates is appropriate and the application of these processes is consistent.
- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- The assumptions used in making accounting estimates appropriately reflects management's intent and ability to carry out specific courses of action on behalf of the Council, where relevant to the accounting estimates and disclosures.
- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Retirement benefits

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

I. Taxes

I acknowledge my responsibility for the tax accounting methods adopted by the Council which have been consistently applied in the current period, and for the current year calculation of VAT and other taxes.

J. Use of the Work of an Expert

I agree with the findings of the experts engaged to evaluate the retirement benefit disclosures (Note 20) and the non-current assets (property) valuations (Note 29) and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. I did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours sincerely,

Signed:

Name Sue Scane
Position Assistant Chief Executive and Chief Finance Officer

I confirm that this letter has been discussed and agreed at the Audit & Governance Committee on 18 September 2013.

Signed:

Name	David Wilmshurst
Position	Chairman of the Audit & Governance Committee

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Ernst & Young
Apex Plaza
Forbury Road
Reading
Berkshire RG1 1YE

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

Telephone: 01865 792422
Fax: 01865 726155

Joanna Simons
Chief Executive
September 2013

My ref:

Your ref:

-

This matter is being dealt with by Sue Scane
Email: sue.scane@oxfordshire.gov.uk

Direct Line: 01865 816399

Audit of Oxfordshire County Council Pension Fund for the 2012/13 year ended 31 March 2013

This representation letter is provided in connection with your audit of the financial statements of Oxfordshire County Council Pension Fund ("the Pension Fund") for the year ended 31 March 2013. I recognise that obtaining representations from management concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013, and of the amount and disposition at the end of the year of its assets and liabilities, in accordance with applicable law and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

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

A. Financial Statements and Financial Records

1. I have fulfilled my responsibilities for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and for keeping records in respect of contributions received in respect of active members of the Pension Fund and for making accurate representations to you.



2. I confirm that the Pension Fund is a Registered Pension Fund. I am not aware of any reason why the tax status of the Pension Fund should change.
3. I acknowledge my responsibility for the fair presentation of the financial statements. I believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Pension Fund in accordance with Accounts and Audit (England) Regulations 2011 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and are free of material misstatements, including omissions. I have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. I believe that the Pension Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

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

C. Compliance with Laws and Regulations

1. I have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
2. I have not made any reports to The Pensions Regulator, nor am I aware of any such reports having been made by any of our advisors.

3. I confirm that I am not aware of any breaches of the Payment Schedule/Schedule of Contributions or any other matters that have arisen which we considered reporting to the Pensions Regulator.
4. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Pension Fund year or subsequently concerning matters of non-compliance with any legal duty. I have drawn to your attention all correspondence and notes of meetings with regulators.

D. Information Provided and Completeness of Information and Transactions

1. I have provided you with:
 - Access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested for the purpose of the audit and
 - Unrestricted access to persons within the Council (on behalf of the Pension Fund) from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Pension Fund rules.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. I have made available to you all minutes of the meetings of the Pension Fund Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the 6 September 2013.
5. I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Pension Fund's related parties and all related party relationships and transactions of which I am aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. I have disclosed to you, and the Pension Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. No transactions have been made which are not in the interests of the Pension Fund members or the Pension Fund during the Scheme year or subsequently.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and confirm the Pension Fund has given no guarantees to third parties.

F. Subsequent Events

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

G. Advisory Reports

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

H. Independence

I confirm that no trustee of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

I. Derivative Financial Instruments

1. I confirm that all investments in derivative financial instruments have been made after due consideration by the Pension Fund Committee of the limitations in their use imposed by The Occupational Pension Schemes (Investment) Regulations 2005; namely that they contribute to a reduction in scheme risk, facilitate efficient portfolio management, and that any such investment has been made so as to avoid excessive risk exposure to a single counterparty and to other derivative operations. The Pension Fund's statement of investment principles has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions.
2. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the trustees at the scheme year end and the terms and conditions relating thereto.
3. The trustees have duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Pension Fund is holding, and these have been communicated to you.

J. Actuarial Valuation

The latest report of the actuary (Barnett Waddingham) as at 31 March 2010 and the update for 2012/13 has been provided to you. To the best of my knowledge and belief I confirm that the information supplied by the Pension Fund to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Accounting Estimates

1. I believe that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - I believe the measurement processes, including related assumptions and models, used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions used in making accounting estimates appropriately reflects management's intent and ability to carry out specific courses of action on behalf of the Pension Fund, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

L. Investment managers' control reports ISAE 3402

The latest reports available do not cover the whole of the 2012/13 audit year. I can confirm that I am not aware of any issues at the respective investment managers that indicate a reduction in control procedures.

Yours sincerely,

Signed:

Name Sue Scane
Position Assistant Chief Executive and Chief Finance Officer

I confirm that this letter has been discussed and agreed at the Audit & Governance Committee on 18 September 2013.

Signed:

Name	David Wilmshurst
Position	Chairman of the Audit & Governance Committee

Oxfordshire County Council

Year ending 31 March 2013

Annual Audit Letter - Draft

10 September 2013

Ernst & Young LLP



The Members
Oxfordshire County Council
County Hall
New Road
Oxford
OX1 1ND

10 September 2013

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Oxfordshire County Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Oxfordshire County Council in the following reports:

2012/13 Audit results report for Oxfordshire County Council Issued 18 September 2013

2012/13 Audit results report for the Oxfordshire County Council Pension Fund Issued 18 September 2013

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Oxfordshire County Council for their assistance during the course of our work.

Yours faithfully

Maria Grindley
For and behalf of Ernst & Young LLP
Enc

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

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

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

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

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

1. Executive Summary

Our 2012/13 audit work has been undertaken in accordance with the Audit Planning Reports we issued on 17 April 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Oxfordshire County Council and its Pension Fund for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland)

On 25 September 2013 we issued an unqualified audit opinion in respect of the Authority.

On 25 September 2013 we issued an unqualified audit opinion in respect of the Pension Fund.

Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.

On 25 September 2013 we issued an unqualified value for money conclusion.

Issue a report to those charged with governance of the Authority (the Audit and Governance Committee) communicating significant findings resulting from our audit.

On 18 September we issued our report in respect of the Authority.

On 18 September we issued our report in respect of the Pension Fund.

Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.

We reported our findings to the National Audit Office on 25 September 2013.

Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	No issues to report.
Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	On 25 September 2013 we issued our audit completion certificate.
Issue a report to those charged with governance of the Authority summarising the certification (of grants claims and returns) work that we have undertaken.	We will issue our annual certification report to those charged with governance with respect to the 2012/13 financial year later in the year.

2. Key findings

2.1 Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 25 September 2013.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good.

The main issue identified as part of our audit was:

Description

21 schools moved to academy status during 2012/13. This has had an impact on how you account for the schools property, plant and equipment (ppe), expenditure and income such as Direct Schools Grant.

Our approach has focused on:

- ▶ evaluating the management controls in place to ensure the appropriate accounting entries are made;
- ▶ undertaking testing to ensure that academy ppe is appropriately removed from the Statement of Financial Position; and
- ▶ ensuring the Comprehensive Income and Expenditure Statement only includes amounts relating to LEA controlled schools.

Audit findings and conclusions

We have completed our work and gained assurance on:

- ▶ removal of the land and buildings from the property, plant and equipment balance;
- ▶ removal of pay from payroll costs; and
- ▶ removal of income from DSG.

We have yet to complete our work on management arrangements and removal of other income and expenditure from the Authority's accounts. (to be updated)

We have no issues to raise with you to date.

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012/13 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 25 September 2013. Our audit did not identify any significant matters.

2.3 Objections received

We received no objections to the 2012/13 accounts from members of the public.

2.4 Whole of government accounts

We reported to the National Audit office on 25 September 2013 the results of our work performed in relation the accuracy of the consolidation pack the Authority is required to prepare for the whole of government accounts. We did not identify any areas of concern.

2.5 Annual governance statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance. We completed this work and did not identify any areas of concern.

2.6 Certification of grants claims and returns

We will issue the Annual Certification Report for 2012/13 later in the year.

3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you any significant deficiencies.

We have not identified any significant deficiencies in internal control.

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Oxfordshire County Council

Audit results report for the year ended 31 March 2013

10 September 2013

Ernst & Young LLP



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

10 September 2013

Dear Members

Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Audit and Governance Committee. This report summarises our preliminary audit conclusion in relation to Oxfordshire County Council's (the Authority's) financial position and results of operations for 2012/13. We will issue our final conclusion after the Audit and Governance Committee scheduled for 18 September 2013.

The audit is designed to express an opinion on the 2012/13 financial statements, reach a conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Authority's accounting policies and judgments and material internal control findings.

This report is intended solely for the information and use of the Audit and Governance Committee and the Authority. It is not intended to be and should not be used by anyone other than these specified parties.

A copy of this report will be sent to the Audit Commission in accordance with the requirements of its Standing Guidance.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting scheduled on 18 September 2013.

Yours faithfully

Maria Grindley
Director
For and on behalf of Ernst & Young LLP

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

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

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

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

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

1. Overview of the audit

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ Forming an opinion on the financial statements;
- ▶ Forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ Undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

1.1 Financial statements

Following the performance of many of the procedures outlined in our audit planning report, we anticipate issuing an unqualified opinion on the Authority's financial statements.

Our main findings in relation to the area of significant risk included in our audit planning report are set out below.

Significant risks:

Significant risk1: 21 schools moved to academy status during 2012/13.

Audit findings and conclusions

- ▶ We have completed our work and gained assurance on:
 - > removal of the land and buildings from the property, plant and equipment balance;
 - > removal of pay from payroll costs; and
 - > removal of income from Dedicated Schools Grant (DSG).
- ▶ We have yet to complete our work on management arrangements and removal of other income and expenditure transactions from the Authority's accounts.

We have no issues to raise with you to date.

1.2 Economy, efficiency and effectiveness

Following the performance of the procedures outlined in our Audit planning report, we anticipate issuing an unqualified value for money conclusion.

1.3 Whole of Government accounts

We have yet to complete the work required to issue our report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts. We have no issues to report to date.

1.4 Control themes and observations

We have no significant control issues to report.

1.5 Summary of audit differences

We have no audit differences that we need to report at this stage.

1.6 Audit Certificate

The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit (Practice) have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the Audit Opinion.

2. Scope update

Our 2012/13 audit work has been undertaken in accordance with the Audit planning report issued on 17 April 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Our work comprises a number of elements. In our Audit planning report, we provided an overview of our audit scope and approach for the audit of the financial statements, our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, and the work we are required to perform on the Whole of Government Accounts return.

We carried out our work in accordance with our Audit planning report.

3. Significant findings from the financial statement audit

In this section of our report we outline the main findings from our audit, including our conclusions on the areas of risk outlined in our Audit planning report.

Significant risk: 21 schools moved to academy status in the year to 31 March 2013.

Description

21 schools moved to academy status during 2012/13. This has had an impact on how you account for the schools property, plant and equipment (ppe), expenditure and income such as DSG.

Our approach has focused on:

- ▶ evaluating the management controls in place to ensure the appropriate accounting entries are made;
- ▶ undertaking testing to ensure that academy ppe is appropriately removed from the Balance sheet; and
- ▶ ensuring the Comprehensive Income and Expenditure Statement only includes amounts relating to LEA controlled schools.

Audit findings and conclusions

- ▶ We have completed our work and gained assurance on:
 - ▶ removal of the land and buildings from the property, plant and equipment balance;
 - ▶ removal of pay from payroll costs; and
 - ▶ removal of income from DSG.
- ▶ We have yet to complete our work on management arrangements and removal of other income and expenditure transactions from the Authority's accounts.

We have no issues to raise with you to date.

Other financial statement risk: Pension Valuations

Description

The financial statements include a number of significant valuations in respect of pension obligations. These include the estimated liability on the pension fund as well as movements and charges in year. These figures are accounting estimates with a high degree of uncertainty attached to them.

Findings and conclusion

We have yet to complete our work in this area. We have no issues to raise with you to date.

Other financial statement risk: Risk of misstatement due to fraud and error

Description

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

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

As auditors at each audit we must complete procedures to assess the risk of material misstatement due to fraud and error.

Audit findings and conclusions

We have largely completed our work in this area. Subject to completion procedures and final assurance from the Authority we have obtained sufficient assurance that the risk of material misstatement due to fraud and error is low. We have no issues to raise with you.

We are also required to report any other relevant matters to you. We have one other matter to report:

Area	Ernst & Young comments
Reliance on the work of Internal Audit.	We have liaised closely with Internal Audit during 2012/13. We agreed a detailed programme of reliance with Internal Audit and found the management team committed to effective liaison. However we did find that a number of areas of detailed work had to be re visited with further work still required before we can place reliance on all areas. We hope to place full reliance on Internal Audit work where agreed but this has been a protracted process.

4. Economy, efficiency and effectiveness

The Code of Audit Practice 2010 sets out our responsibility to satisfy ourselves that the Oxfordshire County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Oxfordshire County Council's corporate performance management and financial management arrangements we consider the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Oxfordshire County Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position to enable it to continue operating for the foreseeable future; and
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Oxfordshire County Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and improving efficiency and productivity.

We identified no significant risks to the criteria either in audit planning or as part of the audit. The table below presents the findings of our work in response to the other risks and areas of focus in our Audit planning report.

Other risks/area of focus:	Impacts arrangements for securing:	Key findings:
Achievement of savings plan		
The Council has a medium term plan for savings to achieve financial balance. The plans are risk rated and monitored on a number of levels. Achievement of the plans to date has been good however a risk remains around increasing financial pressure in the future.	Financial resilience	▶ The savings plan has been integrated into the annual budget. Achievement of the budget for 2012/13 has been good with no significant variances.
Changes to arrangements business rates		
From April 2013, there will be changes to the arrangements for business rates. These changes represent a significant change for the Council and bring both financial and reputational risks.	Economy, efficiency and effectiveness Financial resilience	▶ We have reviewed your arrangements for preparing for the change in business rates. We have no issues to raise with you.

5. Control themes and observations

As part of our work, we obtained sufficient understanding of internal control to plan our audit and determine the nature, timing and extent of testing. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you any significant deficiencies.

We have not identified any significant deficiencies in internal control.

We have completed a review of a set of severance cases with significant input from Internal Audit. We have found similar issues to those raised in previous reports. However it should be noted that the timing of the case referred to meant that it was completed prior to last year's issues being raised.

Description	Impact
<p>Review of the documentation supporting a severance case highlighted some weaknesses:</p> <ul style="list-style-type: none"> ▶ Lack of up to date completion of the 'Record of Decision'; ▶ No evidence of formal approval; and ▶ Lack of documented and costed options analysis. <p>Review of the underlying evidence did not highlight any concerns with the actual decision made.</p>	<p>Although we are not concerned with the outcomes of the case there is a lack of documented evidence to show that proper process was followed.</p>

5.1 Challenges for the coming year

Description	Impact
<p>Changes in key finance staff – change of section 151 officer</p>	<p>This is a key change to the finance team and its capacity at a time of significant challenge and development.</p>

6. Status of our work

6.1 Financial statement audit

Our audit work for our opinion on the Authority's financial statements is progressing. The following items were the key items outstanding at the date of this report.

Item	Actions to resolve	Responsibility
Property Plant and Equipment	Completion of work and testing	Ernst & Young
Review of management arrangements for ensuring accurate removal of academy non pay/DSG transactions	Completion of documentation and testing	Management Ernst & Young
Review of reserve accounts	Completion of work and testing	Ernst & Young
Firefighters' Pension Fund	Completion of work and testing	Ernst & Young
IAS19 pension disclosures	Completion of work and testing	Ernst & Young
Whole of Government Accounts	Completion of work and testing	Management Ernst & Young
Completion and review of file on finalisation	Final review of work and statements	Ernst & Young
Letter of representation	To be discussed at Audit and Governance Committee on 18 September 2013.	Management and Audit and Governance Committee
Final versions accounts	<ul style="list-style-type: none"> ▶ finalisation of amendments ▶ Approval of accounts by Audit and Governance Committee ▶ Accounts re-certified by Assistant Chief Executive and Chief Finance Officer 	Management, Audit and Governance Committee and Ernst & Young

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report on the Authority's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

6.2 Economy, efficiency and effectiveness

Our work in respect of our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is substantially complete.

The following items were outstanding at the date of this report:

Item	Actions to resolve	Responsibility
Documentation on comparison, unit cost and benchmarking review	Example to be provided and reviewed	Management Ernst & Young

We expect to present an unqualified value for money conclusion in regard to the Authority's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

6.3 Objections

We have received no objections to the 2012/13 accounts from members of the public.

7. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2012/13 £'000	Planned fee 2012/13 £'000	Scale fee 2012/13 £'000	Explanation of variance
Total Audit Fee – Code work	147,130	146,610	146,610	Severance case work
Certification of claims and returns	*	8,300	8,300	
Non-audit work	0	0	n/a	

Our proposed final fee includes an additional fee of £520 for overseeing severance case work completed by Internal Audit.

*Our fee for certification of grants and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance within the Audit Certification Report for 2012/13.

We completed no non-audit work in 2012/13.

8. Summary of audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These differences are classified as either 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

We have identified no amounts to date - individually or in aggregate - material to the presentation and disclosures of the financial statements for the year ended 31 March 2013.

We have identified a small number of known differences to the notes which have been corrected by management. We have not identified any differences which are significant enough to be reported within this report.

We have not identified any differences to date that management have not corrected.

9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit planning report presented April 2013. We complied with the Ethical Standards for Auditors and the requirements of the Standing Guidance and in our professional judgement the firm is independent, and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and us. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit and Governance Committee on 18 September 2013.

Appendix A Required communications with the Audit and Governance Committee

We must provide certain communications to the Audit and Governance Committee. These are:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit planning report
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations we are seeking ▶ Expected modifications to the audit report ▶ Other matters, if any, significant to the oversight of the financial reporting process 	Audit results report
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements relating to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected significant misstatements 	Audit results report where required
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Letter submitted April 2013
Related parties Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit results report - but no issues arising to date
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - but no issues arising to date

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the committee may be aware of 	<p>Letter submitted April 2013 Letter of Representation</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit planning report and update in section 9 of this report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Letter submitted April 2013 Discussion with officers and Audit & Governance Committee September 2013</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Audit results report - but no issues arising to date</p>
<p>Opening Balances</p> <ul style="list-style-type: none"> ▶ Findings and issues regarding the opening balance of initial audits 	<p>Audit results report - but no issues arising to date</p>
<p>Fee reporting</p> <ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the Authority). 	<p>Audit planning report and Audit results report</p>
<p>Summary of certification work undertaken</p> <ul style="list-style-type: none"> ▶ Annual report to those charged with governance summarising the certification work undertaken 	<p>Annual Certification Report – to be issued January 2014</p>

Appendix B Letter of representation



**OXFORDSHIRE
COUNTY COUNCIL**

www.oxfordshire.gov.uk

Ernst & Young
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Berkshire RG1 1YE

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

Telephone: 01865 792422
Fax: 01865 726155

Joanna Simons
Chief Executive

September 2013

This matter is being dealt with by Sue Scane
Email: sue.scane@oxfordshire.gov.uk

Direct Line: 01865 816399

Audit of Oxfordshire County Council for the 2012/13 year ended 31 March 2013

This representation letter is provided in connection with your audit of the financial statements of Oxfordshire County Council (“the Council”) for the year ended 31 March 2013. I recognise that obtaining representations from management concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Oxfordshire County Council as of 31 March 2013 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

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

A. Financial Statements and Financial Records

1. I have fulfilled my responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom 2012/13.

2. I acknowledge my responsibility for the fair presentation of the financial statements. I believe the financial statements referred to above give a true and fair view of the financial position, and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and are free of material misstatements, including omissions. I have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. I believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

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

C. Compliance with Laws and Regulations

I have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

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

necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. I have made available to you all minutes of the meetings of the Council, Cabinet and Audit and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting of the Council on 10 September 2013 and the Cabinet on 17 September 2013.
4. I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. I have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 66 to the financial statements all guarantees that the Council has given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

Other than the material post balance sheet events described in Note 67 to the financial statements, events subsequent to the end of the reporting period have been disclosed in the financial statements or notes thereto.

G. Accounting Estimates

1. I believe that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:

- I believe the measurement processes, including related assumptions and models, used in determining accounting estimates is appropriate and the application of these processes is consistent.
- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- The assumptions used in making accounting estimates appropriately reflects management's intent and ability to carry out specific courses of action on behalf of the Council, where relevant to the accounting estimates and disclosures.
- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Retirement benefits

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

I. Taxes

I acknowledge my responsibility for the tax accounting methods adopted by the Council which have been consistently applied in the current period, and for the current year calculation of VAT and other taxes.

J. Use of the Work of an Expert

I agree with the findings of the experts engaged to evaluate the retirement benefit disclosures (Note 20) and the non-current assets (property) valuations (Note 29) and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. I did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours sincerely,

Signed:

Name Sue Scane
Position Assistant Chief Executive and Chief Finance Officer

/

I confirm that this letter has been discussed and agreed at the Audit & Governance Committee on 18 September 2013.

Signed:

Name David Wilmshurst

Position Chairman of the Audit & Governance Committee

/

Ernst & Young LLP

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Oxfordshire County Council Pension Fund

Audit results report for the year ended 31 March 2013

10 September 2013

Ernst & Young LLP



Private and confidential

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

10 September 2013

Dear Sirs/ Mesdames

Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Audit and Governance Committee. This report summarises our preliminary audit conclusion in relation to Oxfordshire County Council Pension Fund's (the Fund's) financial position and results of operations for 2012/13. We will issue our final conclusion after the Audit and Governance Committee scheduled for 18 September 2013.

Our audit is designed to enable us to express an opinion on financial statements taken as a whole. This report contains our comments and observations related to the areas of audit emphasis, our views on the Pension Fund's accounting policies and judgments and material internal control findings. These comments are provided to inform and assist those charged with governing the Pension Fund.

This report is intended solely for the information and use of the Audit and Governance Committee and the Fund. It is not intended to be and should not be used by anyone other than these specified parties.

A copy of this report will be sent to the Audit Commission in accordance with the requirements of its Standing Guidance.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting scheduled on 18 September 2013.

Yours faithfully



Peter O'Neill
Partner
For and on behalf of Ernst & Young LLP

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

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

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

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

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

1. Overview of the financial statement audit

The Fund is responsible for preparing and publishing its Statement of Accounts, Annual Report and the Governance Compliance Statement.

As auditors we are responsible for:

- ▶ Forming an opinion on the financial statements;
- ▶ Reviewing the Annual Report for consistency ; and
- ▶ Undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Financial statements

Following the performance of many of the procedures outlined in our Audit planning report, we anticipate issuing an unqualified opinion on the Fund's financial statements.

We identified no significant risks to our opinion.

Review of the Annual Report

We have reviewed the Annual Report for consistency with the financial statements. We have no matters to raise with you.

Control themes and observations

Our audit has identified no significant deficiencies in internal control to date.

Scope update

There has been no change in the scope of our work since we issued our Audit planning report.

Summary of audit differences

Our audit has identified no significant amendments to the statements to date.

2. Scope update

Our 2012/13 audit work has been undertaken in accordance with the Audit planning report issued on 17 April 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We carried out our work in accordance with our Audit planning report with no changes to the scope of our work.

3. Findings from the financial statement audit

In this section of our report we outline the main findings from our audit. We identified no significant risks to our opinion. We set out below any key findings on the areas of audit emphasis outlined in our Audit planning report.

Financial statements audit

Fund Valuation

Description

There was an update to the fund valuation in 2013. The valuation was based on data sent to the actuaries from the Pension Fund. In 2011/12 we recommended that controls should be evidenced to provide assurance on the accuracy of data sent to the actuary for the valuation.

Findings and conclusion

We found that the Pension Fund had evidenced controls over the accuracy of data sent to the actuary for the update valuation. We did however find that the audit trail supporting the data was complex and further working papers and reports were required to fully support the data as part of the audit.

We are also required to report any other relevant matters to you. We have one other matter to report:

Area	Ernst & Young comments
Payment of contributions into the Fund	Contributions should be paid to the fund within 19 days of the end of the month to which they relate. Despite the existence of a process of reminders to minimise delays we noted that 70 payments were received after this deadline during 2012/13.

Review of the Annual Report

We have reviewed the Annual Report for consistency with the financial statements. We have no matters to raise with you.

4. Control themes and observations

As part of our work, we obtained sufficient understanding of internal control to plan our audit and determine the nature, timing and extent of testing. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you any significant deficiencies.

We have reported to you above a finding regarding the strength of the audit trail and evidence supporting data sent to the actuary. We have no further findings to report.

Publication on electronic media

The Council is responsible for the accurate presentation of the financial statements, audit report thereon and other reports submitted in relation to the audit and for establishing security and controls over them in order to ensure the continued integrity of the information presented. The examination of the controls over electronic presentation of audited financial information and reports by the auditor on the Council's web-site is beyond the scope of the audit of the financial statements.

5. Status of our work

5.1 Financial statement audit

Our audit work for our opinion on the Fund's financial statements is substantially complete. The following items were outstanding at the date of this report.

Item	Actions to resolve	Responsibility
Journals testing	Provision of further evidence	Management
	Review and conclusions	Ernst and Young
Investments and investment income	Completion of work	Ernst and Young
Completion and review of file on finalisation	Final review of work and statements	Ernst & Young
Letter of representation	To be discussed at Audit and Governance Committee on 18 September 2013.	Management and Audit and Governance Committee
Final versions accounts	<ul style="list-style-type: none"> ▶ finalisation of any further amendments ▶ Approval of accounts by Audit and Governance Committee ▶ Accounts re-certified by Assistant Chief Executive and Chief Finance Officer 	Management, Audit and Governance Committee and Ernst & Young

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report on the Fund's financial statements and annual report. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

6. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2012/13 £'000	Planned fee 2012/13 £'000	Scale fee 2012/13 £'000
Total Audit Fee – Code work	24,108	24,108	24,108

Our actual fee is in line with the agreed fee. We completed no non-audit work in 2012/13.

7. Summary of audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These differences are classified as either 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

We have identified no amounts to date - individually or in aggregate - material to the presentation and disclosures of the financial statements for the year ended 31 March 2013.

We have identified a small number of known differences to the notes and narrative which have been corrected by management. We have not identified any differences which are significant enough to be reported within this report.

We have not identified any differences to date that management have not corrected.

8. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit planning report presented 17 April 2013. We complied with the Ethical Standards for Auditors and the requirements of the Standing Guidance and in our professional judgement the firm is independent, and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and us. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit and Governance Committee on 18 September 2013.

Appendix A Required communications with the Audit and Governance Committee

We must provide certain communications to the Audit and Governance Committee. These are:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit planning report
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations we are seeking ▶ Expected modifications to the audit report ▶ Other matters, if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit results report
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements relating to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected significant misstatements 	Audit results report - but no issues arising to date
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Fund ▶ Any fraud we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Letter submitted April 2013
Related parties Significant matters arising during the audit in connection with the Fund's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Fund 	Audit results report - but no issues arising to date
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - but no issues arising to date

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the committee may be aware of 	<p>Audit results report - but no issues arising to date</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on Ernst & Young’s objectivity and independence</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit planning report and update in section 8 of this report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Audit results report - but no issues arising to date</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Audit results report</p>
<p>Opening Balances</p> <ul style="list-style-type: none"> ▶ Findings and issues regarding the opening balance s 	<p>Audit results report - but no issues arising to date</p>
<p>Fee reporting</p> <ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the Fund). 	<p>Audit planning report and Audit results report</p>

Appendix B Letter of representation

Ernst & Young
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Oxfordshire County Council
County Hall
New Road
OXFORD, OX1 1ND

Telephone: 01865 792422
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Joanna Simons
Chief Executive

September 2013

This matter is being dealt with by Sue Scane
Email: sue.scane@oxfordshire.gov.uk

Direct Line: 01865 816399

Audit of Oxfordshire County Council Pension Fund for the 2012/13 year ended 31 March 2013

This representation letter is provided in connection with your audit of the financial statements of Oxfordshire County Council Pension Fund ("the Pension Fund") for the year ended 31 March 2013. I recognise that obtaining representations from management concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013, and of the amount and disposition at the end of the year of its assets and liabilities, in accordance with applicable law and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

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

A. Financial Statements and Financial Records

1. I have fulfilled my responsibilities for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA

LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and for keeping records in respect of contributions received in respect of active members of the Pension Fund and for making accurate representations to you.

2. I confirm that the Pension Fund is a Registered Pension Fund. I am not aware of any reason why the tax status of the Pension Fund should change.
3. I acknowledge my responsibility for the fair presentation of the financial statements. I believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Pension Fund in accordance with Accounts and Audit (England) Regulations 2011 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and are free of material misstatements, including omissions. I have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. I believe that the Pension Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

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

C. Compliance with Laws and Regulations

1. I have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

2. I have not made any reports to The Pensions Regulator, nor am I aware of any such reports having been made by any of our advisors.
3. I confirm that I am not aware of any breaches of the Payment Schedule/Schedule of Contributions or any other matters that have arisen which we considered reporting to the Pensions Regulator.
4. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Pension Fund year or subsequently concerning matters of non-compliance with any legal duty. I have drawn to your attention all correspondence and notes of meetings with regulators.

D. Information Provided and Completeness of Information and Transactions

1. I have provided you with:
 - Access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested for the purpose of the audit and
 - Unrestricted access to persons within the Council (on behalf of the Pension Fund) from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Pension Fund rules.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. I have made available to you all minutes of the meetings of the Pension Fund Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the 6 September 2013.
5. I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Pension Fund's related parties and all related party relationships and transactions of which I am aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. I have disclosed to you, and the Pension Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. No transactions have been made which are not in the interests of the Pension

Fund members or the Pension Fund during the Scheme year or subsequently.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and confirm the Pension Fund has given no guarantees to third parties.

F. Subsequent Events

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

G. Advisory Reports

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

H. Independence

I confirm that no trustee of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

I. Derivative Financial Instruments

1. I confirm that all investments in derivative financial instruments have been made after due consideration by the Pension Fund Committee of the limitations in their use imposed by The Occupational Pension Schemes (Investment) Regulations 2005; namely that they contribute to a reduction in scheme risk, facilitate efficient portfolio management, and that any such investment has been made so as to avoid excessive risk exposure to a single counterparty and to other derivative operations. The Pension Fund's statement of investment principles has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions.
2. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the trustees at the scheme year end and the terms and conditions relating thereto.

3. The trustees have duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Pension Fund is holding, and these have been communicated to you.

J. Actuarial Valuation

The latest report of the actuary (Barnett Waddingham) as at 31 March 2010 and the update for 2012/13 has been provided to you. To the best of my knowledge and belief I confirm that the information supplied by the Pension Fund to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Accounting Estimates

1. I believe that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - I believe the measurement processes, including related assumptions and models, used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions used in making accounting estimates appropriately reflects management's intent and ability to carry out specific courses of action on behalf of the Pension Fund, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

L. Investment managers' control reports ISAE 3402

The latest reports available do not cover the whole of the 2012/13 audit year. I can confirm that I am not aware of any issues at the respective investment managers that indicate a reduction in control procedures.

Yours sincerely,

Signed:

Name Sue Scane
Position Assistant Chief Executive and Chief Finance Office

I confirm that this letter has been discussed and agreed at the Audit & Governance Committee on 18 September 2013.

Signed:

Name David Wilmshurst
Position Chairman of the Audit & Governance Committee

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Government and economic news

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Find out more

Spending review 2013

The Chancellor of the Exchequer announced the government spending plans for 2015-16 and cuts to individual departmental budgets to Parliament on 26 June 2013. This aligned with the announcement in the March 2013 budget that savings of £11.5bn were required.

The main points of the Spending Round are summarised below:

Overall

- ▶ The overall spending for the three years is confirmed as £745bn in 2015-16, £755bn in 2016-17 and £765bn in 2017-18.
- ▶ Savings from current spending of £11.5bn are required in the spending round for 2015-16, of which savings of £2.1bn are from core local government funding.
- ▶ Local authority core funding is reduced by 10 percent in 2015-16 in real terms.
- ▶ Transfer of £2bn from the NHS to local authorities for social care.

Council tax

- ▶ Further support to freeze council tax for 2014-15 and 2015-16, equivalent to one percent council tax increase for councils which freeze their council tax on the same lines as in 2013-14. Referendum limits of two percent in both 2014-15 and 2015-16 will be set.

Adult social care and health

- ▶ A £3.8bn pooled budget for health and social care services, shared between the NHS and local authorities, to deliver better outcomes and greater efficiencies through more integrated services. This includes £2bn a year through the NHS to join up local health and social care services.





Public service transformation

- ▶ £100mn investment into a council efficiency and transformation fund.
- ▶ A police innovation fund and provision of resources for the transformation of Fire and Rescue Services.
- ▶ Children's services and schools funding
- ▶ Schools funding and the pupil premium will be protected in real terms but the Education Services Grant, which pays for central services to schools, will be cut by 20 percent. This will be subject to a consultation in the autumn.

Troubled families

- ▶ A further £200mn will be invested into the Troubled Families programme to extend help to 400,000 families in 2015-16. In line with the existing programme, this will be subject to match funding from local authorities.

Local growth

- ▶ £2bn allocation to the creation of a Single Local Growth Fund, to be devolved to the Local Enterprise Partnerships (LEPs). The Fund is expected to be operational in April 2015 and sustained each year of the next Parliament. £700mn of this is to be funded from amounts previously allocated to local areas for transport or the New Homes Bonus

Fire and police

- ▶ Creation of an innovation fund of up to £50mn for police forces to work jointly with each other and with local authorities.
- ▶ A 7.5 percent reduction overall in Fire and Rescue authorities funding for 2015-16.
- ▶ Two specific fire and rescue authority funds were announced totaling £75mn, to be made through the local government settlement in order to encourage joint working.

The Local Government Association updated its Funding Outlook Report to incorporate the additional 10 percent real-terms cut to council funding for 2015-16. It estimates that the funding gap facing local government is widening by £2.1bn a year and will reach £14.4bn by 2020.

Infrastructure spending beyond 2015

Following the spending review announcement in June 2013, the Chief Secretary to the Treasury set out the next phase of the National Infrastructure Plan, and outlined the government's infrastructure investment priorities beyond 2015.

Key details highlighted:

- ▶ An increase in capital spending plans by £3bn a year, from 2015, equating to additional £18bn of investment over the next parliament
- ▶ Over £70bn of investment in transport
- ▶ Over £20bn in schools
- ▶ £10bn in science, housing and flood defences



Specific commitments include:

- ▶ Funding for HS2, a new nationwide rail network.
- ▶ Tripling the money spent on roads by 2020 to 2021 compared to 2013. This includes £6bn to help local authorities repair the local road network.
- ▶ Expanding Superfast Broadband provision so 95 percent of UK premises will have access to Superfast Broadband by 2017.

Action is being taken to provide the support needed to enable up to £100bn of private sector energy investment, including through the further roll-out and extension of the UK guarantees scheme.

A full update of the National Infrastructure Plan will be published at the time of the Autumn Statement 2013.

Local government pension scheme review

Local government minister Brandon Lewis has announced plans for a review of the Local Government Pension Scheme's investment regulations. The possibility of merging schemes is also to be examined.

The review will examine the rules, which set caps on the amount funds can invest in certain assets. In March, the minister confirmed that the limit covering infrastructure projects would be doubled to 30% of total assets.

The move comes as a new local government pension regulatory plan is being developed to take account of the reforms that the government has made to public sector schemes. This will come into effect in April 2014.

Economic outlook

The ITEM Club, one of the UK's foremost independent economic forecasting groups, sponsored by EY, announced in July 2013 that the UK recovery 'has finally got legs', with consumer spending and the housing market propping up GDP this year until the long awaited revival in exports and business investment kicks in next year.

According to the EY ITEM Club Summer Forecast, UK GDP will reach 1.1 percent this year, before accelerating to 2.2 percent in 2014 and 2.6 percent in 2015.

With consumer confidence returning and the Government's initiatives to stimulate the housing market bearing fruit, consumers are switching their attention back from saving to spending. From next year the consumer-led recovery will morph into much more balanced growth, as business investment and exports begin to rise more strongly.

The ITEM club had recently issued two special reports considering the impact of changes in the economic environment.



In May 2013, it published a report on inflation, identifying the following:

- ▶ **Outlook for inflation:** inflationary pressures will peak over the summer, and we will be unlikely to see inflation dip below 2.5 percent over the next four years.
- ▶ **Impacts on consumer spending:** ongoing relatively high inflation will continue to impact consumer spending, especially with unemployment unlikely to fall quickly. Average earnings growth will experience a pick-up from 2014, but is likely to take several years to return to more 'normal' rates of four percent or more.
- ▶ **Implications for monetary policy:** continuing high inflation could limit the Monetary Policy Committee's room for manoeuvre on interest rates, whilst also making it difficult to implement the Chancellor's proposal for more forward guidance.

In June 2013, the ITEM club published its report on consumer spending, identifying the following:

- ▶ **Consumer spending forecast in detail:** in 2012 consumer spending was still four percent below its 2008 peak. However, it is beginning to show signs of recovery and the momentum behind rising spending will build gradually over the next few years. This should see real consumer spending growth accelerating to just below five percent in 2014.
- ▶ **The pace of the recovery:** by 2015 it is expected that the level of spending will have returned to its pre-financial crisis peak, and then continue to grow faster than recent growth rates, although significantly slower than on previous trends.
- ▶ **Income and labour market factors:** although the strong rebound in real incomes seen in 2012 will not be sustained, and inflation is not expected to slow down from current rates, the generous increase in the income tax personal allowance will boost take-home pay over the next two years. These factors should mean that real incomes grow sufficiently to sustain the recovery in consumer spending.



Regulation news

Local audit and accountability bill

The Local Audit and Accountability Bill will put in place a new local audit and accountability framework for local public bodies in England. The Audit Commission currently appoints auditors to a range of local public bodies in England and sets out expected standards for auditors and oversees their work. It also compares data across the public sector to identify where services could be open to abuse and help organisations fight fraud. Under the bill, the scope of the audit will remain very similar to the current audit, and auditors will continue to be required to comply with a code of practice and have regard to guidance. In the new framework, these will be developed by the Comptroller and Auditor General of the National Audit Office.

The Bill continues with the auditor's role in bringing any appropriate concerns to the attention of the public through public interest reports which the body will be required to publish, along with their response. The Bill protects the rights of taxpayers to inspect the accounts of local bodies and raise any questions and objections with the independent auditor.

The Bill sets out a new framework which requires local bodies to appoint their own auditors. Local public bodies will have to appoint their own auditor at least once every five years. They will need to consult and take into account the advice of an independent

auditor panel. They will be required to publish information about the appointment of an auditor within 28 days of making the appointment.

Final amendments were made to the Bill during the third reading on 24 July. The Bill now goes to the House of Commons for its consideration.

OFSTED: consults on a single inspection framework for local authority children's social care services

In June 2013 OFSTED launched a consultation proposing a single framework for inspecting local authority child protection and services for looked after children, including those leaving or who have left care.

This replaces previous plans to implement separate inspections for child protection and services for children looked after. It proposes an evaluation of help, protection and care for children including the arrangements for local authority fostering and adoption services



Local government claims and returns 2011-12 certification report

In June 2013, the Audit Commission published its report on certification of local government 2011-12 claims and returns.

The 1,230 claims and returns reviewed, totaling £50.7bn, saw a fall in the value of amendments and number of qualification letters, due largely to fewer claims and returns requiring certification but the proportion of claims and returns that required amending or to be qualified rose.

Key messages from the report were:

- ▶ Amendments totaled £36.9mn, comprising increases in value of £13.6mn and decreases of £23.3mn.
- ▶ 355 qualification letters were issued on 29 percent of all claims and returns.
- ▶ 78 percent of housing and council tax subsidy claims received qualification letters.
- ▶ Many authorities could improve working papers and the supervision and review of claims and returns, to help reduce the number of errors and issues requiring attention.

Value for Money Profiles: council tax collection

In June 2013, the Audit Commission issued a briefing on council tax collection using data drawn from its Value for Money (VFM) profiles, to demonstrate their practical application and benefits.

The VFM Profiles are an online tool made available to anyone who has an interest in local public services including service users and residents. It enables comparison between councils by bringing together data about the costs, performance and activity of local councils and fire authorities, specifically to see:

- ▶ How an organisation is spending its resources, and how well services perform
- ▶ How the costs and performance of an organisation compare to others
- ▶ The latest planned budgets for councils
- ▶ Outlier reporting

This council tax briefing provides a national perspective on data for two specific indicators in relation to council tax. Key data identified:

- ▶ Council tax makes up more than £22bn of English council's income
- ▶ Councils spend £300mn (net) collecting council tax
- ▶ £605mn, of 2011-12 council tax due, remained uncollected by March 2012
- ▶ The total council tax arrears at 31 March 2012 was £2.355bn



Working together across the public sector

Funding transfer from NHS England to social care: 2013-14

In June 2013 NHS England announced that it will transfer £859mn to local authorities to allow them to support adult social care in 2013-14. The transfer of funding will be administered by NHS England's own area teams and not clinical commissioning groups (CCGs).

The funding must be used to support adult social care services in each local authority, which also has a health benefit. Health and wellbeing boards will be the forum for discussions between the NHS England area teams, CCGs and local authorities on how the funding should be spent and the outcomes expected from this investment.

Whole place community budgets

Following the Community Budget pilots, which tested 'whole-place' pooled spending on particular local services, the Secretary of State for Communities and Local Government announced that the Government is to support 18 selected councils across nine areas to develop pooled spending.

To aid the process, a 'multi-agency network' made up of experts from the public and private sectors will be set up to develop plans for a rolling programme, using lessons learnt from the four pilots. Councils are encouraged to submit expressions of interest to join the network.

In our April 2013 briefing, we provided details of the independent analysis from EY, which showed that more than £4bn of public money could be saved every year by radically shaking up the way public services are provided and paid for in England; cutting unnecessary waste, duplication and red tape. A year-long pilot of community budgets modelled to a national level by EY, shows that devolving more decisions to local areas would provide better services and save between £9.4bn and £20.6bn over five years across local and central government.

Neighbourhood-level Community Budgets: 'Our Place'

Following the success of the 12 Neighbourhood Community Budget Pilots, the Secretary of State for Communities and Local Government announced financial support of £4.3mn intended to enable at least 100 neighbourhoods to design and deliver local services that focus on local priorities and reduce costs.

The pilots ranged from inner cities and suburbs, to housing estates and small towns. They brought together local government, service providers, the voluntary sector, and business to help young people get work, support 'just coping' families, reduce anti-social behaviour and find new ways to give people with long term health conditions a better quality of life.

The expansion of the Our Place programme will also set up a network of champions drawn widely from the pilots and from all sectors, to provide support and advice.



Accounting, auditing and governance

National Fraud Initiative moving to Cabinet Office

The National Fraud Initiative (NFI) will be retained and transferred to the Cabinet Office when the Audit Commission closes in 2015. The National Fraud Initiative matches data from 1,300 public sector and 77 private sector organisations, including audit bodies in Scotland, Wales and Northern Ireland, government departments and other agencies. It flags up inconsistencies in the information that indicate that a fraud, an error or an overpayment may have taken place; signalling the need for review and potential investigation. The Audit Commission has reported that the outcomes from the most recent exercise in England include:

- ▶ The prevention and detection of £103mn pension overpayments
- ▶ £79mn council tax single person discounts incorrectly awarded
- ▶ £42mn housing benefit overpayments
- ▶ 164 employees identified as having no right to work in the UK
- ▶ 321 false applications removed from housing waiting lists
- ▶ 1,031 prosecutions, 921 of them for housing benefit fraud
- ▶ 32,633 blue badges and 52,635 concessionary travel passes cancelled

HRA Indebtedness

- ▶ The DCLG in May 2013 issued the **Limits on Indebtedness Determination 2012: Amending Determination 2013**. This requires a reduction in the HRA CFR where HRA non-RTB receipts after April 1 2013 are used to fund general fund capital expenditure, unless this is regeneration or affordable housing expenditure. Reduction in the HRA CFR would transfer the relevant part of HRA debt to the general fund, giving the latter increased interest and repayment costs.
- ▶ Under the same amending determination HRA 'Interest on notional cash balance' definition is now defined as:
- ▶ 'Interest on notional cash balance means the interest credited to the Housing Revenue Account on notional credit balances attributed to the Housing Revenue Account, the Housing Repairs Account, unapplied housing capital receipts and the Major Repairs Reserve.'



OFSTED: consults on a single inspection framework for local authority children's social care services

The consultation closed on 12 July 2013.

For more information, see:

<http://www.ofsted.gov.uk/resources/inspection-of-services-for-children-need-of-help-and-protection-children-looked-after-and-care-leave>

Local government claims and returns 2011-12 certification report

The full report can be found at:

[Local government claims and returns: The Audit Commission's report on certification work 2011/12 \(PDF document\)](#)

Value for Money Profiles: Council Tax Collection

The full report is available here: [Council tax collection – Using data from the Value for Money Profiles, June 2013 \(PDF document\)](#)

Link to VFM profile tool: [Value for Money Profiles](#).

Funding transfer from NHS England to social care: 2013-14

An annex to the announcement letter provides details of funding by local authority and NHS England area team:

<http://www.england.nhs.uk/wp-content/uploads/2013/07/annex-a-la-funding-split-at.pdf>

Whole place community budgets

Further details and a full list of authorities selected are available here:

<http://www.publicfinance.co.uk/news/2013/07/18-councils-selected-for-next-stage-community-budgets/>

Read more about the pilots at:

http://www.local.gov.uk/c/document_library/get_file?uuid=3e06dd05-6204-4ae8-9b41-81f516cb9a5b&groupId=10171



Neighbourhood-level Community Budgets: 'Our Place'

The DCLG press release on the announcement of the Our Place programme expansion:

<https://www.gov.uk/government/news/43-million-boost-to-put-communities-in-control>

The Our Place! summary report published by the DCLG highlighting the work of the 12 pilots is available here:

<http://mycommunityrights.org.uk/wp-content/uploads/2013/06/Our-Place-and-what-the-pilot-areas-achieved.pdf>

National Fraud Initiative has future moving to Cabinet Office

To find out more, go to:

<http://www.audit-commission.gov.uk/2013/07/audit-commissions-national-fraud-initiative-has-future-fighting-fraud-under-cabinet-office/>

HRA Indebtedness

The final five determinations for implementing self-financing for council housing can be found at:

<https://www.gov.uk/government/publications/the-housing-revenue-account-self-financing-determinations--2>

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ED None

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AUDIT and GOVERNANCE COMMITTEE

18 SEPTEMBER 2013

INTERNAL AUDIT 2013/14 PROGRESS REPORT AND QUARTER 3 PLAN

Report by the Assistant Chief Executive and Chief Financial Officer

Introduction

1. The agreed Internal Audit Plan for Q1 and Q2, 2013/14 is attached as Annex 1 to this report, and includes a progress status for those audits. Also included is the proposed Q3 plan. This report also includes a summary of the completed audits, and the current status of the management action arising from those audits.

2. At the Audit Working Group on 5 September 2013, it was agreed that a paper outlining the system of internal control for mitigating fraud risks over the Pension Fund would be appended to this report. That paper is still being prepared and will be tabled at the committee meeting

2013/14 Audit Plan Progress

3. There have been nine audits concluded since the last update; summaries of findings and current status of management actions are detailed in Annex 2. These were also reported to the Audit Working Group on 5 September 2013. The completed audits are as follows:

Directorate	2013/14 Audits	Opinion
OCS	Schools Support	Acceptable
OCS	Transforming Oxfordshire Customer Service Centre	Acceptable
EE	Property and Facilities Management Contract (Year End Closedown)	Issues
OCS	Mobile Computing	Issues
All	Fees and Charges	Issues
All	Budget Setting	Acceptable
CEF	Outdoor Centre Shops	n/a

SCS	NHS Information Toolkit	Issues
CEF	Thriving Families	Acceptable

- Resources are assigned for the planned activity, and an update on the outcome of the latest recruitment process will be given at the Committee.

Counter-Fraud

NFI Update:

- The Audit Commission met with Internal Audit to track progress of the NFI matches. At the time of the visit no matches had been investigated by the designated people in each area. Following the visit an action plan was established on which key matches to focus on, along with guidance on the best way to investigate them. The total number of matches is 13,472, of which the Audit Commission recommends we look at 4,113 as they are "good quality matches."
- Internal Audit has chased the key contacts for each area following the meeting, and subsequently made changes, as requested, to individuals responsible for looking at the matches.
- As at 16/08/13 only a small number of matches had been investigated or were open for investigation; however, returns are already being seen – one overpayment to a care home is in the process of being recovered. This amounted to almost £5,000.
- The Visa/immigration matches (4 in total) are being investigated by Internal Audit, and an update on the immigration status of those individuals has been requested from UKBA.
- Contacts will be chased again at the beginning of September in areas that matches are not being looked at.

Investigations:

- The officer dismissed for theft of cash from the Oxfordshire Museum has been prosecuted, found guilty by the Court, and awarded an 8 month custodial sentence, suspended for 18 months. She has also been instructed to return the full amount (£16500). The internal control arrangements have been reviewed and tightened as a result of this incident.
- There are no other material investigations on-going to report.

Anti-Fraud and Corruption Strategy

- The Strategy has been updated with minor changes to job titles. There were no material changes. The revised strategy has been posted on the intranet.

Whistleblowing:

13. There have been recent changes to the Public Interest Disclosure Act that will require amendment to the Whistleblowing Policy. These have been communicated to HR to update the policy. The key changes are as follows:
- A qualifying disclosure is one that is made in the public interest.
 - Removal of the requirement for the disclosure to be made in good faith.
 - Employees and workers who make protected disclosures are protected from adverse treatment in relation to their employer's activity. In addition, whistleblowers are protected from suffering a detriment, bullying or harassment from another worker.
 - A qualifying disclosure means any disclosure of information that, in the reasonable belief of the worker is made in the public interest. As a result of this employees will generally be precluded from being able to "blow the whistle" about breaches of his or her employment contract. Although an employee making such complaint can still use the Council's grievance policy

Other Matters:

14. The assessment against the new Public Sector Internal Audit Standards has not yet been completed so will be reported at the next Audit and Governance Committee meeting.

RECOMMENDATION

15. **The Committee is RECOMMENDED to approve the Q3 plan.**

IAN DYSON
Chief Internal Auditor

Background papers: None.

Contact Officer: Ian Dyson
Tel: 01865 323875

September 2013

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Audit & Governance Committee 18 September 2013

Progress against Quarter 1 & 2 Plan 2013/14 & Quarter 3 Plan

Directorate	Qtr Start	Audit	Progress as at 18 June 2013 (Bold = complete)
CEF	1	<p>CEF Governance and Financial Management</p> <p>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 <i>Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources and Legislation.</i></p> <p>During Quarter 1, Internal Audit will review the area of <u>Budget Setting</u>. A separate audit is also planned to start in quarter 1 which look to provide assurance on the system for Review of Charges within each directorate.</p>	<p>Budget Setting - Final Corporate report - overall conclusion = Acceptable</p> <p>Review of Fees and Charges - Final Corporate report - overall conclusion = Issues</p>
CEF	1	<p>CEF - Assurance Mapping</p> <p>During quarter 1 Internal Audit will be developing the methodology for undertaking an exercise to map out the assurance framework for all key services within the County Council, initially focussing on CEF. It will be a major piece of work, but the outcome should provide management with a high level review of the management controls in place to assure them that service objectives and outcomes will be met, or to provide the early warnings when action is required. Where gaps in the assurance framework are identified this will be used to direct future internal audit activity.</p>	Fieldwork stage
CEF	1	<p>CEF Troubled Families Grant</p> <p>This is a new grant which Internal Audit are required to sign off, first submission</p>	Summer return - Final - ACCEPTABLE.

Directorate	Qtr Start	Audit	Progress as at 18 June 2013 (Bold = complete)
		of a small sample of families was reviewed and signed off in January 2013. Audit Manager will continue to advise on design of controls for data collection and reporting prior to summer return being made.	Autumn Return - ongoing
CEF	2	SEN Funding The audit will look to provide assurance over the current systems for distribution of SEN funding reviewing processes from assessment of need through to allocation and payment over of funding.	Fieldwork
CEF	2	SEND Project The SEND Reforms Programme is concerned with developing and implementing an appropriate response to the Children and Families Bill. The Audit Manager will work the Project Manager and the Deputy Director to agree appropriate Internal Audit involvement, particularly in the review of the work streams and design of new processes in relation to the new Education, Health and Care Plans and Personal Budgets.	On-going
CEF	2	CEF Governance and Financial Management An establishment audit of a CEF Hub will be undertaken to provide assurance on compliance at service/team based level with key governance, HR and Financial policies and procedures.	Visit booked
CEF	2	CEF Governance and Financial Management The audit of Information Governance will be undertaken across all directorates.	Fieldwork
CEF	2	CEF Governance and Financial Management The audit of Risk and Performance Management will be undertaken across all directorates. This is planned to start at the end of quarter 2.	Scoping

Directorate	Qtr Start	Audit	Progress as at 18 June 2013 (Bold = complete)
CEF	2	<p>Outdoor Centre Shops</p> <p>This was an addition to the quarter 2 plan. It involved a desktop review of the internal controls and policies in operation at the outdoor centre shops.</p>	Final (no overall conclusion, however management actions arising)
SCS	1	<p>SCS Governance and Financial Management</p> <p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources and Legislation.</p> <p>During Quarter 1, Internal Audit will review the area of Budget Setting. A separate audit is also planned to start in quarter 1 which look to provide assurance on the system for Review of Charges within each directorate.</p>	<p>Budget Setting - Final Corporate report - overall conclusion = Acceptable</p> <p>Review of Fees and Charges - Final Corporate report - overall conclusion = Issues</p>
SCS	1	<p>LEAN project</p> <p>The Audit Manager will review the scoping of the new project which aims to review and re-design processes in Adult Social Care to ensure they are lean, appropriate and in line with future direction of the service. Future Internal Audit involvement will be agreed to include review of draft "to-be" processes and also review of system mapping exercise.</p>	On-going
SCS	1	<p>NHS Information Governance Toolkit (IGT)</p> <p>S&CS access to NHS networks and systems is dependent upon them complying with NHS IGT requirements. This audit will review the compliance with those requirements</p>	Final - ISSUES
SCS	2	<p>Adult Social Care Information System</p> <p>Internal Audit involvement in the procurement of a new Adult Social Care system</p>	Ongoing

Directorate	Qtr Start	Audit	Progress as at 18 June 2013 (Bold = complete)
		to be agreed with the Deputy Director.	
SCS	2	<p>Social Fund</p> <p>From the 1st April 2013, Oxfordshire County Council introduced a new scheme to provide local welfare assistance to vulnerable people living in Oxfordshire. The Oxfordshire Support Fund replaced the 'community care grant' and 'crisis loan' schemes that have been part of the Social Fund. The audit will provide assurance over the accuracy and integrity of the management information provided over the operation of the new fund.</p>	Deferred until quarter 3.
SCS	2	<p>Adult Social Care Management Controls</p> <p>The audit will follow up on the findings from 2012/13 audit of Adult Social Care Management Controls and test implementation of the actions raised.</p> <p>The audit will also look to review assurance mechanisms in place as to whether key safeguarding controls are operating effectively.</p>	Scoping
SCS	2	<p>CEF Governance and Financial Management</p> <p>An establishment audit of both an LD and OP Day Centre will be undertaken to provide assurance on compliance at service/team based level with key governance, HR and Financial policies and procedures.</p>	Both audits - fieldwork stage
SCS	2	<p>CEF Governance and Financial Management</p> <p>The audit of Information Governance will be undertaken across all directorates.</p>	Fieldwork
SCS	2	<p>CEF Governance and Financial Management</p> <p>The audit of Risk and Performance Management will be undertaken across all directorates. This is planned to start at the end of quarter 2.</p>	Scoping

Directorate	Qtr Start	Audit	Progress as at 18 June 2013 (Bold = complete)
OFRS	1	<p>OFRS – Joint Fire Control</p> <p>The Audit Manager will continue to work with the project manager in reviewing the progress against key stages of the project implementation. Specific audit activity will be agreed which will include review of the project management governance arrangements.</p>	On-going
OFRS	2	<p>OFRS - Governance and Financial Management</p> <p>An audit of the OFRS Stores to provide assurance over stock procurement and control procedures.</p>	Fieldwork
CEO	1	<p>CEO Governance and Financial Management</p> <p>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 <i>Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources and Legislation.</i></p> <p>During Quarter 1, Internal Audit will review the area of <u>Budget Setting</u>. A separate audit is also planned to start in quarter 1 which look to provide assurance on the system for Review of Charges within each directorate.</p>	<p>Budget Setting - Final Corporate report - overall conclusion = Acceptable</p> <p>Review of Fees and Charges - Final Corporate report - overall conclusion = Issues</p>
CEO	2	<p>Treasury Management</p> <p>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. The audit will also consider the control implications of the move to Lloydslink Online.</p>	Carried forward to qtr 3.
CEO	2	<p>CEO Governance and Financial Management</p>	Fieldwork

Directorate	Qtr Start	Audit	Progress as at 18 June 2013 (Bold = complete)
		The audit of Information Governance will be undertaken across all directorates.	
CEO	2	CEO Governance and Financial Management The audit of Risk and Performance Management will be undertaken across all directorates. This is planned to start at the end of quarter 2.	Scoping
EE	1	EE Governance and Financial Management (including Customer Services) This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting & control, Structure and Authority, Information Governance, Business Management, Business Continuity, Human Resources and Legislation. During Quarter 1, Internal Audit will review the area of Budget Setting. A separate audit is also planned to start in quarter 1 which look to provide assurance on the system for Review of Charges within each directorate.	Budget Setting - Final Corporate report - overall conclusion = Acceptable Review of Fees and Charges - Final Corporate report - overall conclusion = Issues
EE	1	Integrated Transport Unit The review will focus on the management and operations within the Integrated Transport Unit. The service delivers transport for eligible clients wishing to attend residential care homes, day centres and adult training centres for people with learning disabilities. The audit will also review the ITU Business Plan for the provision of transport to day services and the services provided to SCS.	Carried forward to qtr 3.
EE	1	Property and FM Contract Internal Audit will continue to review the governance arrangements for this contract, and specifically in Q1 will, in conjunction with the contract management team, undertake a detailed "audit" of the final accounts for a number of works.	Final Report – ISSUES

Directorate	Qtr Start	Audit	Progress as at 18 June 2013 (Bold = complete)
		This will include going back to prime accounting records held by CCS.	
EE	1	<p>Property and Facilities Management Contract (Year End Closedown)</p> <p>During March 2013, Internal Audit was notified of an issue regarding the financial closedown process for the Property and Facilities Management contract. The audit focussed on reviewing on the interim payment process to ensure the year end closedown process could take place.</p> <p>The audit also reviewed the task order process in place with a view to identifying any process improvements.</p>	Final Report – ISSUES
EE	1	<p>Highways Contract</p> <p>This audit will review the management and operation of the Highways Contract with Atkins. The audit will focus on the contract management controls, performance and financial processes in place.</p>	Exit Meeting
EE (incl OCS)	2	<p>EE Governance and Financial Management</p> <p>The audit of Information Governance will be undertaken across all directorates.</p>	Fieldwork
EE (incl OCS)	2	<p>EE Governance and Financial Management</p> <p>The audit of Risk and Performance Management will be undertaken across all directorates. This is planned to start at the end of quarter 2.</p>	Scoping
EE	2	<p>Capital Programme Management & Delivery</p> <p>The audit is a high level review of the capital programme to understand and test the methodology used for the progression of schemes and to ascertain management of the capital programme and its delivery.</p>	Carried forward to qtr 3.
EE	2	<p>Local Enterprise Partnership</p> <p>The aim of the Local Enterprise Partnership (LEP) is to help determine local</p>	Fieldwork stage

Directorate	Qtr Start	Audit	Progress as at 18 June 2013 (Bold = complete)
		economic priorities and lead economic growth and job creation within its local area. The audit will review the objectives, priorities and governance processes in place for the LEP in Oxfordshire, including any accounting arrangements.	
EE (OCS)	1	<p>Transforming Oxfordshire Customer Services</p> <p>The review will cover the overall governance and programme management arrangements in place within the TOCS programme. For quarter one, the audit will cover the process and approval mechanism for the outcome of the service reviews currently being conducted. Further work will be completed during the remainder of 2013/14, depending on the outcome and recommendations of the service review process.</p> <p>Additionally, an overview of the Customer Service Centre Programme will also be maintained with testing being undertaken on any key changes to processes and internal controls, as required.</p>	Final Report – ACCEPTABLE
EE (OCS)	1	<p>Reshaping Finance</p> <p>The audit will review the project to deliver changes to the financial management processes within the Council. The review will focus on how the changes are implemented and communicated across the organisation.</p>	See Transforming Oxfordshire Customer Services above
EE (OCS)	1	<p>HR Self Service</p> <p>Internal Audit will provide advice and support in delivering the objectives of the HR Self Service Project. This will include providing assurance on the design of any new key process or changes relating to the four work streams of the project:</p> <ul style="list-style-type: none"> - Personal Details Management (including Bank Details). - Travel and Expense Management. - Sickness and Absence Management. - E-Payslips. 	See Transforming Oxfordshire Customer Services above

Directorate	Qtr Start	Audit	Progress as at 18 June 2013 (Bold = complete)
EE (OCS)	1	<p>Procurement Improvements Project</p> <p>From April 2013, the remaining improvements and actions as part of the PIP will be managed in house. This audit will monitor the remaining deliverables of the PIP, reviewing changes to processes, in particular the design of controls and reporting, as required, to the Project Board.</p> <p>Once operational, testing will be undertaken on the revised procurement processes in place.</p>	See Transforming Oxfordshire Customer Services above
EE (OCS)	1	<p>Schools Finance & Technical Team (Part 2)</p> <p>The Schools Support and Technical Team is the main provider of assurance on the performance of financial management at schools. This audit will follow up on the 2012/13 review, focussing on the effectiveness of the budget monitoring and financial management arrangements in place.</p>	Final Report – ACCEPTABLE
EE (OCS)	1	<p>Mobile Computing</p> <p>To review the security of data held and processed on mobile devices, such as tablets, laptops and smartphones. There has been significant growth in the use of mobile devices and it remains a key risk area, especially in terms of compliance with the Data Protection Act 1998.</p>	Final Report – ISSUES
EE (OCS)	1	<p>Microsoft Dynamics</p> <p>MS Dynamics will replace a number of local systems based on Excel spreadsheets and Access databases. It will also be used as the CRM (Customer Relationship Management) solution.</p> <p>The audit will review the governance for implementing Microsoft Dynamics and the controls being applied.</p>	Draft Report

Directorate	Qtr Start	Audit	Progress as at 18 June 2013 (Bold = complete)
EE (OCS)	2	<p>Transforming Oxfordshire Customer Services</p> <p>The audit will continue to review the overall governance and programme management arrangements in place within the TOCS programme. For quarter two, the audit will consider the approved outcome of the service commissioning review and the next stages of this process. The audit will also review the key programme streams in terms of monitoring delivery within timescale and reviewing any new or changes to existing process. The key streams include:</p> <ul style="list-style-type: none"> - Reshaping Finance: the new structure is due to be implemented by September, with process currently being designed. - HR Self Service: the next stage of the project is the implementation of expense claims (due July) and sickness management (due October). - Procurement Improvements Project: the PIP action plan is due to be completed by the end of September. <p>Additionally, an overview of the Customer Service Centre Programme will also be maintained with testing being undertaken on any key changes to processes and internal controls, as required.</p>	Fieldwork stage
EE (OCS)	2	<p>Microsoft Sharepoint</p> <p>MS SharePoint will replace the IBM document management solution. It will also be used for collaborating with external suppliers. The audit will review the implementation of the system and provide assurance over security and controls.</p>	Draft Report
Public Health	1	<p>Public Health</p> <p>This is not a specific audit, but Internal Audit are monitoring the on-going project for the mobilisation of Public Health responsibility to the Council with effect from April 2013. Future Internal Audit activity to be agreed.</p>	On-going

Directorate	Qtr Start	Audit	Progress as at 18 June 2013 (Bold = complete)
Public Health	2	Public Health Contracts Public Health has to re-let all contracts by 31 March 2014. Internal Audit involvement is currently being agreed.	Scoping
Public health	2	PH Governance and Financial Management The audit of Information Governance will be undertaken across all directorates.	Fieldwork
Public Health	2	PH Governance and Financial Management The audit of Risk and Performance Management will be undertaken across all directorates. This is planned to start at the end of quarter 2.	Scoping
Contract Audit	1	A needs assessment for contract audit is being undertaken from which a detailed plan will be produced. Key contracts within E&E are already highlighted for review in Q1	On-going
Counter-Fraud	1	During Q1 the main focus of the Counter-Fraud activity will be undertaking a full fraud risk assessment. This will be used to highlight priority areas for proactive fraud testing. The results of the fraud risk assessment and proactive testing plan will be presented to the A&G Committee in July. We will be refreshing the Counter-fraud plan, and will continue with the Directorate presentations aiming to raise awareness of whistleblowing and counter-fraud responsibilities. We will also continue reviewing the NFI data matches highlighted from the 2012 NFI Data Matching exercise.	On-going
Addition to qtr 1 plan - Trading Standards - Grant	1	Trading Standards - NTSB Grant Claim Certification Internal Audit were required to sign of the Grant Claim being made by Trading Standards.	Completed - no issues arising.

Quarter 3 - 2013/14 Internal Audit Plan

Directorate	Qtr Start	Audit
CEF	3	<p>Child View System</p> <p>The Child View system is a major upgrade to the current Youth Offending Information System (YOIS). It is a priority 1 system and holds sensitive client data. It has not been subject to any previous IT audit. The audit will review the security and governance arrangements over the system.</p>
CEF	3	<p>CEF Governance and Financial Management</p> <p>Testing will be completed in the area of Authority & Governance. This will include review of schemes of delegation / SAP.</p> <p>Review of programme and project management across all directorates will be completed.</p>
CEF	3	<p>CEF - Specific projects</p> <p>Internal Audit involvement with other major projects within the directorate to be agreed with Deputy Directors. For example MASH (Multi Agency Safeguarding Hubs).</p>
SCS	3	<p>SCS Governance and Financial Management</p> <p>Testing will be completed in the area of Authority & Governance. This will include review of schemes of delegation / SAP.</p> <p>Review of programme and project management across all directorates will be completed.</p>
SCS	3	<p>SCS - Specific projects</p> <p>Internal Audit involvement with other major projects within the directorate to be agreed with Deputy Directors.</p>

CEO	3	<p>CEO Governance and Financial Management</p> <p>An establishment based audit of a Museum will be undertaken to provide assurance on compliance with key governance, HR and financial policies and procedures.</p> <p>Testing will be completed in the area of Authority & Governance. This will include review of schemes of delegation / SAP.</p> <p>Review of programme and project management across all directorates will be completed.</p>
CEO	3	<p>Severance</p> <p>This is a short review on a sample number of severance cases, as selected by external audit. This work is being managed by external audit, with the detail analysis being undertaken by the Audit team.</p>
CEO	3	<p>ACCE</p> <p>This work is an audit of the Association of County Chief Executives accounts, of which Oxfordshire County Council is the allocated auditor.</p>
CEO	3	<p>Pensions Fund</p> <p>Annual review to provide assurance that the Pension Fund is being managed effectively.</p>
EE	3	<p>EE Governance and Financial Management (including Customer Services)</p> <p>During quarter 3 an establishment / service based audit will be undertaken in EE/OCS to provide assurance on compliance with key governance, HR and financial policies and procedures.</p> <p>Testing will also be completed in the area of Authority & Governance. This will include review of schemes of delegation / SAP.</p> <p>Review of programme and project management across all directorates will be completed.</p>
EE	3	<p>Highways Transfer</p> <p>Atkins was awarded the Oxfordshire Highways Partnership contract in April 2010. The scope of the contract</p>

		<p>covers highway maintenance, design services and construction. Atkins has notified the Council of its intention to sell the operational services part of the UK Highways & Transport business to Skanska. The County Council has to agree with the proposed transfer in order for it to take effect in respect of the specific contract between Atkins and Oxfordshire County Council.</p> <p>The audit will review the risk management arrangements in place for managing the transfer of the current highways service.</p>
EE	3	<p>Property and FM Contract (Deep Dive)</p> <p>Following on from the Property and FM contract audit and the Year End Closedown review completed earlier this year, this audit will focus on reviewing the effectiveness of the task order process, including a review of the accuracy and completeness of the necessary supporting documentation.</p>
EE (OCS)	3	<p>Transforming Oxfordshire Customer Services</p> <p>The audit will continue to review the overall governance and programme management arrangements in place within the TOCS programme. For quarter three, the audit will consider the outcome of the soft market testing exercise and the next stages of this process. The audit will also review the key programme streams in terms of monitoring delivery within timescale and reviewing any new or changes to existing process. The key streams include:</p> <ul style="list-style-type: none"> - Reshaping Finance: the new structure is due to be implemented early September, with the operating model going live in October. - HR Self Service: the next stage of the project is the implementation of sickness management (due October) and absences (December). - Procurement Improvements Project: the PIP action plan is due to be completed by the end of September. <p>Additionally, an overview of the Customer Service Centre Programme will also be maintained with testing being undertaken on any key changes to processes and internal controls, as required.</p>
EE (OCS)	3	<p>Pensions Admin</p> <p>The audit is an annual review aimed at testing the key controls providing assurance that members' records</p>

		are accurately maintained and that payment through the pension's payroll are accurate and made on a timely basis to legitimate pensioners only. This audit will also consider the processes for the admission and withdrawal of organisations to and from the pension fund.
EE (OCS)	3	<p>Hosted Services</p> <p>The OCC data centre, which houses the majority of the Authority's computing services, is located at Clarendon House. The lease for Clarendon House is due to expire in July 2014 and is not being renewed. There are plans to move the IT equipment from the data centre and have it externally hosted by a third-party. The audit will review the controls over current and proposed hosting arrangements.</p>
Public Health	3	<p>PH Governance and Financial Management</p> <p>Testing will be completed in the area of Authority & Governance. This will include review of schemes of delegation / SAP.</p> <p>Review of programme and project management across all directorates will be completed.</p>

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Summary of Completed Audits

Schools Support

Opinion: Acceptable	Date of Final Report: 13 August 2013	
Total:	Priority 1 = 0	Priority 2 = 0
Current Status:		
Implemented	N/A	
Due not yet actioned	N/A	
Partially complete	N/A	
Not yet Due	N/A	

Part A: Resource Allocation

Significant changes have taken place, and continue to take place, nationally around the way funds are apportioned to schools. The Department for Education issued new guidance as to the way funds should be distributed, based on alternative criteria than that previously used. The Technical Finance Team have been proactive in keeping Schools Forum up to date with the new arrangements, how it will affect the schools and how the Council are setting about applying the changes. This has resulted in the new arrangements being applied effectively as per the requirements.

All funds reviewed had been distributed and balanced accordingly.

Part B: Budget Setting, Submission, Monitoring and Support

Whilst a small number of the schools sampled did not meet the required deadlines, and in one case, a school did not have its deficit validated or approved, there were clear reasons as to why. There was also sufficient evidence to show that the Schools Finance Team were doing everything expected, such as chasing the schools and providing the necessary support, to try and prevent the issue in the first place, and indeed, helping the school to rectify it after it occurred. Findings are detailed further in Table 2 below.

Actions raised in the previous audit have been fully implemented.

The following Tables 1-2 break this conclusion down further in summary form and record the significant risk exposures, and key issues identified. Table 3, Audit Findings and Action Plan, contains the detailed findings including the action plan for improvements. Supplementary issues requiring action but not presenting a material risk are detailed in Table 4.

Annex 1 provides a full definition of the grading for each of the conclusions given. Cut and paste each exec summary

Transforming Oxfordshire Customer Service Centre

Opinion: Acceptable	Date of Final Report: 24 June 2013	
Total:	Priority 1 = 0	Priority 2 = 1
Current Status:		
Implemented	1	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

The TOCS programme has a Project Initiation Document, a Programme Board, Programme Manager in place and a Programme Sponsor assigned. The programme governance structure is documented in the PID and details the individual groups that contribute to monitoring the overall programme and the individual programme streams. There are meeting minutes available and actions are recorded within the minutes.

There is an overall risk register for the TOCS programme. At the start of the audit work in March, it appeared that the risk register had not been fully reviewed or updated recently. It was therefore unclear whether the risks stated were still relevant or the action taken was mitigating the risk. As part of this phase of the audit, the risk register has been reviewed by each Project Stream Manager and updated. Going forward, the risk register will be reviewed regularly and updated. Where required, risks, issues or concerns will be escalated accordingly.

Throughout the early part of 2013, service commissioning reviews were conducted of those areas within scope of the TOCS programme commissioning exercise. The reviews involved interviews with service managers as well as SLA and KPI information, benchmarking and site visits. The outcome of the interviews was interpreted into a set of scores, which made up a total score for the service areas. This score, along with a RAG rating, determined those services in scope, those potentially in scope and those not in scope. The scores and RAG ratings were reviewed and challenged and subsequently collated into a Service Review Summary document that was presented to the Programme Board on the 22 May 2013. The next stages of the process are to present the outcome of the review to CCMT on the 12 June 2013 and Cabinet on the 16 July 2013. In terms of the audit work completed, there are the following observations:

- The RAG rating score key were different for the HR, ICT and Finance service reviews.
- The scoring and RAG statuses were intended to inform the debate and were not designed to be a mathematical exercise for determining scope.
- Certain strategic elements of services (i.e. Insurance) were identified as being separate to the transactional element. These have been reflected accordingly in the Service Review Summary document.

Although the audit was unable to identify a clear mathematical audit trail from service review interviews through to the recommendation to the Programme

Board, we are satisfied that the necessary challenge and scrutiny has been undertaken throughout the process.

As part of this phase of the audit, testing has been undertaken on documentation to support the delivery of the following streams:

- Procurement Improvements Project (PIP): CMC completed their contract with OCC in March. There are still a number of actions to be completed and there are weekly checkpoint meetings to discuss progress and an action tracker is produced and updated. Actions are due to be completed by September 2013 and progress in implementing the actions is taking place and appears on target.
- HR Self Service: A weekly update report is produced by the approved supplier (Cordis) and progress in delivering the programme is discussed at weekly checkpoint meetings. The first elements of HR Self Service went live on the 29 May (E-pay slips and Amend Personal Details). The Schemes of Delegation are yet to be updated to reflect any changes in existing process.
- Reshaping Finance: The consultation on the finance restructure is currently taking place and is due to be completed by the 12 June 2013, with the new structure due to be implemented by the 2 September 2013. During the audit there was a delay in signing the contract with Methods Consulting, which has now been resolved. Additionally, the project manager is leaving the organisation in June. A replacement has been identified and a two week handover scheduled in. A Work Packages document has been created that lists all the tasks that need to be completed to deliver the Reshaping Finance project. However, the document was created as part of the audit work and does not currently include target completion dates. Work on process changes has commenced with changes to the budget monitoring being collated.
- Dynamics: This is currently being subject to a separate audit.

As part of this phase of the audit, no testing has been undertaken within the Customer Service Centre.

Audit involvement within the TOCS programme will continue throughout the rest of 2013/14, with audit reports and management letters being issued when required, to summarise any work completed. Insert overall conclusion

Property and Facilities Management Contract (Year End Closedown)

Opinion: Issues	Date of Final Report: 15 May 2013	
Total:	Priority 1 = 4	Priority 2 = 1
Current Status:		
Implemented	1	
Due not yet actioned	1	
Partially complete	3	
Not yet Due	0	

The Capital Programme is a programme of works that is approved by Cabinet. The works are then prioritised by Strategy and Delivery within E&E (in consultation with the relevant Directorate). The officer Governance Board is the Capital and Asset Programme Board (CAPB). The governance process for commissioning work is documented separately, but is summarised as:

- Identification of Need (0a): Produced by OCC, following direction, scope and budget from the Capital Programme and the relevant Directorate.
- Option Appraisal / Project Inception / Briefing (0b): These are produced by OCC, following the direction detailed in the 0a Submission and are subject to the appropriate approvals. They also include site information and condition data from CCS.
- Development of Preferred Option (Stage 1): CCS take the approved 0b document and produce a technical report and Outline Business Case, which includes a provisional "agreed maximum price" (AMP). Stage 1 Task Orders are issued at this point.
- Planning / Detailed Design (Stage 2a): This includes the Outline Business Case, Approved Delivery Budget and the AMP. Stage 2a Task Orders are issued at this point.
- Technical Design to Practical Completion (Stage 2b): Final Business Case approval and Approved Commitment to Spend. Stage 2b Task Orders are issued at this point.

CAPB approvals are sought at the agreed stage throughout the process. The Task Order issue has arisen at each of the three stages when Task Orders should be produced. Certain Task Orders were being drafted and issued at Part A stage, but not progressing beyond that for a variety of reasons, which include the clarity of instruction, on-going dialogue to agree requirements and resource issues. The number of Task Orders having to be generated is exceeding what was anticipated, has proved challenging to those preparing them and for CCS in responding with detailed prices. Several requests were also received from Directorates outside the corporate landlord model. Particularly in these instances, descriptions of work on Task Orders is difficult to define, which leads to difficulty in pricing and thus return of part B. Works have not been delayed and the scope of work has been agreed, but then the Task Order has not been able to be completed for the reasons stated. Therefore, an interim process was operating that was only agreed verbally with CCS, and both OCC and CCS were

effectively operating outside of the contracted "process provisions". The visibility of work that is being completed and the budget is via the Gateway review process and CAPB.

As at October 2012, there were 53 Task Orders not in place for works being completed. This was escalated to the Contract Operations Board via a report on the 19 October 2012, which detailed the lack of documentation in place. However, since this report, the issues highlighted have not been resolved. Work has been carried out but the instructions that have been issued have occurred outside the formal Task Order process.

As at February 2013, Part A's were in several instances sufficiently defined (as explained above), but there were no Part B's or C's in place for 114 projects. This meant that there were no P/O's on SAP and CCS was therefore unable to issue an invoice to OCC for the works. Due to the need to pay CCS for the work completed during 2012/13, CCS invoiced OCC in February 2013 for approximately £2.65m of works. As there is a lack of agreed documentation to support the invoice, the Contract Management team, with Legal Services, drafted an Interim Payments letter detailing the mechanism and process to pay CCS for the 2012/13 works. The £2.65m was paid on the following principles:

- Projects where there is 100% documentation in place and the work is done, can be paid.
- Projects where work done on site but documentation is not complete, as long as CCS produce a QS signed practical completion certificate, OCC will pay 75% of the costs. 25% will be retained until all documentation is completed.
- Projects where the work is not complete will be paid up to the work done, as long as a QS signed certificate is produced.

At the time of the audit, written evidence was yet to be provided to confirm that CCS had signed up to the Interim Payments suggestion. In terms of validating the content of the £2.65m invoice, OCC are insisting that there is 100% of documentation for each programme available by the end of June. OCC will be checking the documentation provided, including the signed CCS QS certificate, to validate the payments made. As there is visibility of the agreed maximum price and there will be visibility of the actual costs, reliance that the £2.65m is accurate should be achieved. The invoice from CCS for March is yet to be received, but it was stated that this has been accrued for. It was reported verbally that Task Orders are now being issued for all 2013/14 work. Additionally, quality assurance checks have not been completed by OCC during 2012/13. These will be introduced for 2013/14.

During the audit, the following documentation and evidence was requested but is yet to be provided:

- Full list of invoices issued in February 2013 (£2.65m).
- Full list of Task Orders yet to be signed off (114, as at end of March 2013).

- Example 0a, 0b, Stage 1 (Provisional AMP), Stage 2a (AMP) and Stage 2b documents.

Mobile Computing

Opinion: Issues	Date of Final Report: 5 August 2013	
Total:	Priority 1 = 0	Priority 2 = 11
Current Status:		
Implemented	2	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	9	

There has been growth in the use of mobile devices, such as laptops, tablets and smartphones, as organisations introduce new ways of working and support greater mobility and flexibility in working arrangements. Tablet devices, such as iPads, are currently being trialled by ICT.

There are a number of corporate policies that govern the use of mobile devices and these provide a good level of information. However, an area that needs to be addressed by formal policy is the issue of staff using their personal smartphones for work purposes, also known as 'Bring Your Own Device.' Whilst the current corporate policy states staff should not use their own personal equipment, this is not being applied to smartphones, were some staff are using their own devices to access emails.

There is an inventory of all mobile equipment, although it does not include details of the tablet devices that are currently being trialled. The inventory is not current as it needs to be updated with information collected during the Windows 7 rollout and also reconciled to System Center Configuration Manager (SCCM), which holds details of all equipment connected to the network.

All laptops are encrypted, but the security of other mobile devices needs to be improved. For example, users are not prevented from copying data to unencrypted memory sticks or CD/DVD's, and smartphones are not encrypted and do not have a consistent level of password protection applied to them. However, it is noted that all smartphones and tablets can be remotely wiped if reported as lost or stolen.

Fees and Charging

Opinion: Issues	Date of Final Report: 22 August 2013	
Total:	Priority 1 = 3	Priority 2 = 4
Current Status:		
Implemented	2	

Due not yet actioned	0
Partially complete	0
Not yet Due	5

Internal audit identified that the Charging Policy, which is set out in Annex 3a of the 18th December 2012 Cabinet papers, does not contain any documented information on the roles and responsibilities of all relevant officers involved in the fees and charges process. During 2012/13 an issue was identified during the audit of Client Charging where charges were not reviewed on time and responsibility was unclear.

Regarding the setting of fees, it was identified that due to a change in personnel, there was no evidence found of a business case or a financial planning exercise for two services: the setting and approval of pre-planning application charges in Planning and testing fees for verifying weights and measures in Trading Standards. For the other six service areas reviewed there were varying levels of evidence from fully documented cost models to detailed methodology explained by service heads to support fees set.

In relation to the application of fees and charges, it was identified that Outdoor Learning had changed their fees and charges mid-year without Cabinet approval. Testing of a sample of charges applied across the eight service areas identified two service areas where the revised fees for 13/14 were not applied. It should be noted that for one of these only 1 transaction had been charged incorrectly and this is noted as a supplementary issue, however for the other area 10 of a sample of 20 transactions were applied incorrectly.

There are no previous management actions for follow up.

Budget Setting

Opinion: Issues	Date of Final Report: 22 August 2013	
Total:	Priority 1 = 0	Priority 2 = 4
Current Status:		
Implemented	0	
Due not yet actioned	1	
Partially complete	0	
Not yet Due	3	

One example was noted where reporting of an unachievable savings target, although reported earlier in the year, was not evident in subsequent Financial Monitoring & Business Strategy Delivery reports. It was also noted that there is no mechanism to monitor the delivery of savings targets outside of Directorates to enable effective scrutiny and challenge at CCMT level.

Issues were noted with compliance of the deadline for the budget sign off process and no escalation process in place for non-compliance. Further issues were noted where Cost Centre Managers had requested further clarification in respect

to their budgets, and ineffective monitoring of the mailbox resulted in queries not being resolved on a timely basis. It should be noted that all sampled budgets requiring further clarification have now been resolved.

Outdoor Centres Review

Opinion: Issues	Date of Final Report: 21 August 2013	
Total:	Priority 1 = 0	Priority 2 = 12
Current Status:		
Implemented	1	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	12	

Following on from last year's audit of the Riverside Centre Shop a meeting was held between Internal Audit, the Service Head and Management Accountancy to undertake a short desktop review of the policies and procedures and operation of the shops that are run by all three out-of-county Outdoor Centres. This was to ensure lessons learnt from Riverside were captured and control weaknesses identified at Riverside were not in existence at the Outdoor Centre Shops.

From the meeting it is evident that the shops are run on a much smaller scale and their prime use is for sale of souvenirs. There were areas agreed at the meeting that needed further clarification. In particular the arrangements, for running separate accounts outside of SAP, the use of E-bay and Paypal, and the sale of second hand equipment, needs to be reviewed. It was also decided that staff should be provided with local procedures to cover the operation of these shops. Management actions were agreed to review and clarify the existing arrangements and address control weaknesses where identified. No detailed audit has been undertaken.

NHS Information Governance Toolkit Review 13/14

Opinion: Issues	Date of Final Report: 15 July 2013	
Total:	Priority 1 = 0	Priority 2 = 5
Current Status:		
Implemented	1	
Due not yet actioned	1	
Partially complete	0	
Not yet Due	4	

There is a nominated Information Governance Manager who is responsible for updating the Information Governance Toolkit (IGT), obtaining and retaining evidence to support each requirement, following up on outstanding actions, and

completing the annual submission. We understand that following the next submission, responsibility is being handed over to the Adult Social Care team. Work is already underway to conduct this handover to ensure a smooth transition.

Although Information Governance policies and procedures have been drafted, these have not yet been approved or communicated. We understand that review of these policies is due for completion at the end of June 2013, with approval by the Information Governance Group being planned for 3 July. It is imperative that these policies are finalised and approved as soon as possible to ensure effective management in this area.

The 2012/13 IGT was not submitted at the NHS deadline of 31 March 2013. The Information Governance Manager is working towards making the submission at the end of July 2013, following the approval and communication of the Information Governance policies.

Work continues to address the outstanding issues outlined in the IGT and ensure that requirements are met and evidenced. Detailed action plans need to be created which are regularly monitored and reviewed to drive progress forward in this area.

Thriving Families 13/14

Opinion: Issues	Date of Final Report: 25 June 2013	
Total:	Priority 1 = 0	Priority 2 = 0
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

An audit review was completed for the Thriving Families results-based payments for the Summer 2013/14 claim. In accordance with the Thriving Families programme, the verification of results based payments should be approved within Internal Audit arrangements and under the authority of the Chief Executive.

Internal audit can provide an overall conclusion of Acceptable on the robustness of systems for data collection from each source based on walkthrough testing completed.

The second results-based payment claim, consists of 225 families where OCC has evidence of successful interventions. Audit reviewed and confirmed the evidence available for a sample of ten families against the parameters of the programme scheme, and can confirm that evidence is available to support successful interventions. It is noted that this claim is made for families where there is evidence of no YOIS, ASB or Probation offences in the last six months.

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AUDIT & GOVERNANCE COMMITTEE – 18 SEPTEMBER 2013

DRAFT WORK PROGRAMME 2013/14

2013

Wed 18 September

Final Statement of Accounts 2012/13
(Sue Scane / relevant officer)

Internal Audit Plan – 2013/14 Progress Report and Quarter 3 Plan
(Ian Dyson)

Local Government Ombudsman's Annual Review of OCC
(Peter Clark)

Ernst & Young – Annual Governance Report – Oxfordshire County Council
Ernst & Young – Annual Governance Report – Oxfordshire Pension Fund
Ernst & Young – Progress Report

Risk Management Annual Report
(Alexandra Bailey)

Wed 20 November

Treasury Management Mid Term Review 2013/14
(Sue Scane / relevant officer)

Annual Governance Statement – Action Plan Progress
(Peter Clark)

Ernst & Young – Annual Audit Letter

Procure to Pay Project Update

2014

Wed 15 January

Statement on Internal Control – Annual Review of Effectiveness
(Peter Clark & Sue Scane)

Internal Audit Plan – 2013/14 Progress Report and Quarter 4 Plan
(Ian Dyson)

Review of the Process for Reporting on the Effectiveness of the System of Internal Audit
(Ian Dyson)

Treasury Management Strategy

(Sue Scane / relevant officer)

Audit & Governance Committee - Draft Work Programme 2014/15
(Co-ordinated by Committee officer in consultation with relevant directorate officers)

Future of Adult Social Care in Oxfordshire – Regular progress update on
Implementation Plan

Wed 26 February

Audit & Governance Committee Annual Report to Council 2014
(in accordance with the process adopted by the Committee on 29 November 2006)

Internal Audit Services-Internal Audit Strategy & Annual Plan 2014/15
(Ian Dyson)

Standing Items:

- Audit Working Group Reports
(Ian Dyson)
- Business Strategy: updates & key extracts from the cabinet Financial Monitoring & Business Strategy Delivery Report
(Sue Scane)
- Scrutiny - governance & control matters including Scrutiny Work Programme
(as available)
(Alexandra Bailey)
- Audit & Governance Committee Work Programme – update/review
(Committee Officer/Chairman/relevant officers)

Other matters

Review of new Scrutiny/Governance Arrangements – July 2014

Fire & Rescue Service – Statement of Assurance (Future Performance and Audit Approach) – April – June 2014

Background Papers Nil

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