

**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
<b>Total for Directorates</b>	<b>411,501</b>	<b>418,504</b>	<b>415,365</b>	<b>-3,139</b>
<b>Strategic Measures:</b>				
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
<b>Total for Strategic Measures</b>	<b>45,319</b>	<b>40,801</b>	<b>39,205</b>	<b>-1,596</b>
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
<b>Council Tax Requirement</b>	<b>284,525</b>	<b>284,525</b>	<b>279,685</b>	<b>-4,840</b>

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:

	<b>Budget £'000</b>	<b>Actual £'000</b>
County Fund balance 1 April 2012	<b>13,734</b>	<b>13,893</b>
Additions to / calls on (-) balances	800	4,840
<b>County Fund balance 31 March 2013</b>	<b>14,534</b>	<b>18,733</b>

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**

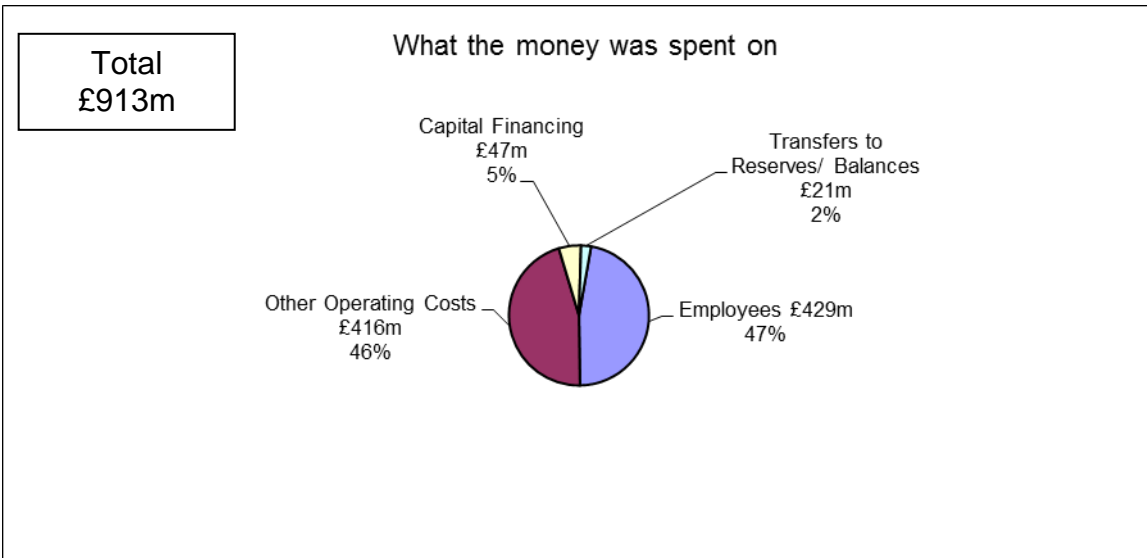
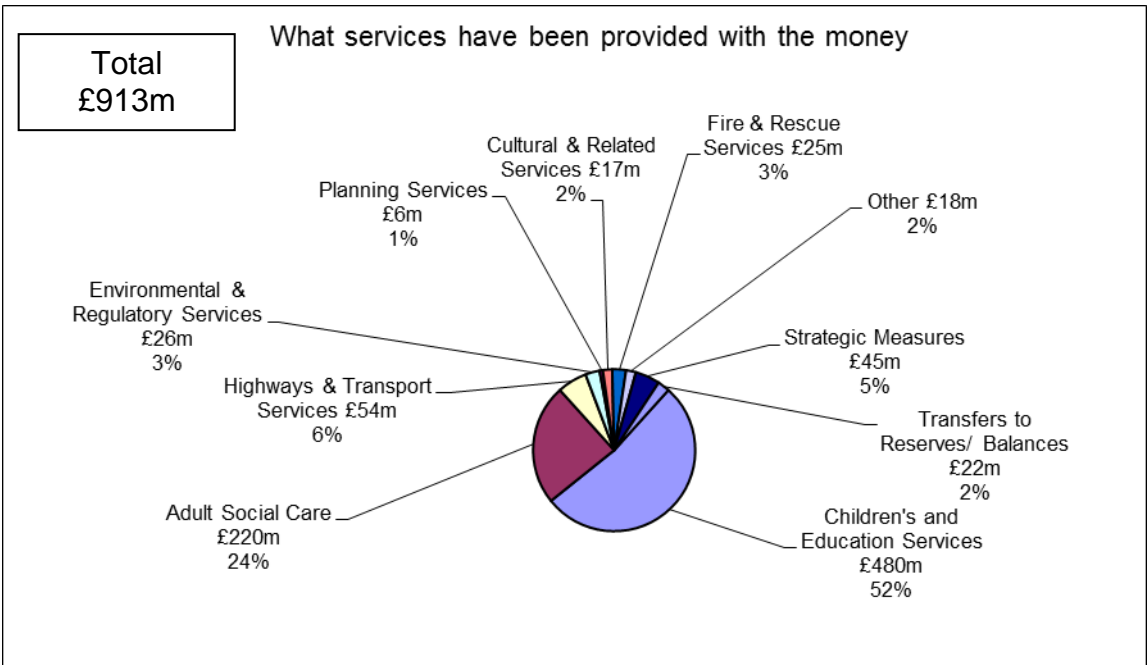
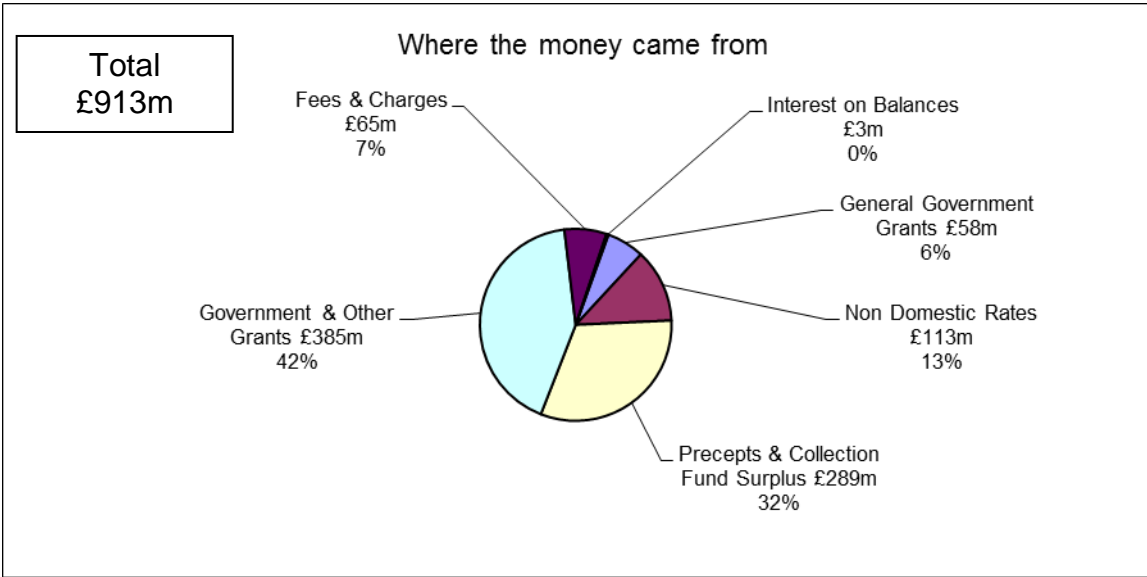
Whilst the detail of the Statement of Accounts is prescribed by legislation and is therefore long and complex, a summary version (available on the County Council's website) aims to simplify the presentation.

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

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
<b>958,382</b>	<b>-522,459</b>	<b>435,923</b>	<b>Cost of Services</b>	5,6	<b>888,052</b>	<b>-445,060</b>	<b>442,992</b>
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
<b>1,125,482</b>	<b>-1,064,139</b>	<b>61,343</b>	<b>Surplus(-) or Deficit(+) on Provision of Services</b>	5	<b>1,149,447</b>	<b>-977,471</b>	<b>171,976</b>
		-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
		<b>212,966</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>-58,929</b>
		<b>274,309</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>113,047</b>

## 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
	<b>Long Term Assets</b>			
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	
<b>1,502,464</b>	<b>Total Long Term Assets</b>			<b>1,280,083</b>
	<b>Current Assets</b>			
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	
<b>246,760</b>	<b>Total Current Assets</b>			<b>268,885</b>
	<b>Current Liabilities</b>			
-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	
<b>-158,657</b>	<b>Total Current Liabilities</b>			<b>-131,979</b>
	<b>Long Term Liabilities</b>			
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	
<b>-1,117,087</b>	<b>Total Long Term Liabilities</b>			<b>-1,056,556</b>
<b>473,480</b>	<b>Net Assets</b>			<b>360,433</b>
	<b>Financed from:</b>			
<b>180,204</b>	<b>Usable Reserves</b>	51-54	<b>219,147</b>	
<b>293,276</b>	<b>Unusable Reserves</b>	55-60	<b>141,286</b>	
<b>473,480</b>	<b>Total Reserves</b>			<b>360,433</b>

## 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
<b>-49,021</b>	<b>Net increase (-) or decrease (+) in cash and cash equivalents</b>		<b>61,600</b>
25,600	Cash and cash equivalents at the beginning of the reporting period		74,621
<b>74,621</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>13,021</b>

### 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

**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
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u>					
Charges for depreciation and amortisation	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
<b>Adjustments primarily involving the Capital Grants and Contributions Unapplied Account</b>					
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><b>Adjustments primarily involving the Capital Receipts Unapplied</b></p> <p>Transfer of sale proceeds credited as part of the gain/loss on disposals</p>	-1,353		1,353		
<p><b>Adjustments primarily involving the Pensions Reserve</b></p> <p>Net charge made for retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement</p>	6,627				-6,627
<p><b>Adjustments primarily involving the Financial Instrument Adjustment Account</b></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><b>Adjustments primarily involving the Collection Fund Adjustment Account</b></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><b>Adjustments primarily involving the Accumulated Absences Account</b></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
<b>Total</b>	<b>93,274</b>	<b>0</b>	<b>1,754</b>	<b>11,192</b>	<b>-106,220</b>

**5. Amounts reported internally**

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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
<b>Total Income</b>	<b>-401,816</b>	<b>-110,044</b>	<b>-87,433</b>	<b>-15,347</b>	<b>-614,640</b>
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
<b>Total operating expenses</b>	<b>509,519</b>	<b>315,528</b>	<b>167,548</b>	<b>37,410</b>	<b>1,030,005</b>
<b>Directorate Provisional Outturn</b>	<b>107,703</b>	<b>205,484</b>	<b>80,115</b>	<b>22,063</b>	<b>415,365</b>

### Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement

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

2012/13	£'000
<b>Directorate Provisional Outturn</b>	<b>415,365</b>
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
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>442,992</b>



**NOTES TO THE CORE FINANCIAL STATEMENTS**

**Reconciliation to Subjective Analysis**

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

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
<b>Total Income</b>	<b>-614,640</b>	<b>-6</b>	<b>-2,387</b>	<b>6,638</b>	<b>165,335</b>	<b>-445,060</b>	<b>-532,411</b>	<b>-977,471</b>
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
<b>Total operating expenses</b>	<b>1,030,005</b>	<b>2,065</b>	<b>89,828</b>	<b>-68,511</b>	<b>-165,335</b>	<b>888,052</b>	<b>261,395</b>	<b>1,149,447</b>
<b>Surplus or deficit on the provision of services</b>	<b>415,365</b>	<b>2,059</b>	<b>87,441</b>	<b>-61,873</b>	<b>0</b>	<b>442,992</b>	<b>-271,016</b>	<b>171,976</b>

## 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
<b>Total Income</b>	<b>-483,088</b>	<b>-79,946</b>	<b>-89,563</b>	<b>-15,356</b>	<b>-667,953</b>
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
<b>Total operating expenses</b>	<b>590,917</b>	<b>287,703</b>	<b>172,950</b>	<b>36,826</b>	<b>1,088,396</b>
<b>Directorate Provisional Outturn</b>	<b>107,829</b>	<b>207,757</b>	<b>83,387</b>	<b>21,470</b>	<b>420,443</b>

### Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement

2011/12	£'000
<b>Directorate Provisional Outturn</b>	<b>420,443</b>
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
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>435,923</b>

**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
<b>Total Income</b>	<b>-667,953</b>	<b>-12</b>	<b>1,929</b>	<b>6,742</b>	<b>136,835</b>	<b>-522,459</b>	<b>-541,680</b>	<b>-1,064,139</b>
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
<b>Total operating expenses</b>	<b>1,088,396</b>	<b>1,299</b>	<b>99,396</b>	<b>-93,874</b>	<b>-136,835</b>	<b>958,382</b>	<b>167,100</b>	<b>1,125,482</b>
<b>Surplus or deficit on the provision of services</b>	<b>420,443</b>	<b>1,287</b>	<b>101,325</b>	<b>-87,132</b>	<b>0</b>	<b>435,923</b>	<b>-374,580</b>	<b>61,343</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**6. Service Expenditure Analysis**

The net Cost of Services within the Comprehensive Income and Expenditure Statement is presented using the service expenditure analysis set out in the Service Reporting Code of Practice (SeRCOP). 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:

<b>Service</b>	<b>Division of Service</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
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
		<b><u>Total Children's and Education Services</u></b>	<b>118,805</b>
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
		<b><u>Total Adult Social Care</u></b>	<b>182,110</b>
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
		<b><u>Total Highways &amp; Transport Services</u></b>	<b>54,553</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>Service</b>	<b>Division of Service</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
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
	<b>Total Net Cost of Services</b>	<b>435,923</b>	<b>442,992</b>

**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			
<b>4,717</b>	<b>0</b>	<b>4,717</b>	<b>Carry forward to next year</b>	<b>8,898</b>	<b>0</b>	<b>8,898</b>

## 8. Youth Offending Service

The Youth Offending Service was set up under the Crime and Disorder Act 1998. It is a multi-agency service comprising the County Council, Thames Valley Police & Crime Commissioner, National Probation Service, the Oxfordshire 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)<br>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
<b>Total</b>	<b>885</b>	<b>871</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

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
<b>Total</b>	<b>246</b>	<b>142</b>

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**

<b>2012/13</b>	<b>Salary (Including Fees &amp; Allowances)</b>	<b>Expense Allowances</b>	<b>Compensation for Loss of Employment</b>	<b>Other Emoluments</b>	<b>Total Remuneration Excluding Pension Contributions 2012/13</b>	<b>Employers Pension Contribution</b>	<b>Total Remuneration Including Pension Contributions 2012/13</b>
<b>Post Holder Information</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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
<b>Total</b>	<b>1,639,227</b>	<b>0</b>	<b>74,916</b>	<b>618</b>	<b>1,714,761</b>	<b>318,718</b>	<b>2,033,479</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2011/12</b>	<b>Salary (Including Fees &amp; Allowances)</b>	<b>Expense Allowances</b>	<b>Compensation for Loss of Employment</b>	<b>Other Emoluments</b>	<b>Total Remuneration Excluding Pension Contributions 2011/12</b>	<b>Employers Pension Contribution</b>	<b>Total Remuneration Including Pension Contributions 2011/12</b>
<b>Post Holder Information</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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**

<b>2011/12 Post Holder Information</b>	<b>Salary (Including Fees &amp; Allowances)</b>	<b>Expense Allowances</b>	<b>Compensation for Loss of Employment</b>	<b>Other Emoluments</b>	<b>Total Remuneration Excluding Pension Contributions 2011/12</b>	<b>Employers Pension Contribution</b>	<b>Total Remuneration Including Pension Contributions 2011/12</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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
<b>Total</b>	<b>1,913,042</b>	<b>0</b>	<b>152,529</b>	<b>3,032</b>	<b>2,068,603</b>	<b>373,189</b>	<b>2,441,792</b>

**14. Exit Packages**

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

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

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
<b>Total</b>	<b>96</b>	<b>1,666</b>	<b>77</b>	<b>1,279</b>	<b>173</b>	<b>2,945</b>
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
<b>Total cost of exit packages in the Comprehensive Income and Expenditure Statement</b>						<b>2,083</b>

**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
<b>Total</b>	<b>471</b>	<b>5,663</b>	<b>83</b>	<b>1,384</b>	<b>554</b>	<b>7,047</b>
Add new provisions created						1,177
Less amounts provided for in previous year						-4,875
Adjust for differences between payments and accruals						27
<b>Total cost of exit packages in the Comprehensive Income and Expenditure Statement</b>						<b>3,376</b>

**15. Operating Leases**

From time to time, the County Council acquires assets under operating leases. The minimum lease payments and contingent rents charged, and sublease payments received for the year, together with future commitments and future sublease payments receivable are set out below, together with comparative figures for 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
<b>Total receivable</b>	<b>0</b>	<b>21,175</b>	<b>0</b>	<b>23,550</b>

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
<b>Gain(-) or loss (+) on derecognition</b>	<b>123,833</b>	<b>211,977</b>
Adjustments between accounting basis and funding basis	-123,836	-212,106
<b>Net charge to County Fund</b>	<b>-3</b>	<b>-129</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Total Financing and Investment Income &amp; Expenditure</b>	<b>31,774</b>	<b>37,526</b>

### 18. Trading Operations

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

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

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
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>20,702</b>	<b>-45</b>	<b>33</b>	<b>0</b>	<b>20,690</b>
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
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>-2,958</b>	<b>-290</b>	<b>0</b>	<b>-3,248</b>
Gains/losses on revaluation			-302		-302
Amounts recycled to the Surplus or Deficit on the Provision of Services					0
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>			<b>-302</b>		<b>-302</b>
<b>Net gain(-)/loss for the year</b>	<b>20,702</b>	<b>-3,003</b>	<b>-559</b>	<b>0</b>	<b>17,140</b>

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
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>20,848</b>	<b>-243</b>	<b>33</b>	<b>20</b>	<b>20,658</b>
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
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>-2,112</b>	<b>-334</b>	<b>-180</b>	<b>-2,626</b>
Gains/losses on revaluation			-102		-102
Amounts recycled to the Surplus or Deficit on the Provision of Services					0
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>			<b>-102</b>		<b>-102</b>
<b>Net gain(-)/loss for the year</b>	<b>20,848</b>	<b>-2,355</b>	<b>-403</b>	<b>-160</b>	<b>17,930</b>

**20. Retirement Benefits**

As part of the terms and conditions of employment of its employees, the County Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the County Council has a commitment to make the payments that 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 &amp; 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
<b>Closing balance at 31 March</b>	<b>1,064,177</b>	<b>1,130,076</b>	<b>18,257</b>	<b>20,843</b>	<b>139,856</b>	<b>137,894</b>	<b>4,089</b>	<b>7,353</b>	<b>10,606</b>	<b>5,854</b>	<b>44,346</b>	<b>50,023</b>	<b>1,281,331</b>	<b>1,352,043</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	<b>2008/09</b> <b>£'000</b>	<b>2009/10</b> <b>£'000</b>	<b>2010/11</b> <b>£'000</b>	<b>2011/12</b> <b>£'000</b>	<b>2012/13</b> <b>£'000</b>
<b>Present value liabilities:</b>					
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
<b>Total present value liabilities</b>	<b>940,895</b>	<b>1,298,624</b>	<b>1,037,575</b>	<b>1,281,331</b>	<b>1,352,043</b>
<b>Fair value of assets in the Local Government Pension Scheme</b>	<b>383,341</b>	<b>546,584</b>	<b>600,793</b>	<b>619,885</b>	<b>751,060</b>
<b>Deficit in the scheme:</b>					
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
<b>Total Net Deficit</b>	<b>557,554</b>	<b>752,040</b>	<b>436,782</b>	<b>661,446</b>	<b>600,983</b>

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The schemes have been assessed by Barnett Waddingham Public Sector Consulting, an independent firm of actuaries using estimates based on the latest full valuation of the scheme at 31 March 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
<b>Closing balance at 31 March</b>	<b>619,885</b>	<b>751,060</b>

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
<b>Total</b>	<b>100</b>	<b>100</b>

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

\*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:

	<b>2011/12</b> <b>£'000</b>	<b>2012/13</b> <b>£'000</b>
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
<b>Balance as at 31 March</b>	<b>-661,446</b>	<b>-600,983</b>

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.

	<b>2008/09</b> <b>%</b>	<b>2009/10</b> <b>%</b>	<b>2010/11</b> <b>%</b>	<b>2011/12</b> <b>%</b>	<b>2012/13</b> <b>%</b>
<b>Experience gains and losses on liabilities:</b>					
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
<b>Difference between the expected and actual return on assets in the local government pension scheme</b>	<b>-39.77</b>	<b>21.85</b>	<b>1.44</b>	<b>-5.56</b>	<b>12.71</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Total Taxation and Non-Specific Grant Income</b>	<b>530,187</b>	<b>520,519</b>

### 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
<b>Total</b>	<b>150,126</b>	<b>117,635</b>

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
<b>Total</b>	<b>427,446</b>	<b>353,656</b>



### **23. Related Party Transactions**

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

Central government is responsible for the statutory framework within which all local authorities operate and provides the majority of the County Council’s funding in the form of general 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
<b>Total</b>	<b>7,844</b>	<b>-288,544</b>	<b>10,579</b>	<b>-3,481</b>

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
<b>Total</b>	<b>9,235</b>	<b>-286,456</b>	<b>10,719</b>	<b>-3,755</b>

## 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**

<b>2012/13</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>	<b>Service Concession assets included in PPE £'000</b>
<b>Cost or valuation as at 1 April</b>	<b>989,471</b>	<b>127,623</b>	<b>408,676</b>	<b>3,997</b>	<b>9,934</b>	<b>1,539,701</b>	<b>17,816</b>
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	
<b>Cost or Valuation as at 31 March</b>	<b>750,902</b>	<b>108,797</b>	<b>424,317</b>	<b>5,034</b>	<b>9,084</b>	<b>1,298,134</b>	<b>18,326</b>
<b>Depreciation as at 1 April</b>	<b>-14,186</b>	<b>-33,492</b>	<b>-85,901</b>	<b>-12</b>	<b>0</b>	<b>-133,591</b>	<b>-170</b>
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**

<b>2012/13 Continued</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>	<b>Service Concession assets included in PPE £'000</b>
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	
<b>Depreciation as at 31 March</b>	<b>-1,226</b>	<b>-29,386</b>	<b>-97,522</b>	<b>-16</b>	<b>0</b>	<b>-128,150</b>	<b>-20</b>
<b>Impairment as at 1 April</b>	<b>-5,619</b>	<b>-198</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-5,817</b>	<b>0</b>
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	
<b>Impairment as at 31 March</b>	<b>-268</b>	<b>-140</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-408</b>	<b>0</b>
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
<b>Cost or valuation as at 1 April</b>	<b>1,092,155</b>	<b>110,443</b>	<b>386,117</b>	<b>1,695</b>	<b>23,236</b>	<b>1,613,646</b>	<b>13,871</b>
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	
<b>Cost or Valuation as at 31 March</b>	<b>989,471</b>	<b>127,623</b>	<b>408,676</b>	<b>3,997</b>	<b>9,934</b>	<b>1,539,701</b>	<b>17,816</b>
<b>Depreciation as at 1 April</b>	<b>-2,825</b>	<b>-27,166</b>	<b>-74,805</b>	<b>-6</b>	<b>0</b>	<b>-104,802</b>	<b>-334</b>
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**

<b>2011/12 Continued</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>	<b>Service Concession assets included in PPE £'000</b>
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	
<b>Depreciation as at 31 March</b>	<b>-14,186</b>	<b>-33,492</b>	<b>-85,901</b>	<b>-12</b>	<b>0</b>	<b>-133,591</b>	<b>-170</b>
<b>Impairment as at 1 April</b>	<b>-641</b>	<b>-123</b>	<b>0</b>	<b>0</b>	<b>-938</b>	<b>-1,702</b>	<b>0</b>
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	
<b>Impairment as at 31 March 2012</b>	<b>-5,619</b>	<b>-198</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-5,817</b>	<b>0</b>
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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Balance at 31 March</b>	<b>4,521</b>	<b>0</b>	<b>5,151</b>	<b>535</b>

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

### 26. Movement in the value of Assets Held for Sale

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	
<b>104</b>	<b>Balance at 31 March</b>	<b>0</b>

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

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
<b>Gross Carrying Value at 31 March</b>	<b>6,180</b>	<b>5,661</b>
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
<b>Amortisation at 31 March</b>	<b>-4,082</b>	<b>-4,061</b>
Impairment at 1 April	0	0
Impairment for the year		-26
Impairment on reclassification to/from Intangible Assets		0
Impairment on Derecognition		26
<b>Impairment at 31 March</b>	<b>0</b>	<b>0</b>
Net Book at 1 April	3,487	2,098
<b>Net Book Value at 31 March</b>	<b>2,098</b>	<b>1,600</b>

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
<b>Total</b>	<b>1,794</b>	<b>729</b>

## 28. Heritage Assets

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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:

	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
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
<b>Balance at 31 March</b>	<b>24,330</b>	<b>27,868</b>

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.

<b>2012/13</b>	<b>Service Costs</b>	<b>Principal Repayments</b>	<b>Interest Costs</b>	<b>Lifecycle Replacement Payments</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within 1 Year	13,947	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
<b>Total</b>	<b>253,893</b>	<b>27,868</b>	<b>24,049</b>	<b>14,190</b>	<b>320,000</b>

<b>2011/12</b>	<b>Service Costs</b>	<b>Principal Repayments</b>	<b>Interest Costs</b>	<b>Lifecycle Replacement Payments</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within 1 Year	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
<b>Total</b>	<b>289,739</b>	<b>24,330</b>	<b>22,022</b>	<b>14,521</b>	<b>350,612</b>

### 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:

	<b>At 31 March 2012 £'000</b>	<b>At 31 March 2013 £'000</b>
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:

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

The minimum lease payments are payable over the following periods:

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

### 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:

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>Capital Spending</b>	<b>£'000</b>	<b>£'000</b>
<b>Children, Education &amp; Families</b>		
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	
<b>Total Children, Education &amp; Families</b>		23,673
<b>Social &amp; Community Services</b>		
Redbridge Hollow Phase 2	801	
Extra Care Housing - Shotover	603	
Banbury Day Centre	508	
Schemes under £500,000	612	
<b>Total Social &amp; Community Services</b>		2,524
<b>Environment &amp; Economy</b>		
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	
<b>Total Environment &amp; Economy</b>		19,697
<b>Chief Executive's Office</b>		
Introduction of Radio Frequency Identification in Libraries	557	
Schemes under £500,000	347	
<b>Total Chief Executive's Office</b>		904
<b>Sub Total Capital Programme</b>		<b>46,798</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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

### 33. Summary of capital expenditure

Capital expenditure by asset class is as follows:

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
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	
	<b>81,056</b>	<b>56,551</b>
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
<b>Total capital expenditure</b>	<b>75,724</b>	<b>51,497</b>

### 34. Capital Financing

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

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
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
<b>Total</b>	<b>75,724</b>	<b>51,497</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Capital Financing Requirement as at 31 March</b>	<b>452,607</b>	<b>438,761</b>

### 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	
<b>Children, Education &amp; Families</b>		
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
<b>Environment &amp; Economy</b>		
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
<b>TOTAL</b>		<b>14,187</b>

## 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
<b>Total Financial Assets</b>	<b>92,882</b>	<b>100,926</b>	<b>230,494</b>	<b>253,380</b>
Financial liabilities at amortised cost	416,493	413,913	128,289	106,435
<b>Total Financial Liabilities</b>	<b>416,493</b>	<b>413,913</b>	<b>128,289</b>	<b>106,435</b>

Statutory debtors and creditors, receipts in advance and the capital prepayment account are not considered to be financial instruments and are therefore excluded from the above carrying values. 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
<b>Balance as at 31 March</b>	<b>4,784</b>	<b>4,728</b>

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
<b>Total</b>			<b>5,000</b>		<b>42</b>	<b>-713</b>	<b>-1,554</b>	<b>2,775</b>

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
<b>Total</b>	<b>2,775</b>	<b>81</b>	<b>-912</b>	<b>56</b>	<b>78</b>	<b>2,078</b>

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	
<b>-1,554</b>	<b>Balance at 31 March</b>	<b>-1,498</b>

#### 41. Long Term Debtors

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

	<b>At 31 March 2012 £'000</b>	<b>At 31 March 2013 £'000</b>
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
	<b>3,389</b>	<b>3,135</b>
Capital Prepayment Account	2,670	2,830
<b>Total</b>	<b>6,059</b>	<b>5,965</b>

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

The Capital Prepayment Account holds prepayments for lifecycle replacement costs relating to the service concession arrangement. As lifecycle replacements actually take place the value of the works is transferred to Property, Plant and Equipment (£0.565m 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:

<b>2012/13</b>	<b>Balance at 1 April 2012 £'000</b>	<b>Purchases £'000</b>	<b>Recognised as an expense in the year £'000</b>	<b>Written Off Balances £'000</b>	<b>Balance at 31 March 2013 £'000</b>
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
<b>Total</b>	<b>356</b>	<b>187</b>	<b>-332</b>	<b>-1</b>	<b>210</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2011/12</b>	<b>Balance at 1 April 2011</b>	<b>Purchases</b>	<b>Recognised as an expense in the year</b>	<b>Written Off Balances</b>	<b>Balance at 31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
<b>Total</b>	<b>347</b>	<b>2,399</b>	<b>-2,389</b>	<b>-1</b>	<b>356</b>

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:

	<b>2012 £'000</b>	<b>2013 £'000</b>
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
	<b>44,597</b>	<b>47,488</b>
Less Impairment Allowance Account	-7,301	-7,406
	<b>37,296</b>	<b>40,082</b>

Under the arrangements for accounting for financial instruments, all financial assets are assessed for impairment. The only financial assets for which there is evidence of impairment are short-term debtors and investments within the loans and receivables category. The Code permits the reduction in the carrying amount of financial assets to be held within an allowance account rather than adjusting the value of the financial asset directly. The movement in the debtor impairment allowance account is as follows:

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

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:

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

#### **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:

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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	
	Yes/No	Yes/No	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Banks									
UK	Yes	Yes	-	10,000	20,000	9,000	10,000	-	<b>49,000</b>
Banks non-UK:									
Singapore	Yes	Yes	-	-	15,000	5,000	-	-	<b>20,000</b>
<b>Total Banks</b>			-	<b>10,000</b>	<b>35,000</b>	<b>14,000</b>	<b>10,000</b>	-	<b>69,000</b>
Local Authorities and Police Authorities	Yes	Yes	15,000	9,000	22,000	66,000	44,000	42,000	<b>198,000</b>
Building Societies - UK	Yes	Yes	-	5,000	10,000	-	-	-	<b>15,000</b>
Short dated Bond Funds	Yes	Yes	15,220	-	-	-	-	-	<b>15,220</b>
Money Market Funds	Yes	Yes	2,345	-	-	-	-	-	<b>2,345</b>
Call Accounts	Yes	Yes	15,031	-	-	-	-	-	<b>15,031</b>
<b>Total</b>			<b>47,596</b>	<b>24,000</b>	<b>67,000</b>	<b>80,000</b>	<b>54,000</b>	<b>42,000</b>	<b>314,596</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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:

	<b>At 31 March 2012 £'000</b>	<b>At 31 March 2013 £'000</b>
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
<b>Total</b>	<b>15,968</b>	<b>18,834</b>

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
<b>476,521</b>		<b>367,317</b>	<b>50,923</b>	<b>28,094</b>	<b>446,334</b>

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

### Market Risk

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

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

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

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

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

## 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
<b>Impact on Comprehensive Income &amp; Expenditure Statement</b>	<b>-1,508</b>	<b>-1,679</b>

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
<b>Impact on Comprehensive Income &amp; Expenditure Statement</b>	<b>1,252</b>	<b>1,251</b>

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

### Price Risk

The County Council does not generally invest in equity shares but does have investments in 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**

	<b>At 31 March 2012 £'000</b>	<b>At 31 March 2013 £'000</b>
<b>Receipts in Advance</b>		
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
	<b>4,903</b>	<b>5,256</b>
<b>Creditors</b>		
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
	<b>81,331</b>	<b>84,439</b>
<b>Long Term Receipts in Advance</b>	<b>0</b>	<b>1,755</b>
	<b>86,234</b>	<b>91,450</b>

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

#### **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:

	<b>Balance at 31 March 2012 £'000</b>	<b>Reclass- ification between short and long term £'000</b>	<b>Additional provisions made in 2012/13 £'000</b>	<b>Amounts used in 2012/13 £'000</b>	<b>Unused amounts reversed in 2012/13 £'000</b>	<b>Balance at 31 March 2013 £'000</b>
<b>Provision due within 1 year</b>						
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
	<b>3,080</b>	<b>610</b>	<b>5,317</b>	<b>-4,085</b>	<b>-974</b>	<b>3,948</b>
<b>Provision due after 1 year</b>						
Insurance	5,160	-610	2,943	-1,068	-1,799	4,626
<b>Total</b>	<b>8,240</b>	<b>0</b>	<b>8,260</b>	<b>-5,153</b>	<b>-2,773</b>	<b>8,574</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

	<b>Balance at 31 March 2011</b>	<b>Reclass- ification between short and long term</b>	<b>Additional provisions made in 2011/12</b>	<b>Amounts used in 2011/12</b>	<b>Unused amounts reversed in 2011/12</b>	<b>Balance at 31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Provision due within 1 year</b>						
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
	<b>8,605</b>	<b>1,261</b>	<b>4,541</b>	<b>-10,041</b>	<b>-1,286</b>	<b>3,080</b>
<b>Provision due after 1 year</b>						
Insurance	3,392	-1,261	4,042	-498	-515	5,160
<b>Total</b>	<b>11,997</b>	<b>0</b>	<b>8,583</b>	<b>-10,539</b>	<b>-1,801</b>	<b>8,240</b>

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**

<b>2012/13</b>	<b>Capital Grants</b>	<b>Developer Contributions</b>	<b>Other Contributions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Short term:</b>				
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
<b>Balance at 31 March 2013</b>	<b>4,518</b>	<b>1,397</b>	<b>0</b>	<b>5,915</b>
<b>Long term:</b>				
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
<b>Balance at 31 March 2013</b>	<b>6,892</b>	<b>23,199</b>	<b>65</b>	<b>30,156</b>
<b>Total at 31 March 2013</b>	<b>11,410</b>	<b>24,596</b>	<b>65</b>	<b>36,071</b>

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
<b>Short term:</b>				
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
<b>Balance at 31 March 2012</b>	<b>6,455</b>	<b>2,848</b>	<b>12</b>	<b>9,315</b>
<b>Long term:</b>				
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
<b>Balance at 31 March 2012</b>	<b>8,227</b>	<b>20,215</b>	<b>65</b>	<b>28,507</b>
<b>Total at 31 March 2012</b>	<b>14,682</b>	<b>23,063</b>	<b>77</b>	<b>37,822</b>

### 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**

<b>Balance at 1 April 2011 £'000</b>	<b>Contribution from Reserve £'000</b>	<b>Contribution to Reserve £'000</b>	<b>Balance at 31 March 2012 £'000</b>		<b>Balance at 1 April 2012 £'000</b>	<b>Contribution from Reserve £'000</b>	<b>Contribution to Reserve £'000</b>	<b>Balance at 31 March 2013 £'000</b>
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**

<b>Balance at 1 April 2011 £'000</b>	<b>Contribution from Reserve £'000</b>	<b>Contribution to Reserve £'000</b>	<b>Balance at 31 March 2012 £'000</b>		<b>Balance at 1 April 2012 £'000</b>	<b>Contribution from Reserve £'000</b>	<b>Contribution to Reserve £'000</b>	<b>Balance at 31 March 2013 £'000</b>
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
<b>84,739</b>	<b>-34,610</b>	<b>66,932</b>	<b>117,061</b>	<b>Total Earmarked Reserves</b>	<b>117,061</b>	<b>-58,365</b>	<b>76,971</b>	<b>135,667</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The purposes of the earmarked reserves are as follows:-

### Local Management of Schools

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

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

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

### 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.

	<b>At 31 March 2012 £'000</b>	<b>At 31 March 2013 £'000</b>
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
<b>Total</b>	<b>3,459</b>	<b>4,736</b>

### **Carry Forward Reserve**

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

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

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

### **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**

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
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
<b>Balance as at 31 March</b>	<b>9,420</b>	<b>10,617</b>

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:

	<b>£'000</b>
Champion House	727
Other receipts from sale of assets under £500,000	95
<b>Total</b>	<b>822</b>

**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**

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
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
<b>Balance as at 31 March</b>	<b>39,830</b>	<b>54,130</b>

**55. Unusable Reserves**

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

	<b>Balance at 31 March 2012 £'000</b>	<b>Balance at 31 March 2013 £'000</b>
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
<b>Total</b>	<b>293,276</b>	<b>141,286</b>

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
	<b>91,749</b>	<b>Balance as at 31st March</b>		<b>67,179</b>

**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
	<b>868,630</b>	<b>Balance as at 31 March</b>		<b>676,820</b>

**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.

<b>2011/12 £'000</b>		<b>2012/13 £'000</b>
-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
<b>-471</b>	<b>Balance at 31 March</b>	<b>-389</b>

**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:

<b>2011/12 £'000</b>		<b>2012/13 £'000</b>
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
<b>3,866</b>	<b>Balance at 31 March</b>	<b>5,087</b>

**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**

<b>2011/12 £'000</b>		<b>2012/13 £'000</b>	
-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
<b>-9,154</b>	<b>Balance at 31 March</b>		<b>-6,831</b>

**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:

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
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
<b>Total adjustments for non-cash movements</b>	<b>-179,022</b>	<b>-261,956</b>

**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	
	<b>Cash outflows</b>		
501,302	Cash paid to and on behalf of employees	432,581	
405,080	Other operating costs	418,340	
906,382			850,921
	<b>Cash inflows</b>		
-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
	<b>Cash outflows</b>		
18,364	Interest paid	18,961	
1,569	Interest element of finance lease rental payments	1,860	
19,933			20,821
	<b>Cash Inflows</b>		
-2,179	Interest received		-2,772
<b>-57,965</b>	<b>Total operating activities</b>		<b>-38,391</b>

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
<b>Total investing activities</b>	<b>-5,700</b>	<b>90,600</b>

**64. Cash Flow Statement – Financing Activities**

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

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

**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:

<b>Government Grants</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
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
<b>Total</b>	<b>473,342</b>	<b>407,964</b>

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	
<b>Trust Funds where Oxfordshire County Council acts as sole trustee</b>		<b>Value of Fund £'000</b>	<b>No. of Funds</b>	<b>Value of Fund £'000</b>
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
<b>Total</b>		<b>402</b>	<b>15</b>	<b>254</b>

		2011/12	2012/13	
<b>Trust Funds where Oxfordshire County Council acts as joint trustees</b>		<b>Value of Fund £'000</b>	<b>No. of Funds</b>	<b>Value of Fund £'000</b>
Children, Education & Families Social & Community Services	Funds to be used for the benefit of Wallingford School	3,193	3	3,231
	Other (under £10,000)	2	1	1
	Junior Citizens Trust	8	1	6
<b>Total</b>		<b>3,203</b>	<b>5</b>	<b>3,238</b>

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

**THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS: FUND ACCOUNT**

<b>Fund Account for the Year Ended 31 March 2013</b>			
	Notes	<b>2012</b> £'000	<b>2013</b> £'000
<b>Contributions and Benefits</b>			
Contributions Receivable	7	-102,349	-78,406
Transfers from Other Schemes	8	-6,725	-5,769
Other Income	9	0	-528
<b>Income Sub Total</b>		<b>-109,074</b>	<b>-84,703</b>
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
<b>Expenditure Sub Total</b>		<b>78,281</b>	<b>71,499</b>
<b>Net Additions from dealings with members</b>		<b>-30,793</b>	<b>-13,204</b>
<b>Returns on Investments</b>			
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
<b>Net returns on Investments</b>		<b>-41,095</b>	<b>-190,550</b>
<b>Net Increase in the Net Assets Available for Benefits During the Year</b>		<b>-71,888</b>	<b>-203,754</b>
Opening Net Assets of the Scheme		1,248,106	1,319,994
<b>Closing Net Assets of the Scheme</b>		<b>1,319,994</b>	<b>1,523,748</b>



**THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS: NET ASSETS STATEMENT**

<b>Net Assets as at 31 March 2013</b>			
	Notes	<b>2012 £'000</b>	<b>2013 £'000</b>
<b>Investment Assets</b>			
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
<b>Investment Liabilities</b>			
Derivative Contracts	17c	-20	-55
Other Investment Balances	17d	-3,215	-5,742
<b>Total Investments</b>		<b>1,257,788</b>	<b>1,461,157</b>
<b>Assets and Liabilities</b>			
Current Assets	18	47,212	50,966
Current Liabilities	19	-1,471	-2,505
<b>Net Current Assets</b>		<b>45,741</b>	<b>48,461</b>
Long-Term Assets	20	16,465	14,130
<b>Net Assets of the scheme available to fund benefits at year end</b>		<b>1,319,994</b>	<b>1,523,748</b>

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

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

	<b>Service Pre 1 April 2008</b>	<b>Service Post 31 March 2008</b>
Pension	Each full-time year worked is worth $1/80 \times$ final pensionable salary.	Each full-time year worked is worth $1/60 \times$ final pensionable salary.
Lump Sum	Automatic lump sum of $3 \times$ 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
<b>Employers</b>		
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
<b>Members</b>		
Normal	-18,694	-18,321
Additional *	-475	-350
	-19,169	-18,671
<b>Total</b>	<b>-102,349</b>	<b>-78,406</b>

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.

	<b>Employer Contributions</b>		<b>Members Contributions</b>	
	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
<b>Total</b>	<b>-83,180</b>	<b>-59,735</b>	<b>-19,169</b>	<b>-18,671</b>

### 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
<b>Total</b>	<b>-6,725</b>	<b>-5,769</b>

### 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**

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
Pensions Payable	47,843	52,673
Lump Sums – Retirement Grants	18,513	11,593
Lump Sums – Death Grants	1,685	1,580
<b>Total</b>	<b>68,041</b>	<b>65,846</b>

	<b>Pensions Payable</b>		<b>Lump Sums</b>	
	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
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
<b>Total</b>	<b>47,843</b>	<b>52,673</b>	<b>20,198</b>	<b>13,173</b>

**Note 11 – Payment to and on account of leavers**

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
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
<b>Total</b>	<b>6,132</b>	<b>4,215</b>

**Note 12 – Administrative Expenses**

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
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
<b>Total</b>	<b>1,360</b>	<b>1,438</b>

## 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
	<b>-21,855</b>	<b>-17,850</b>
Irrecoverable Withholding Tax - Equities	<b>135</b>	<b>87</b>
<b>Total</b>	<b>-21,720</b>	<b>-17,763</b>

### 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
<b>Total</b>	<b>2,159</b>	<b>3,032</b>

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.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### 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:

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
Short Term Benefits	44	47*
Long Term/Post Retirement Benefits	9	9
<b>Total</b>	<b>53</b>	<b>56</b>

\* 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**

	<b>Value at 31 March 2012 £'000</b>	<b>Value at 31 March 2013 £'000</b>
<b>Investment Assets</b>		
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
<b>Total Investment Assets</b>	<b>1,261,023</b>	<b>1,466,954</b>
<b>Investment Liabilities</b>		
Derivatives:		
- Forward Currency Contracts	-20	-55
Investment Expenses Due	-630	-1,111
Amounts Payable for Purchases	-2,585	-4,631
<b>Total Investment Liabilities</b>	<b>-3,235</b>	<b>-5,797</b>
<b>Net Investment Assets</b>	<b>1,257,788</b>	<b>1,461,157</b>

**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
<b>Total</b>	<b>1,257,788</b>	<b>683,587</b>	<b>-648,624</b>	<b>175,818</b>	<b>1,555</b>	<b>-8,967</b>	<b>1,461,157</b>

**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
<b>Total</b>	<b>1,216,339</b>	<b>990,238</b>	<b>-974,605</b>	<b>21,534</b>	<b>-688</b>	<b>4,970</b>	<b>1,257,788</b>

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.

**NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS**

**Note 17b – Analysis of Investments (Excluding Derivative Contracts)**

**Fixed Interest Securities**

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
UK Public Sector	57,939	33,327
UK Other	60,423	3,570
Overseas Public Sector	24,054	28,731
<b>Total</b>	<b>142,416</b>	<b>65,628</b>

**Index Linked Securities**

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
UK Public Sector Index Linked	68,246	77,416
<b>Total</b>	<b>68,246</b>	<b>77,416</b>

**Equity Investments**

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
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
<b>Total</b>	<b>231,167</b>	<b>455,489</b>

**Pooled Investment Vehicles**

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
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
<b>Total</b>	<b>731,667</b>	<b>763,484</b>

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### Private Equity

	2011/12 £'000	2012/13 £'000
Listed Investments	72,727	90,872
Unlisted Investments	9	9
<b>Total</b>	<b>72,736</b>	<b>90,881</b>

### 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:

<b>Contract</b>	<b>Settlement Date</b>	<b>Currency Bought</b>	<b>Currency Sold</b>	<b>Asset value At year end £'000</b>	<b>Liability value at year end £'000</b>	<b>Net Forward currency Contracts £'000</b>
		<b>'000</b>	<b>'000</b>			
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				<b>813</b>	<b>-55</b>	<b>758</b>
Prior Year Comparative						
Forward Currency contracts at 31 March 2012				<b>932</b>	<b>-20</b>	<b>912</b>

**Note 17d – Other Investment Balances**

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
<b><u>Receivables</u></b>		
Sale of Investments	6,710	1,286
Dividend & Interest Accrued	3,865	2,810
Inland Revenue	105	144
Other	7	7
	<b>10,687</b>	<b>4,247</b>
<b><u>Payables</u></b>		
Purchase of Investments	-2,585	-4,631
Management Fees	-625	-1,077
Custodian Fees	-5	-34
	<b>-3,215</b>	<b>-5,742</b>
<b>Total</b>	<b>7,472</b>	<b>-1,495</b>

**NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS**

**Cash Deposits**

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
Non-Sterling Cash Deposits	3,172	8,995
<b>Total</b>	<b>3,172</b>	<b>8,995</b>

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

	<b>2011/12 £'000</b>	<b>% of Total Fund</b>	<b>2012/13 £'000</b>	<b>% of Total Fund</b>
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**

<b>2012/13</b>	<b>Central Gov't Bodies  £'000</b>	<b>Local Authorities  £'000</b>	<b>NHS Bodies  £'000</b>	<b>Public Corporations &amp; Trading Funds £'000</b>	<b>Other  £'000</b>	<b>Total  £'000</b>
Receivables:						
Employer Contributions	2,121	4,231	20	52	518	<b>6,942</b>
Employee Contributions	0	1,410	6	16	64	<b>1,496</b>
Transferred Benefits	0	542	0	0	0	<b>542</b>
Costs of Early Retirement	0	927	0	43	236	<b>1,206</b>
Inland Revenue	21	0	0	0	0	<b>21</b>
Other	46	163	0	3	94	<b>306</b>
Cash Balances	0	0	0	0	40,453	<b>40,453</b>
<b>Total</b>	<b>2,188</b>	<b>7,273</b>	<b>26</b>	<b>114</b>	<b>41,365</b>	<b>50,966</b>

**NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS**

<b>2011/12</b>	<b>Central Gov't Bodies</b>	<b>Local Authorities</b>	<b>NHS Bodies</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Receivables:						
Employer Contributions	2,122	4,283	1	4	233	<b>6,643</b>
Employee Contributions	0	1,446	0	2	77	<b>1,525</b>
Transferred Benefits	0	176	0	0	0	<b>176</b>
Costs of Early Retirement	0	1,097	0	13	254	<b>1,364</b>
Inland Revenue	60	0	0	0	0	<b>60</b>
Other	46	151	0	14	18	<b>229</b>
Cash Balances	0	0	0	0	37,215	<b>37,215</b>
<b>Total</b>	<b>2,228</b>	<b>7,153</b>	<b>1</b>	<b>33</b>	<b>37,797</b>	<b>47,212</b>

**Note 19 – Current Liabilities**

<b>2012/13</b>	<b>Central Government Bodies</b>	<b>Local Authorities</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Transferred Benefits	0	-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
<b>Total</b>	<b>-938</b>	<b>-1,513</b>	<b>-37</b>	<b>-17</b>	<b>-2,505</b>

<b>2011/12</b>	<b>Central Government Bodies</b>	<b>Local Authorities</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Transferred Benefits	0	-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
<b>Total</b>	<b>-867</b>	<b>-359</b>	<b>-15</b>	<b>-230</b>	<b>-1,471</b>

**NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS**

**Note 20 – Long-Term Assets**

<b>2012/13</b>	<b>Central Government Bodies</b>	<b>Local Authorities</b>	<b>NHS Bodies</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employer Contributions	13,148	0	0	0	0	<b>13,148</b>
Costs of Early Retirement	0	742	0	81	159	<b>982</b>
<b>Total</b>	<b>13,148</b>	<b>742</b>	<b>0</b>	<b>81</b>	<b>159</b>	<b>14,130</b>

<b>2011/12</b>	<b>Central Government Bodies</b>	<b>Local Authorities</b>	<b>NHS Bodies</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employer Contributions	14,806	0	0	0	0	<b>14,806</b>
Costs of Early Retirement	0	1,274	0	11	374	<b>1,659</b>
<b>Total</b>	<b>14,806</b>	<b>1,274</b>	<b>0</b>	<b>11</b>	<b>374</b>	<b>16,465</b>

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:

	<b>2011/12</b>		<b>2012/13</b>	
	<b>Market Value £'000</b>	<b>%</b>	<b>Market Value £'000</b>	<b>%</b>
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
<b>Total</b>	<b>1,194,133</b>	<b>100.00</b>	<b>1,344,655</b>	<b>100.00</b>

**Note 22 – Top 5 Holdings**

<b>Value of the Fund's Top Five Holdings</b>	<b>£'000</b>	<b>% of Fund</b>
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**

	<b>Market Value 31 March 2012 £'000</b>	<b>Market Value 31 March 2013 £'000</b>
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.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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
<b>Financial Assets</b>						
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	
	<b>1,257,746</b>	<b>40,459</b>	<b>0</b>	<b>1,457,815</b>	<b>49,513</b>	<b>0</b>
<b>Financial Liabilities</b>						
Derivatives	-20			-55		
Other Investment Balances	-3,215			-5,742		
Payables			-58			-108
	<b>-3,235</b>	<b>0</b>	<b>-58</b>	<b>-5,797</b>	<b>0</b>	<b>-108</b>
<b>Total</b>	<b>1,254,511</b>	<b>40,459</b>	<b>-58</b>	<b>1,452,018</b>	<b>49,513</b>	<b>-108</b>



**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
<b>Financial Assets - Current</b>				
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
<b>Financial Assets – Long Term</b>				
Financial Assets at fair value through profit or loss	45,468	45,468	53,701	53,701
<b>Financial Liabilities – Current</b>				
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
<b>Total</b>	<b>1,294,912</b>	<b>1,294,912</b>	<b>1,501,423</b>	<b>1,501,423</b>

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
<b>Financial Assets</b>		
Fair Value through Profit and Loss	22,209	175,650
Loans and Receivables	-2,191	-132
<b>Financial Liabilities</b>		
Fair Value through Profit and Loss	1,516	301
Financial Liabilities Measured at Amortised Cost	0	0
<b>Total</b>	<b>21,534</b>	<b>175,819</b>

**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.

<b>Value at 31 March 2013</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Financial Assets</b>				
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
<b>Total Financial Assets</b>	<b>638,710</b>	<b>774,755</b>	<b>93,862</b>	<b>1,507,327</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit and Loss	-5,742	-55	0	-5,797
Financial Liabilities at Amortised Cost	-108	0	0	-108
<b>Total Financial Liabilities</b>	<b>-5,850</b>	<b>-55</b>	<b>0</b>	<b>-5,905</b>
<b>Net Financial Assets</b>	<b>632,860</b>	<b>774,700</b>	<b>93,862</b>	<b>1,501,422</b>

**NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS**

<b>Value at 31 March 2012</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Financial Assets</b>				
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
<b>Total Financial Assets</b>	<b>422,223</b>	<b>788,004</b>	<b>87,978</b>	<b>1,298,205</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit and Loss	-3,215	-20	0	-3,235
Financial Liabilities at Amortised Cost	-58	0	0	-58
<b>Total Financial Liabilities</b>	<b>-3,273</b>	<b>-20</b>	<b>0</b>	<b>-3,293</b>
<b>Net Financial Assets</b>	<b>418,950</b>	<b>787,984</b>	<b>87,978</b>	<b>1,294,912</b>

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
<b>Total</b>	<b>251,049</b>	<b>285,142</b>

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates whilst limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be 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
<b>Money Market Funds</b>				
Deutsche Managed Sterling Fund	AAA	19,016	AAA	21,324
Ignis Asset Management	AAA	543	AAA	0
<b>Bank Deposit Accounts</b>				
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
<b>Bank Current Accounts</b>				
Lloyds TSB Plc	A	8,758	A	8,979
<b>Total</b>		<b>37,215</b>		<b>40,453</b>

The Pension fund has no experience of default against which to quantify the credit risk against the current investments.

### Liquidity Risk

Liquidity risk represents the risk that the Fund will be unable to meet its financial obligations as they fall due. At the present time, the Liquidity risk is seen, relatively, as the greatest threat to the Pension Fund, although the absolute risk itself is still seen to be very low, particularly in the short term.

During 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

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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
<b>Total Change in Assets Available</b>	<b>285,142</b>	<b>2,852</b>	<b>-2,852</b>

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
<b>Total Change in Assets Available</b>	<b>251,049</b>	<b>2,511</b>	<b>-2,511</b>

In the short term, interest rate risk is difficult to quantify in that it impacts directly on both the price of fixed interest and index linked securities as well as the discount factor used to value liabilities. Increases in interest rates which will drive down security prices and asset values will also reduce the future pension liabilities and therefore improve funding levels rather than worsen them.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### 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
<b>Total Change in Assets Available</b>	<b>581,585</b>	<b>33,494</b>	<b>-33,494</b>

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
<b>Total Change in Assets Available</b>	<b>77,260</b>	<b>7,417</b>	<b>-7,417</b>



## 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
<b>Total Assets Available to Pay Benefits</b>	<b>1,502,348</b>		<b>1,631,549</b>	<b>1,373,145</b>

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
<b>Total Assets Available to Pay Benefits</b>	<b>1,286,619</b>		<b>1,449,335</b>	<b>1,123,903</b>

## LOCAL GOVERNMENT PENSION FUND ACTUARIAL VALUATION

### 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 value<sup>1</sup> 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

<b>Assumptions for the 2010 Valuation</b>	<b>Annual Rate %</b>
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.

<sup>1</sup>The 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
-		
<b>Contributions Receivable</b>		
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
<b>Transfers in</b>	-19	0
<b>Benefits Payable</b>		
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
<b>Payments to and on account of leavers</b>		
Individual transfers out to other schemes	36	159
	36	159
<b>Net amount payable/receivable for the year before top-up grant receivable/amount payable to sponsoring department</b>	<b>2,151</b>	<b>2,447</b>
<b>Top-up grant receivable</b>	-2,151	-2,447
<b>Net amount payable/receivable for the year</b>	<b>0</b>	<b>0</b>

**FIRE-FIGHTERS' PENSION FUND ACCOUNTS: NET ASSETS STATEMENT**

<b>Net Assets Statement</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
<b>Net Current Assets and Liabilities</b>		
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
<b>Total</b>	<b>0</b>	<b>0</b>

**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/SOLACE<sup>1</sup> Framework 'Delivering Good Governance in Local Government'. A copy of the code is on our public website<sup>2</sup>.
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.

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<sup>1</sup> Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives

<sup>2</sup> <http://www.oxfordshire.gov.uk/cms/public-site/corporate-governance>

## 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 SMART<sup>3</sup> 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.

<sup>3</sup> 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'<sup>4</sup>, 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.

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<sup>4</sup> <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 2005<sup>5</sup>. 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.

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<sup>5</sup> 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"<sup>6</sup>. This outlines five principles that define the core activities and behaviours that belong to the role of Chief Financial Officer and the governance requirements needed to support them. A self-assessment confirms that the Council's 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

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<sup>6</sup> See: [http://www.cipfa.org/Policy-and-Guidance/Reports/-/media/Files/Publications/Reports/role\\_of\\_CFO\\_in\\_LG\\_2010\\_WR.pdf](http://www.cipfa.org/Policy-and-Guidance/Reports/-/media/Files/Publications/Reports/role_of_CFO_in_LG_2010_WR.pdf)

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

## ANNUAL GOVERNANCE STATEMENT

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 2005<sup>7</sup>.

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.

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<sup>7</sup> 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 Framework<sup>8</sup>. 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.

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<sup>8</sup> <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:

<b>Action planned for 2012/13</b>	<b>Progress</b>	<b>Status</b>
<p><b>Data Transfers and Security</b></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><b>Delivery of the Internal Audit Counter-Fraud Plan</b></p>	<p>The refreshed Counter-fraud Plan was presented to the Audit &amp; 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><b>Health &amp; Safety</b> To ensure the Health &amp; Safety Strategy is embedded across the organisation and</p> <p>a) That roles and responsibilities are clear and understood;</p> <p>b) H&amp;S arrangements in commissioning, awarding and managing service provider contracts are robust.</p>	<p>The Health &amp; Safety (H&amp;S) Policy Framework has been reviewed and refreshed. This includes the new Deputy Director Part 3 H&amp;S Arrangements and Premises H&amp;S Responsibilities document (OCC/Carillion):</p> <p>Directorate Action Plans are currently being developed by Leadership teams. The SCS Action Plan is completed, E&amp;E, CEF and CEX Action Plans are being developed.</p> <p>H&amp;S Roles and Responsibilities have been refreshed:</p> <p>All staff have been emailed by the Chief Executive informing them of their H&amp;S responsibilities. Strategic HR have written to Tier 2 and Service Managers.</p>	<p>On-going</p>
<p><b>Business Continuity Stakeholders Group</b> 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"> <li>❖ All contracts to be reviewed annually and all follow up actions completed within three months;</li> <li>❖ A review of the size/complexity of contracts in place, profiling the risks associated with each</li> <li>❖ On-going review of systems of contract management to ensure they are effective and robust.</li> <li>❖ Contract monitoring to include Health &amp; Safety Part 3 and Information Governance related performance indicators.</li> </ul>	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**

<b>Action planned for 2012/13</b>	<b>Progress</b>	<b>Status</b>
<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"> <li>- Live vendors by vendor category – Actual against target</li> <li>- Use of one-time vendors – with commentary on inappropriate use including multiple use</li> <li>- FB60 payments/services using FB60 process</li> <li>- Red route orders with a commentary of those that have resulted in vendor creation</li> <li>- Duplicate Payments &amp; vendors</li> </ul>	<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

	<b>Action planned for 2013/14</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>1</b>	<p><b>Data Transfers and Security (on-going from 2012/13)</b></p> <p>To implement the strategy to:</p> <ul style="list-style-type: none"> <li>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;</li> <li>b) improve staff awareness of the requirements of the Acceptable Use Policy.</li> <li>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.</li> </ul>	<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**

	<b>Action planned for 2013/14</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>2</b>	<p><b>Health &amp; Safety (on-going from 2012/13)</b></p> <p>To ensure the Health &amp; 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 &amp; Safety arrangements in commissioning, awarding and managing service provider contracts are robust.</p> <p>c) that the recommendations from the Internal Audit of Health &amp; Safety are actioned.</p> <p>d) that an effective Health &amp; 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
<b>3</b>	<p><b>Legislation</b></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

	<b>Action planned for 2013/14</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>4</b>	<p><b>Data Quality</b></p> <p>Agree, implement and report on the performance of a <b>Data Quality Strategy</b> within the organisation and with third parties</p>	31 March 2014	Business Management Corporate Lead (Research & Major Projects Officer)	CGAG
<b>5</b>	<p><b>Commercial Services Board</b></p> <p>Is implemented effectively and</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• issues in CEF contract management are addressed</li> </ul>	31 March 2014	Deputy Chief Finance Officer and  County Procurement Manager	CGAG
<b>6</b>	<p><b>Implementation of Self-Service for Human Resources and Finance</b></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**

	<b>Action planned for 2013/14</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>7</b>	<p><b>Improve Client Charging arrangements in Social and Community Services and in Oxfordshire Customer Services</b></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.

### **Curtailement**

Early retirement costs calculated in accordance with accounting standard IAS19.

### **Debtors**

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

### **Deferred Income**

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

### **Depreciation**

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

### **Derecognition**

Removal of an asset or liability from the Balance Sheet.

### **Equity instrument**

A contract such as an equity share in a company.

### **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.