

OXFORDSHIRE COUNTY COUNCIL

STATEMENT OF ACCOUNTS

2015/16

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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 2016. They have been compiled in accordance with the statutory requirements of the Accounts and Audit Regulations 2015 and in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("the Code")(in conjunction with the 2015/16 Code Update issued in January 2016). To meet statutory requirements, the Chief Finance Officer is required to sign the accounts no later than 30 June 2016 and certify that they give a true and fair view of the County Council's position. This was achieved on 29 June 2016 when the Chief Finance Officer authorised the unaudited accounts for issue. The County Council is required to consider and approve the accounts no later than 30 September 2016. The Audit & Governance Committee is scheduled to meet on 14 September 2016 to fulfil this requirement.

The purpose of this narrative report is to provide the reader with:

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

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

The Financial Statements

The principal financial 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 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 2015/16 the net reduction in the County Fund Balance before transfers from earmarked reserves was £13.8m. After transfers from earmarked reserves the closing balance for the County Fund was £19.0m.
- **Comprehensive Income and Expenditure Statement** which shows the accounting cost in the year of providing services in accordance with the Code of Practice on Local Authority Accounting 2015/16 (and Code Update), 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 2015/16 was £79.2m.

- **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 2016 were £171.7m.
- **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 2015/16 was £9.5m.
- **Pension Fund Accounts** which set out the accounts of the Firefighters' Pension Scheme and the Oxfordshire Local Government Pension Scheme, both of which the County Council administer.
- **Annual Governance Statement** which describes the arrangements by which the County Council conducts its business. This statement does not form part of the statements on which the auditor's opinion is given, but has been included as part of this document for completeness.

The main change to accounting policies for 2015/16 relates to the Code adoption of IFRS13 *Fair Value Measurement*. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The new financial standard has been applied prospectively from 2015/16 and prior year figures have not been restated. The measurement basis for Surplus Assets has changed to market value as a result of the adoption of the new standard and Investment Properties are measured at their highest and best use. Additional fair value disclosures are also included in the notes to the accounts.

Revenue Expenditure

2015/16 was the second year of the four-year directorate business strategies and medium term financial plan agreed by the County Council in February 2014 for the period up to 2017/18. The strategies and plan were updated through the Service & Resource Planning process for 2015/16 to reflect further savings of £27m required as a result of new

NARRATIVE REPORT BY CHIEF FINANCE OFFICER

expenditure pressures identified during 2014/15, bringing the total savings required over the period 2010/11 to 2017/18 to £292m. In February 2015 the County Council set a Council Tax requirement for 2015/16 of £288.2m, based on a Band D Council Tax of £1,232.46, an increase of 1.99% from the previous year.

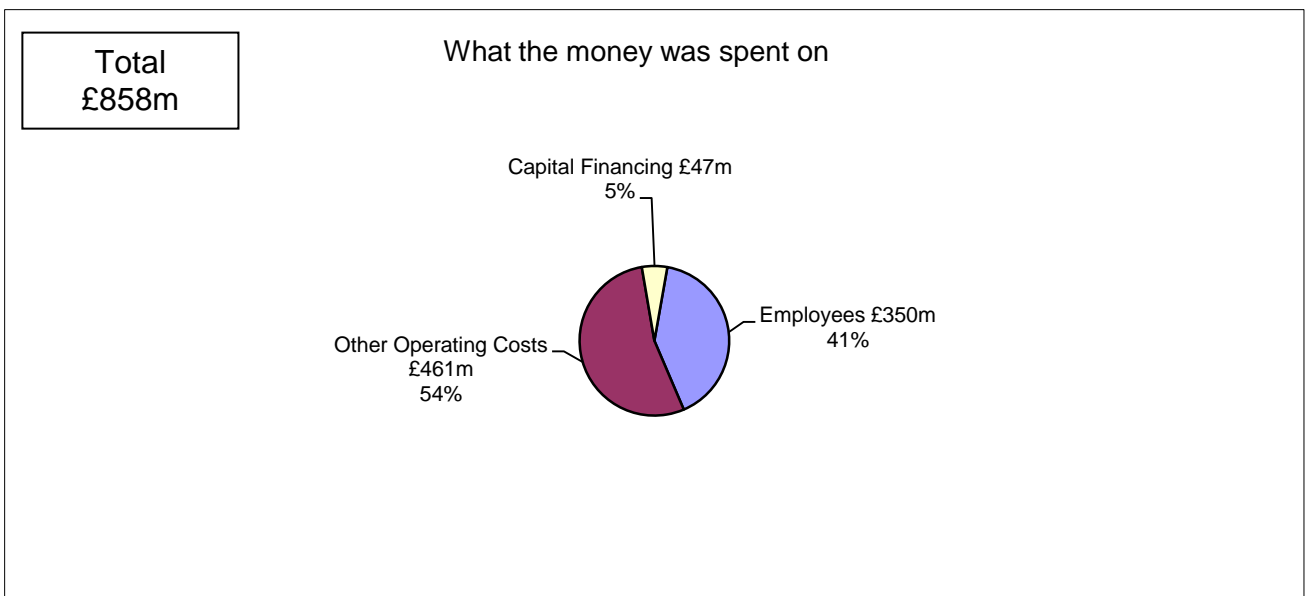
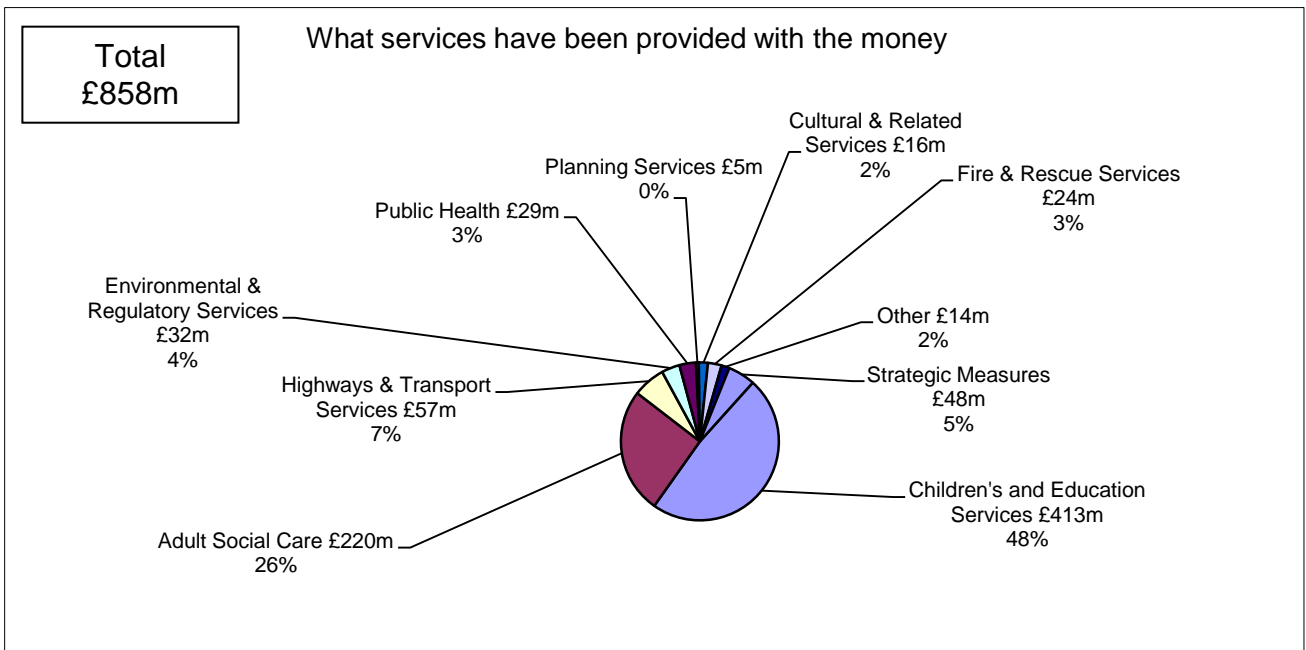
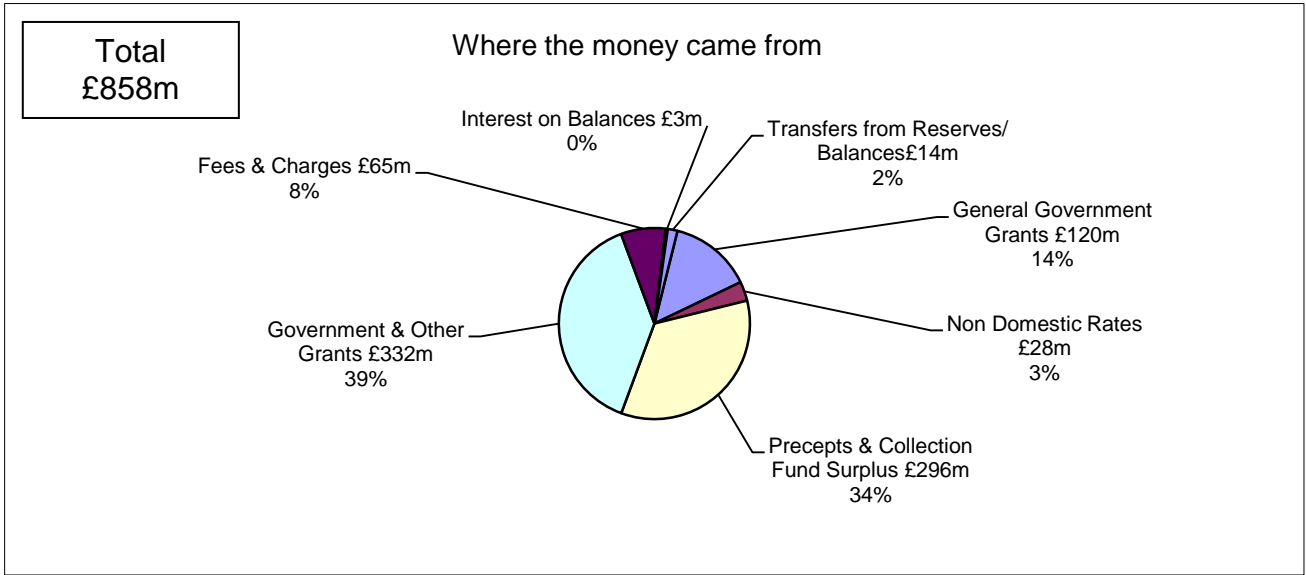
In terms of the County Council's actual expenditure, the Code requires the presentation set out in the Comprehensive Income and Expenditure Statement (page 16). However for management purposes, expenditure is reported on a directorate basis.

The revenue outturn position reported to Cabinet on 28 June 2016 (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	107,049	109,537	112,258	2,721
Social & Community Services	208,748	210,999	209,646	-1,353
Environment & Economy	76,581	90,467	90,189	-278
Chief Executive's Office	18,793	7,475	7,076	-399
Public Health	0	0	0	0
	411,171	418,478	419,169	691
Strategic Measures:				
Contributions to / from (-) Reserves	-7,241	-2,541	-2,360	181
Contributions to Balances	2,000	-5,315	0	5,315
Pension Past Service Deficit Funding	830	830	830	0
Contingency	4,029	3,500	3,500	0
Capital Financing	33,768	33,768	33,653	-115
Interest on Balances	-4,199	-4,199	-5,642	-1,443
	29,187	26,043	29,981	3,938
Unringfenced Government Grants	-15,777	-19,940	-20,238	-298
Council Tax Surpluses	-7,472	-7,472	-7,472	0
Revenue Support Grant	-62,305	-62,305	-62,305	0
Business Rates Top-Up Grant	-37,085	-37,085	-37,085	0
Business Rates	-29,466	-29,466	-28,484	982
Council Tax Requirement	288,253	288,253	293,566	5,313

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

NARRATIVE REPORT BY CHIEF FINANCE OFFICER



NARRATIVE REPORT BY CHIEF FINANCE OFFICER

Throughout the year the Financial Monitoring and Business Strategy Delivery Reports to Cabinet have highlighted expenditure pressures of which the most significant have been in Special Educational Needs (SEN) Home to School Transport, Children's Social Care staffing and Waste. This peaked at a forecast overspend of £5.9m reported to Cabinet in October 2015. Directorates have worked to reduce the forecast overspend by management action which included a freeze on non-essential recruitment, and a stop on any non-urgent or uncommitted expenditure. Annual reductions in the budget since 2010 mean there is less flexibility to manage pressures as they arise. The on-going impact of the increased demand have been taken into consideration in the 2016/17 budget.

The directorates' variation against budget of £0.7m is the position after the use of contingency and reserves to support expenditure on a one – off basis. This included the use of £1.5m from corporate contingency for provisions for redundancy costs associated with decisions Cabinet made in February 2016 relating to Early Intervention and Children's Centres plus Schools and Learning.

In the main, directorate business strategies were delivered as planned, with 96% of the £42.8m savings built into the budget for 2015/16 being achieved. The on-going implications of the £1.8m savings not delivered were considered as part of the 2016/17 Service & Resource Planning process.

The overall overspend of £5.3m shown in the previous table compares to a deficit on the provision of services of £79.2m. 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. As in recent years, the largest element of the deficit is from a loss on the disposal of assets of £100.4m, 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 41).

Balances and reserves

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

	Budget £'000	Actual £'000
County Fund balance 1 April 2015	17,517	24,297
Additions to / calls on (-) balances	0	-5,313
County Fund balance 31 March 2016	17,517	18,984

The £19.0m outturn position compares to anticipated balances at the end of the financial year of £17.5m as set out in the Medium Term Financial Plan (MTFP) approved by Council in February 2015. The majority of the reduction in balances related to approval given by Council in July 2015 to transfer £4.7m of balances to the Budget Reserve (£2.7m) and the Efficiency Reserve (£2.0m).

Earmarked reserves totalled £106.1m at the end of the year and comprise school reserves (£20.7m), directorate reserves (£32.2m), corporate reserves (£2.9m) and other reserves

(£50.3m). 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 created in 2013/14. The balance on the reserve at the end of the year was £8.7m. This will be used in line with the Medium Term Financial Plan agreed by Council in February 2016. Capital reserves total £34.6m and will be used to finance the Capital Programme agreed by Council.

Capital

Capital spend in 2015/16 was £126.3m, including £3.4m of capitalised repair and maintenance, vehicles, equipment and loans. Of the total capital spend including capitalised items £49.9m was spent on schools and other educational facilities, £47.6m on highways and transport schemes, £10.7m on schemes on behalf of the Oxfordshire Local Enterprise Partnership, £7.0m on the Broadband (OxOnline) project and the balance, £11.1m, on a range of other projects. Details of capital spending are provided in Note 31 (page 87). The capital spend was funded mainly from grants and contributions (£118.0m), with the remainder being from revenue (£8.3m) (Note 32, page 90).

Overall the balance for Property Plant and Equipment assets has reduced by £26.4m, 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 £756.9m, which reduces the County Council's net worth by 81%. The pensions liability has reduced by £65.0m compared to last year, mainly as a result of changes to financial assumptions. Note 20 on retirement benefits (page 63) gives a fuller perspective on the County Council's pension commitments and the assets and liabilities of the schemes but these have no immediate effect on Council Tax levels.

Other Liabilities

The County Council has finance liabilities of £35.7m, comprising £25.7m for property built by Oxfordshire Care Partnership under a service concession arrangement and £10.0m relating to a forward deal on a long-term investment.

The County Council is the accountable body for the Growing Places Fund on behalf of the Oxfordshire Local Enterprise Partnership. The remaining £5.4m of the capital element of the grant received is held within Capital Grants Receipts in Advance pending allocation to projects in 2016/17 and future years.

Performance over the last financial year

Overview

Oxfordshire County Council's ambition is for a 'thriving Oxfordshire'. This means a place where people can work to achieve a decent life for themselves and their family, a place alive with vibrant, active communities and a place where people can enjoy the rewards of a growing economy and feel safe.

At the start of 2015/16 we set out our plans to lead, support and enable activities to work towards this ambition. During the year we made good progress towards this, delivering a wide range of high quality services to people, businesses and communities across the county.

We achieved this despite shrinking budgets and rising demand for our services. Sustained reductions in Government funding combined with pressure to restrict Council Tax increases resulted in a significant squeeze on council resources over recent years, at a time when demand for services has been increasing.

At the start of the year we had already saved – or had plans to save – a total of £292m between 2010/11 and 2017/18. At the same time, demand for our services continued to increase, partly due to our ageing and growing population and increasing demand for children's social care services.

Against this potentially destabilising financial backdrop, the council's achievements in 2015/16 represent a record of which we can be very proud. The performance of each of the council's directorates is summarised below.

Environment and Economy

Through our leadership and actions in 2015/16 we helped to create the conditions to support investor confidence in Oxfordshire as the location of choice for the world's leading science and technology businesses. Our City Deal and Local Growth Fund allocations helped to deliver transformational growth through major infrastructure improvements and provided support in developing, employing and exporting profitable businesses and research and innovation.

The council is a key partner in the Local Enterprise Partnership (OxLEP) and in 2015/16 we provided a significant resource element to drive the ambition found in the Strategic Economic Plan. Through our strong and effective partnership working across the public, business and academic sectors, we helped businesses thrive, and ensured that Oxfordshire remains a highly attractive location for investment.

The council leads the Better Broadband Programme for Oxfordshire. The programme reached its target of 90% superfast coverage (80,000 premises) for Oxfordshire by December 2015. This first phase drew on £21m funding from the council, BT and Broadband Delivery UK (BDUK – part of the Department for Culture, Media and Sport) and was delivered on time and to budget. The second phase of the programme, which aims for 95% coverage by December 2017 (4600 more homes and businesses), follows on under council leadership with a total of £5.6m committed by the council and its partners.

In our role as the Highways Authority we maintained the statutory Local Transport Plan, which sets out the long-term transport strategy for Oxfordshire. We also sought to make effective interventions to address challenges in the county's road network and public transport systems. We (via our principal contractor, Skanska) worked to ensure the maintenance of the county's roads, footways, bridges, drainage and street lights in the most efficient way, delivering a more stable asset. We also continued to respond to public concerns by improving public information and access to information (e.g. through FixMyStreet defect reporting online).

We were successful in our Department for Transport (DfT) Challenge Fund Bid with the Department providing a capped funding contribution of £13.0m towards our total scheme costs of £14.5m. This is a reflection of the quality of asset information we hold in many areas of the highway service, which enabled us to successfully deliver the first year of the programme including:

- Refurbishment and repair of surface water carrier drain systems in towns and villages across the south of Oxfordshire;
- Also in rural south Oxfordshire, creation and re-establishment of a network of sustainable drainage grips to remove water off the highway and into drainage ditches and ponds;
- Innovative highway edge strengthening design, preparation and procurement for construction in years 2 and 3 of the Challenge Fund Programme at all sites identified in our bid;
- Replacement of over 1,400 deteriorating street lighting columns in excess of 40 years old in the major towns of Oxfordshire.

We also completed the first self-assessment of our highways service in accordance with the new DfT model and achieved a Band 2 assessment which acknowledges that we are competent in our application and understanding of asset management principals.

Work continued on the construction of major highway schemes across the county. The council's overall capital expenditure on highway maintenance and new works during the year was £47.6m which included the completion of the Plain and Frideswide Square schemes and means that the Chilton, Milton, Wolvercote and Cutteslowe highway schemes are all set to be completed in the 2016/17 financial year.

The council spent £35.7m in 2015/16 on a range of supported transport services for those in the county who are in need. This included funding home to school transport for eligible school children, providing transport to and from day centres for adult social care clients, supporting community transport services, and subsidising concessionary bus passes for the elderly and disabled, along with various other forms of direct or indirect provision.

During the year the council's role in spatial planning was to work with the City and District councils, and local communities, to support the urgent need to plan for future growth. We worked with other councils on their statutory Local Plans to develop a combined approach for strategic planning, and began developing a county-wide infrastructure strategy to set out clearly where, and what, investment is needed to support the most sustainable growth in the county.

As Waste Disposal Authority our Energy Recovery Facility at Ardley completed its first year of being fully operational, significantly reducing the amount of material we sent to landfill sites. Despite this, market pressures meant that the cost of disposal of waste, plus the impact of growth on the amount of waste produced, continued to put pressure on the council's budgets.

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

We continued to make changes to our property portfolio and disposed of £1.7m worth of assets in 2015/16. In addition we moved out of our Cambridge Terrace premises and

developed plans to vacate Speedwell House and increase our usage of County Hall, which will be completed in the 2016/17 financial year.

Our Customer Services Centre increasingly provided the 'front door' to the council during 2015/16. This helped to ensure that residents got what they needed from the council as quickly and efficiently as possible. The single point of contact also performed a key role in supporting front line services to improve their performance, and to deliver savings by helping to optimise work processes and simplify the customer's interactions with the council.

Children, Education and Families

The council's ambition is for Oxfordshire to be the best place in England for children and young people to grow up. We focused our resources on this in 2015/16 by working to ensure that every child and young person could develop the skills, confidence and opportunities they need to achieve their full potential.

We worked with partners to improve the wellbeing of children and young people, and to reduce inequalities between them. As a result we saw a rise in the proportion of children attending primary and secondary schools judged as 'good' or 'outstanding', and saw Oxfordshire pupils continue to perform in line with or above the national averages at all Key Stages.

Our Children's Social Care services were judged as 'Good' by Ofsted in the summer of 2014. This was during a time of significant increase in demand for services. Child protection numbers have increased to 253% of their 2008 levels and the number of looked after children now stands at 47% higher than 2008. 2015/16 saw considerable increases in activity levels: a 14% increase in referrals, a 26% increase in assessments, 11% increase in child protection investigations, a 3% increase in case conferences and an 11% increase in children becoming the subject of a child protection plan.

Despite these increases, all child protection cases and looked after children in 2015/16 had a named allocated social worker. The growth in children looked after put extra stress on placements. Consequently the council developed a placement strategy which includes the building of 4 new children's assessment homes and recruitment of additional foster carers. Even with the additional pressures, our approach meant that the numbers of children placed out of county and not in neighbouring authorities rose by only 5 in the year.

During the year, the council published its local offer in response to the special educational needs and disability (SEND) reforms set out in the Children and Families Act 2014. The offer included detailed guidance for parents and schools on identifying and supporting children and young people with special educational needs. This has been provided in an accessible and imaginative way, including a range of animations to help parents and professional understand the changes.

One of the main drivers for the SEND reforms was to ensure that young people with special educational needs and/or disabilities have improved lives. This includes having paid employment. Last year, Supported Internships were introduced in Oxfordshire through joint collaboration between Oxford Employment Service, Mencap, colleges, and the council's children's and adults' services. At the Annual Employment Awards Ceremony 16 of the 17 students enrolled on this year's pilot received awards. It is expected that around 70% will

move into paid employment and those that do not have a job will have the choice to continue to be supported by Oxford Employment Service and Mencap until paid work is found. There has been extremely positive feedback from the employers involved.

The council owns three outdoor education centres which deliver outdoor education programmes to Oxfordshire schools and provide inspiring places for Oxfordshire's children, young people and families. For example, over 16,000 children and young people participated in activities at Hill End outdoor education centre in Oxford during 2015/16. Together, the centres delivered a financial surplus in 2015/16, which contributed to the council's wider budgetary savings. We are currently investigating a new delivery model for the governance and management of this service and intend to be in a position to transfer them to another provider by October 2016.

Adult Social Services

We aim to support and promote strong communities so that people can live their lives as successfully, independently and safely as possible. We have a statutory duty to meet the needs of vulnerable adults, such as personal care (assistance with toileting, bathing and eating), and in some circumstances help with occupation and activities during the day (for example for younger adults who may require access to training, and employment of older, disabled and vulnerable people and their carers). Access to support is normally through a professional assessment of need based on nationally set eligibility criteria.

Our adult social care service's performance in 2014/15 was ranked 6th best in the country against the Government's nationwide social care outcome framework (ASCOF), and this strong performance continued in 2015/16. This meant our services were judged as:

- Enhancing the quality of life for people with care and support needs;
- Delaying and reducing the need for care and support;
- Ensuring that people have a positive experience of care and support;
- Safeguarding adults whose circumstances make them vulnerable. and protecting from avoidable harm.

Enhancing the quality of life for people with care and support needs: People in Oxfordshire responding to a national survey said they had more of their personal care needs met, than the national average level. More were offered direct payments, allowing them control over the care they have, more adults of a working age with social care needs were supported into employment, and people who used our services, and their families who support them, reported they did not feel socially isolated.

Delaying and reducing the need for care and support: People were supported at home for as long as possible - though the council has high levels of delayed transfers of care and levels of reablement services are below the level we would want. Robust action plans are in place to address both these issues.

Ensuring that people have a positive experience of care and support: Levels of satisfaction in national surveys of people who use our services, and their family and friends who support them, is higher than the national average. In Oxfordshire 90% of people who used our services were satisfied, with 67% very satisfied.

Safeguarding adults whose circumstances make them vulnerable, and protecting them from avoidable harm. People who used our services reported that they feel safe. Safeguarding enquiries were dealt with in a timely manner.

As with other parts of the country, we found there to be a shortfall of people who want to work in social care, and that most of our provision was by necessity purchased from private and voluntary providers. This was exacerbated in Oxfordshire with high levels of employment and costs of living in the county. This led to some delays in providing care during the year, but despite this our performance remained strong and satisfaction levels high.

Public Health

Reforms to the public health system (as instigated by the Health and Social Care Act 2012) gave us an unprecedented opportunity to take a far more strategic role in 2015/16 than previously. Consequently we promoted public health through the full range of council business and have become an influential source of trusted advice for the county's population, the local NHS and everyone whose activity might affect, or be affected by, the health of people in Oxfordshire.

Our public health grant for 2015/16 was £28.5m and was ring fenced for public health. With this grant we commissioned public health services from a range of providers. These services included NHS Health Checks, sexual health services, drug and alcohol services, health visiting, school health nursing and work to tackle obesity.

Using the NHS Health Checks Programme as an example, in 2015/16 38,293 residents were offered a NHS Health Check and 19,212 residents attended their Check. This was an uptake of the offer rate of 50.2%. This exceeded both the regional and national uptake averages. As a result of those Checks, we were able to identify 1,073 residents that were at high risk of developing cardiovascular disease and provide them with access to a variety of lifestyle services (weight management, smoking cessation etc.) to support them to reduce this risk.

Oxfordshire Fire and Rescue Service

Ensuring the safety and wellbeing of Oxfordshire's residents remained a high priority for us in 2015/16. Our Fire and Rescue Service, operating from 24 fire stations and with 35 frontline fire appliances, responded to 5885¹ emergency calls during the year. We met our response targets by attending 88.6% of incidents within 11 minutes and 96.3% within 14 minutes.

While we are very proud of this record, our emphasis on prevention remained a high priority. During the year we focused heavily on our Education Programmes to promote risk awareness, self-help and safeguarding, and to sign-post specialist assistance and support when required. We developed our Collaborative Partnership work with the Ambulance Services to support them in the delivery of emergency response to the most serious medical emergencies. We also delivered the Thames Valley Fire Control Service which provided a joint control room for Oxfordshire, Royal Berkshire and Buckinghamshire & Milton Keynes Fire and Rescue Services. This is now delivering significant financial

¹ This figure is taken from Incident Recording System (IRS) Data and is correct as of 22.06.16

savings for the county and is also the catalyst for further operational alignment which will provide a more efficient and effective service.

The end of the year also saw the successful completion of our 10 year vision of 365alive, which had set the following targets in 2005:

- 365 more people alive in Oxfordshire as a result of our activities;
- 840,000 more people educated in fire and road safety, and
- £100m saved to the economy by a reduction in emergency incidents.

By year eight of our ten year initiative we had already achieved our targets and set stretching targets for the final two years, which we also achieved by 2015/16. This success will be taken into the next six years with a revised 365alive and performance targets taking us safely to 2022.

Plans for future service delivery

The 2016/17 budget process started earlier than usual. Following announcements made in the national budget in March 2015, the outcome of the General Election in May 2015 and the subsequent national budget in July 2015, the Council made the decision to consult on further savings options totalling just over £50m for the period to 2019/20 before knowing the total savings that would need to be made. The consultation launched in October 2015 and was supported by a series of public meetings, Talking Oxfordshire.

It was not until the provisional Local Government Finance Settlement was announced on 17 December 2015 that the Council had firm government grant figures for 2016/17, just eight weeks ahead of setting the budget. The methodology used to distribute Revenue Support Grant and Business Rates Top-up Grant was changed without prior warning and led to an additional reduction in funding of £22m over the medium term to 2019/20 on top of the worst case planning assumption of £47m over the same period. This took the total savings made or to be made over the period 2010 to 2020 to £361m.

The Cabinet published its budget proposals and its recommended Budget, Medium Term Financial Plan and Capital Programme on 26 January 2016. As the need to make further significant savings only became apparent in late December 2015, the Cabinet proposed a balanced budget for 2016/17 and savings of £11.2m still to be identified in 2017/18 and 2018/19 to present a balanced position over the medium term.

At the budget setting meeting held on 16 February 2016, Council amended the budget proposals and did not accept £4m of the saving proposals presented. There are £15.2m of savings still to be identified in 2017/18 and 2018/19, recommendations for meeting this will be presented to Cabinet in July 2016 and amendments to the MTFP will be proposed to Council in September 2016.

In setting its budget the Council must set a Council Tax Requirement, which is the amount of funding required to be raised from Council Tax to meet the expenditure plans of the authority after taking into account all other funding. Council approved the Council Tax Requirement for 2016/17 of £305.9m on 16 February 2016. This was based on a Band D Council Tax of £1,281.64, an increase of 3.99% from the previous year. 2% of the increase relates to the new Adult Social Care precept.

NARRATIVE REPORT BY CHIEF FINANCE OFFICER

The Capital Programme, also approved on 16 February 2016 includes planned expenditure of £139.8m for 2016/17. £108.7m of the total expenditure will be funded by grants and contributions, £26.0m through prudential borrowing and £5.1m through use of capital receipts.

As at 31 March 2016 the County Council was contractually committed to £64.5m capital scheme expenditure.

The County Council's wider use of borrowing powers is defined in the approved Treasury Management Strategy Statement and Annual Investment Strategy. This currently sets an authorised limit for external debt (an upper limit) of £455m for 2016/17 (compared to £490m for 2015/16), and an operational limit (the target limit for day to day activity) of £450m (compared to £480m for 2015/16). 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 £397.6m although it will be noted from the balance sheet that this is part-funding assets valued in excess of £1.1bn.

Conclusion

The County Council remains in a substantially robust financial position as at 31 March 2016 despite the falling levels of government funding and increases in demand leading to pressures on Adult and Children's Social Care. While this is becoming increasingly challenging, directorates are broadly on track to deliver the required savings over the medium term.

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 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 Chief Finance Officer

The 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 2015/16 ('the Code of Practice').

In preparing this Statement of Accounts, the 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 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 2016.

Signed:

Date

LORNA BAXTER
Chief Finance Officer

MOVEMENT IN RESERVES STATEMENT

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

	Notes	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbns Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2014		21,494	130,193	14,148	54,540	220,375	57,432	277,807
Movement in reserves during 2014/15								
Surplus (+) or deficit (-) on Provision of Services		-92,216				-92,216	0	-92,216
Other Comprehensive Expenditure and Income			544			544	-95,927	-95,383
Total Comprehensive Income and Expenditure		-92,216	544	0	0	-91,672	-95,927	-187,599
Adjustments between accounting basis & funding basis under regulations	4	75,948		1,930	-4,920	72,958	-72,958	0
Net Increase/Decrease before Transfers to Earmarked Reserves		-16,268	544	1,930	-4,920	-18,714	-168,885	-187,599
Transfers to/from Earmarked Reserves	46	19,071	-19,071			0	0	0
Increase (+)/Decrease (-) in Year		2,803	-18,527	1,930	-4,920	-18,714	-168,885	-187,599
Balance at 31 March 2015		24,297	111,666	16,078	49,620	201,661	-111,453	90,208
Movement in reserves during 2015/16								
Surplus (+) or deficit (-) on Provision of Services		-79,244				-79,244	0	-79,244
Other Comprehensive Expenditure and Income			2,935			2,935	157,842	160,777
Total Comprehensive Income and Expenditure		-79,244	2,935	0	0	-76,309	157,842	81,533
Adjustments between accounting basis & funding basis under regulations	4	65,462		2,016	-20,750	46,728	-46,728	0
Net Increase/Decrease before Transfers to Earmarked Reserves		-13,782	2,935	2,016	-20,750	-29,581	111,114	81,533
Transfers to/from Earmarked Reserves	46	8,469	-8,469			0	0	0
Increase (+)/Decrease (-) in Year		-5,313	-5,534	2,016	-20,750	-29,581	111,114	81,533
Balance at 31 March 2016		18,984	106,132	18,094	28,870	172,080	-339	171,741

Schools' balances are held within Earmarked Reserves (see Note 46).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2014/15				Notes	2015/16		
Gross Expenditure £'000	Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Income £'000	Net Expenditure £'000
458,213	-319,012	139,201	Children's and Education Services	7,8	445,007	-297,120	147,887
245,441	-55,362	190,079	Adult Social Care	9	224,806	-39,665	185,141
74,189	-11,251	62,938	Highways and Transport Services		72,236	-14,611	57,625
30,057	-755	29,302	Fire and Rescue Services		27,981	-961	27,020
28,087	-2,116	25,971	Environmental and Regulatory Services		31,694	-2,860	28,834
24,271	-26,216	-1,945	Public Health		28,775	-28,801	-26
19,532	-1,928	17,604	Cultural and Related Services		16,703	-2,305	14,398
7,355	-3,416	3,939	Planning Services		22,403	-2,505	19,898
4,408	-1,839	2,569	Central Services to the Public		3,670	-1,653	2,017
-186	-474	-660	Other Corporate Services	11,12	3,180	-4,539	-1,359
891,367	-422,369	468,998	Cost of Services	5,6	876,455	-395,020	481,435
110,814	-1,865	108,949	Other Operating Expenditure	16	102,475	-2,115	100,360
54,445	-11,063	43,382	Financing and Investment Income and Expenditure	17,18,19	48,114	-8,575	39,539
0	-529,113	-529,113	Taxation and Non-Specific Grant Income	21,22	0	-542,090	-542,090
1,056,626	-964,410	92,216	Surplus(-) or Deficit(+) on Provision of Services	5	1,027,044	-947,800	79,244
			Items that will not be reclassified to the Surplus(-) or Deficit(+) on Provision of Services:				
		-39,241	Surplus or deficit on revaluation of non-current assets	51			-68,713
		2,981	Impairment losses on non-current assets charged to the revaluation reserve	51			-1,857
		133,417	Remeasurements of the net defined benefit liability (asset)	20			-87,495
		97,157					-158,065
			Items that may be reclassified to the Surplus(-) or Deficit(+) on Provision of Services:				
		-1,229	Surplus or deficit on revaluation of available for sale financial assets				223
		-545	Other gains or losses				-2,935
		-1,774					-2,712
		95,383	Other Comprehensive Income and Expenditure				-160,777
		187,599	Total Comprehensive Income and Expenditure				-81,533

BALANCE SHEET

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

As at 31 March 2015		Notes	As at 31 March 2016	
£'000			£'000	£'000
	Long Term Assets			
1,101,753	Property, Plant and Equipment	24	1,128,120	
7,569	Investment Property	25	7,441	
418	Intangible Assets	27	172	
47,000	Long Term Investments	35,40	87,000	
5,368	Long Term Debtors	37	6,230	
1,162,108	Total Long Term Assets			1,228,963
	Current Assets			
0	Investment Property Held for Sale	25	24	
79	Assets Held for Sale	26	549	
55	Inventories		0	
57,168	Debtors	38	53,778	
289,608	Short Term Investments	35,40	260,317	
22,318	Cash and Cash Equivalents	39	12,786	
369,228	Total Current Assets			327,454
	Current Liabilities			
-35,403	Short Term Borrowing	35,40	-32,235	
-98,262	Short Term Creditors and Revenue Receipts in Advance	41	-89,447	
-4,656	Provisions due within 1 year	42	-8,652	
-815	Short Term Finance liability	40	-10,843	
-31,760	Short Term Capital Grants Receipts in Advance	44	-30,703	
-170,896	Total Current Liabilities			-171,880
	Long Term Liabilities			
-3,273	Long Term Creditors and Revenue Receipts in Advance	41	-4,601	
-7,470	Provisions due over 1 year	42	-2,148	
-368,383	Long Term Borrowing	35,40	-365,383	
-822,003	Pension Liability	20	-756,952	
-25,678	Long Term Finance Liability	40	-24,864	
-3,796	Deferred Income	43	-3,461	
-39,629	Long Term Capital Grants Receipts in Advance	44	-55,387	
-1,270,232	Total Long Term Liabilities			-1,212,796
90,208	Net Assets			171,741
	Financed from:			
201,661	Usable Reserves	45-48		172,080
-111,453	Unusable Reserves	49-55		-339
90,208	Total Reserves			171,741

These financial statements were authorised for issue on 14 September 2016 and replace the unaudited financial statements certified by Lorna Baxter on 29 June 2016.

CASH FLOW STATEMENT

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

2014/15 £'000		Notes	2015/16 £'000
92,216	Net (surplus) or deficit on the provision of services		79,244
-154,787	Adjust net surplus or deficit on the provision of services for non-cash movements	56	-73,434
68,610	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		44,170
6,039	Net cash flows from Operating Activities	57	49,980
-14,836	Investing Activities	58	-47,234
2,827	Financing Activities	59	6,786
-5,970	Net increase (-) or decrease (+) in cash and cash equivalents		9,532
16,348	Cash and cash equivalents at the beginning of the reporting period		22,318
22,318	Cash and cash equivalents at the end of the reporting period		12,786

1. Summary of Significant Accounting Policies

General

The Statement of Accounts summarises the County Council's transactions for the 2015/16 financial year and its position at the year-end 31 March 2016. It has been compiled in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code)* (and the 2015/16 Code Update), published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and with the Service Reporting Code of Practice 2015/16 (SeRCOP) also issued by CIPFA.

Except where specifically stated otherwise, the Statement of Accounts is prepared on a historic cost basis, modified by the revaluation of certain categories of assets and financial instruments. The accounts have been prepared on a going concern basis, that is, the accounts have been prepared on the assumption that the functions of the County Council will continue in operational existence for the foreseeable future.

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

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

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

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

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the end of the reporting period (31 March 2016) 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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.

Business Rates income

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

The district councils in Oxfordshire are acting as agents of central government and the County Council in collecting Business Rates. The cash collected from Business Ratepayers belongs proportionately to the district councils, central government and the County Council. 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 is not the same as its share of cash collected from Business Ratepayers. The County Council recognises its share of Business Rates debtor and creditor balances, impairment allowances for doubtful debts and provisions for losses on appeal in its Balance Sheet. The Cash Flow Statement of the County Council includes the net Business Rates cash received from the Collection Fund in the year.

Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the County Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accrual basis to the relevant service line in the Cost of Services at the earlier of when

NOTES TO THE CORE FINANCIAL STATEMENTS

the County Council can no longer withdraw the offer of those benefits or when the County Council recognises costs for a restructuring.

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

Post-Employment Benefits

The County Council participates in four pension schemes: the Local Government Pension Scheme, the Fire-fighters' Pension Scheme (1992, 2006, 2015 and modified schemes and injury compensation scheme), the Teachers' Pension Scheme and the NHS Pension Scheme.

These schemes provide defined benefits to members. However, the arrangements for the teachers' pension scheme and the NHS pension scheme mean that liabilities for these benefits cannot be identified to the County Council. These schemes are therefore accounted for as if they are defined contributions schemes – no liability for future payment of benefits is recognised in the Balance Sheet and the relevant service lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable in the year.

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

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

- Current service cost – the increase in the present value of a scheme's liabilities resulting from employee service in the current period. This is included in the relevant service line within the Cost of Services.
- Past service cost – the increase in the present value of the scheme liabilities for employee service in prior periods, resulting from a scheme amendment or curtailment. This is included in Non Distributed Costs within the Cost of Services.
- Gain/loss on settlement – changes in liabilities relating to actions that relieve the County Council of primary responsibility for a pension obligation. This is included in Non Distributed Costs within the Cost of Services.

The net interest on the defined benefit liability (asset) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time - is included in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. Remeasurements comprising actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary has updated their assumptions – and the return on scheme assets, excluding amounts included in net interest on the net defined liability (asset), are recognised in Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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 Corporate Services and Environment & Economy directorates 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

A *de minimis* level of £20,000 is applied for land and buildings and £15,000 for vehicles and plant, other than for schools local capital spend where a *de minimis* of £2,000 is applied.

Revaluations of property assets are undertaken on a five-year rolling programme as shown below. Material changes to asset valuations are adjusted in the interim periods.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Date of Last Revaluation	Date of Next Revaluation
Secondary and special schools	2014/15	2019/20
Primary, nursery, junior and infant schools	2015/16	2020/21
Social care premises, libraries, museums and adult learning premises	2011/12	2016/17
Fire & Rescue Service and Community Safety premises, staff housing, central offices and highways depots	2012/13	2017/18
Other educational premises (including children's, youth and sports centres), surplus assets and other properties not revalued within the past 5 years	2013/14	2018/19

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

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

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

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

Charges to Revenue for Property, Plant and Equipment

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

Investment Property

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

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

Heritage Assets

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

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

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

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

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

lack of comparable market values, and therefore does not recognise these assets on the Balance Sheet.

Intangible Assets: Software Licenses

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

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

Private Finance Initiative (PFI) and similar contracts (service concession arrangements)

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

Properties used in service concession arrangements are recognised as Property, Plant and Equipment of the County Council. The original recognition of the assets at fair value (based 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

NOTES TO THE CORE FINANCIAL STATEMENTS

Expenditure line in the Comprehensive Income and Expenditure Statement. Note for the County Council's current service concession arrangement there is no inflation applied to the elements of the contract payments relating to the property build costs and therefore no contingent rents.

- Lifecycle replacement costs – recognised as a capital prepayment in the Balance Sheet and transferred to Property, Plant and Equipment when capital works are undertaken.

(See also the accounting policy on debt redemption.)

Leases

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

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

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

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

(See also the accounting policy on debt redemption.)

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

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

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

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

Cash and Cash Equivalents

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

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

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

Financial Assets

Financial assets are classified into three types:

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

Loans and receivables are initially measured at fair value and carried in the Balance Sheet at their amortised cost. Credits to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement for external interest receivable are based on the carrying amount of the asset, multiplied by the effective interest rate for the instrument. For the majority of the County Council's investments, the effective interest rate is the same as the actual interest receivable in accordance with the

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loan agreement. Short duration receivables with no stated interest rates (e.g. debtors) are measured at original invoice amount.

The County Council has made a number of loans to clients and other organisations at less than market interest rates or zero rate (referred to in the Code as soft loans). For 2015/16 there are no material differences between the fair value and the nominal value of such loans and no adjustments have been made on initial recognition of these loans. The balance in the Financial Instrument Adjustment Account for previous differences between the amount charged or credited to the Comprehensive Income and Expenditure Statement and the contractual interest income (if any) for soft loans has been written out during the year.

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

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

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

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss are initially measured and carried in the Balance Sheet at fair value. Movements in fair value are balanced by posting gains and losses to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as they arise. Any residual gains and losses arising on derecognition are also credited/debited to the Comprehensive Income and Expenditure Statement. The basis of fair value and the inputs to the measurement techniques is the same as for Available-for-sale assets.

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

Financial Liabilities

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

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

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

Debt Redemption

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

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costs relating to these contracts, and an amount equal to the amount that is taken to the Balance Sheet to reduce liabilities in respect of finance leases.

Provisions

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

Insurance

The County Council has a policy of self-insurance of claims across its main insurance categories. In accordance with the Code the insurance provision is set aside to cover insurance claims actually received and awaiting resolution that have been advised to the County Council and which it has been decided to be insured internally rather than externally. Subject to the contingent liabilities listed in Note 61, there are no significant unfunded risks.

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.

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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 joint ventures, subject to consideration of materiality. For 2015/16 the County Council did not have any such interests and therefore prepared these accounts only as a single entity rather than as group accounts.

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

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

Schools

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

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

Taxation

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

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

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

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

Where the County Council incurs tax, this cost is charged to 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, teachers and public health (former NHS staff), who have their own schemes). The County Council makes a contribution to the fund (in addition to employee contributions). An independent actuary determines the level of the contribution, following a review that takes place every three years. The accounting policies that are used in the Oxfordshire Pension Fund accounts are shown in the Notes to the Pension Fund Accounts.

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

2. Critical judgements in applying accounting policies

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

- 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 in accordance with IAS 36 *Impairment of Assets* 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 based on an assessment in accordance with IAS 17 *Leases* and IAS 16 *Property, Plant and Equipment*. School land and buildings that are the subject of short-term lease/license agreements with academy trusts have been retained on the County Council's Balance Sheet as at 31 March 2016.
- An assessment under IFRIC 12 *Service Concession Arrangements* concluded that the County Council controls the residential care services provided under the agreement with Oxfordshire Care Partnership (OCP) and the residual value of all but one of the homes at the end of the agreement. 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 £17.465m as at 31 March 2016) are recognised as Property, Plant and Equipment on the Balance Sheet. A finance liability has been recognised on the Balance Sheet for the amounts due to be paid under the contract for the new homes built by OCP.
- The Code requires heritage assets to be recognised as a separate category of assets on the Balance Sheet in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (section 34), subject to the proviso that where information on cost or valuation is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial

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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 (OxLEP). OxLEP became a company Limited by Guarantee (Not for Profit) in April 2015. It is a business led organisation that works for all of its stakeholders in business, academia and local authorities. The Board of 18 members is led by a private sector Chairman and Deputy Chairman, supported by the Oxfordshire Growth Board Chairman; a Joint Committee which brings together Local Authority partners in a collective decision making structure. The Business representation comes from across all sectors and all sizes of business. It exists to drive the economic growth of Oxfordshire and the creation of Jobs for our communities. In accounting for OxLEP it has been assessed that the County Council is acting as the principal in accordance with IAS 18 *Revenue* and OxLEP's transactions have been included in the County Council's accounts. 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 remaining £5.431m has been recognised as a capital grant receipt in advance as at 31 March 2016 as there is an obligation to return the funds if it is not spent on capital projects on behalf of the LEP. The Council also received £15.730m Local Growth Fund in 2015/16 on behalf of the LEP, which was applied to capital expenditure during the year.
- The Oxfordshire Clinical Commissioning Group (OCCG) is the Accountable Body for Oxfordshire's allocation of the Better Care Fund and will be held to account by NHS England for the appropriate use of the resources locally. Based on an assessment in accordance with IFRS 11 *Joint Arrangements* and IAS 18 *Revenue* (in relation to principal and agent transactions), £19m of adult social care expenditure supported by the Better Care Fund is accounted for within the OCCG's accounts and does not form part of the adult social care expenditure reported within the County Council's accounts.
- The County Council has made an assessment of the balance sheet treatment of schools' non-current assets in accordance with IAS 16 *Property, Plant and Equipment* and IAS17 *Leases*. Where assets are owned by the Council and used by maintained schools, the economic benefits and service potential of the asset is considered to be within the control of the Council and therefore the assets are recognised on the Council's balance sheet. Where they are owned by trustees and used by maintained schools (in most cases Voluntary Aided and Voluntary Controlled schools) the Council has assessed that the trustees permit the assets to be used for voluntary education and have not reassigned rights to the assets to the school or governing body. Therefore the assets are not recognised on the Council's balance sheet. In some cases school sites are part owned by the Council and part by trustees. These assets are treated in line with the above. In accordance with the Schools Standards and Framework Act 1998, ownership of playing fields rests with the Council and these are therefore recognised on the Council's balance sheet (subject to de-minimis valuations). The Property Valuers, Capita, are informed of changes to the ownership of Council assets by the Council's Legal Services department, and any adjustments to the value of assets as a consequence are reflected in the Council's balance sheet.

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 2016 for which there is significant risk of material adjustment in the forthcoming year are as follows:

Property, Plant and Equipment

As at 31 March 2016 the County Council had £584.540m 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 £0.393m for every year that useful lives had to be reduced.

Debtors

As at 31 March 2016 the County Council had a balance for current debtors of £64.258m and had estimated an impairment allowance for doubtful debts of £10.480m. The impairment allowance comprises £2.637m for the County Council's own debts based on the age and type of each debt and £7.843m for the County Council's share of Council Tax and Business Rates debts within the Collection Funds administered by the district councils. However, if collection rates deteriorate this impairment allowance may not be sufficient. A 10% increase in the amount of the impairment allowance for doubtful debts would require an additional £0.264m to be set aside as an allowance by the County Council and £0.784m from the Collection Funds.

Provisions

As at 31 March 2016 the County Council made a provision of £4.835m 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 £0.483m effect on the provision required.

Pensions Liability

Estimation of the net liability to pay pensions (£756.952m as at 31 March 2016) depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase and mortality rates. The assumptions used are set out in the Retirement Benefits note. 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 2015/16, the County Council's actuaries advised that the net pensions liability had increased by £29.849m as a result of the return on plan assets and decreased by £118.548m attributable to updating of the assumptions relating to pensions liabilities.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbns Unapplied £'000	Unusable Reserves £'000
Adjustments to Revenue Resources					
Pension costs transferred to (or from) the Pensions Reserve	21,774				-21,774
Financial instruments transferred to the Financial Instrument Adjustment Account	-55				55
Council Tax and Business Rates transferred to the Collection Fund Adjustment Account	1,635				-1,635
Holiday pay transferred to the Accumulated Absences Account	-1,431				1,431
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure to the Capital Adjustment Account	163,633				-163,633
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds to the Capital Receipts Unapplied Reserve	-1,799		1,799		
Statutory provision for the repayment of debt transferred to the Capital Adjustment Account	-17,693				17,693
Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	-6,607				6,607
Capital grants and contributions applied transferred to the Capital Adjustment Account	-60,297			-28,132	88,429
Capital grants and contributions receivable not applied to finance capital expenditure	-23,212			23,212	
Adjustments to Capital Resources					
Repayment of loans			131		-131
Total	75,948	0	1,930	-4,920	-72,958

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:

2015/16	Children, Education & Families	Social & Community Services	Environment & Economy	Corporate Services	Public Health	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-23,556	-46,635	-82,894	-18,903	-188	-172,176
Government grants and contributions	-294,510	-6,692	-13,238	-3,283	-28,800	-346,523
Total Income	-318,066	-53,327	-96,132	-22,186	-28,988	-518,699
Employee expenses	238,116	51,964	45,492	19,251	1,633	356,456
Other operating expenses	118,373	185,749	122,014	5,245	26,568	457,949
Support service recharges	73,835	25,260	18,815	4,766	787	123,463
Total operating expenses	430,324	262,973	186,321	29,262	28,988	937,868
Directorate Provisional Outturn	112,258	209,646	90,189	7,076	0	419,169

Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement

2015/16	£'000
Directorate Provisional Outturn	419,169
Add services not included in main analysis	1,669
Add amounts not reported in provisional outturn	104,363
Remove amounts reported in the provisional outturn not included in the Comprehensive Income and Expenditure Statement	-43,766
Cost of Services in the Comprehensive Income and Expenditure Statement	481,435

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.

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.

2015/16	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	-172,176	-96	-1,572	1,816	107,667	-64,361	-594	-64,955
Proceeds from the disposal of non-current assets						0	-2,115	-2,115
Interest and investment income						0	-3,417	-3,417
Income from council tax						0	-295,737	-295,737
Government grants and contributions	-346,523	0	15,002	862	0	-330,659	-250,917	-581,576
Total Income	-518,699	-96	13,430	2,678	107,667	-395,020	-552,780	-947,800
Employee expenses	356,456	822	35,956	-44,311	-7,440	341,483	6,853	348,336
Other service expenses	457,949	943	33,187	-2,133	24,777	514,723	-5,252	509,471
Support Service recharges	123,463	0	1,541	0	-125,004	0	0	0
Depreciation, amortisation, impairments and revaluations			20,249			20,249	-359	19,890
Net interest expense on the pension defined liability						0	25,685	25,685
Interest payable and similar charges						0	21,187	21,187
Costs from the disposal of non-current assets						0	102,475	102,475
Total operating expenses	937,868	1,765	90,933	-46,444	-107,667	876,455	150,589	1,027,044
Surplus or deficit on the provision of services	419,169	1,669	104,363	-43,766	0	481,435	-402,191	79,244

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative figures for 2014/15 for the directorate analysis and reconciliations are set out below.

2014/15	Children, Education & Families	Social & Community Services	Environment & Economy	Chief Executive's Office	Public Health	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	-29,463	-146,585	-95,971	-17,296	-241	-289,556
Government grants and contributions	-312,043	-19,255	-13,718	-2,495	-26,248	-373,759
Total Income	-341,506	-165,840	-109,689	-19,791	-26,489	-663,315
Employee expenses	252,202	56,521	48,666	22,807	1,584	381,780
Other operating expenses	181,800	207,362	131,188	10,285	24,262	554,897
Support service recharges	14,806	116,296	11,644	7,238	643	150,627
Total operating expenses	448,808	380,179	191,498	40,330	26,489	1,087,304
Directorate Provisional Outturn	107,302	214,339	81,809	20,539	0	423,989

Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement

2014/15	£'000
Directorate Provisional Outturn	423,989
Add services not included in main analysis	945
Add amounts not reported in provisional outturn	85,983
Remove amounts reported in the provisional outturn not included in the Comprehensive Income and Expenditure Statement	-41,919
Cost of Services in the Comprehensive Income and Expenditure Statement	468,998

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis

2014/15	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	-289,556	-35	-825	4,152	220,124	-66,140	-3,898	-70,038
Proceeds from the disposal of non-current assets						0	-1,865	-1,865
Interest and investment income						0	-2,730	-2,730
Income from council tax						0	-284,813	-284,813
Government grants and contributions	-373,759		-309	2,999	14,840	-356,229	-248,735	-604,964
Total Income	-663,315	-35	-1,134	7,151	234,964	-422,369	-542,041	-964,410
Employee expenses	381,780	829	32,930	-41,132	-1,249	373,158	3,304	376,462
Other service expenses	554,897	151	22,618	-7,938	-82,264	487,464	3,039	490,503
Support Service recharges	150,627		824		-151,451	0		0
Depreciation, amortisation, impairments and revaluations			30,744			30,744	-508	30,236
Pension interest costs and expected return on assets						0	27,810	27,810
Interest payable and similar charges						0	20,801	20,801
Costs from the disposal of non-current assets						0	110,814	110,814
Total operating expenses	1,087,304	980	87,116	-49,070	-234,964	891,366	165,260	1,056,626
Surplus or deficit on the provision of services	423,989	945	85,982	-41,919	0	468,997	-376,781	92,216

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). In 2015/16 £19m of Adult Social Care spend was met directly by Oxfordshire Clinical Commissioning Group under the Better Care Fund arrangement. In July 2015 adult learning services (£0.9m net cost for 2015/16 (£1.5m in 2014/15) within Other Education and Community Budget) transferred from the County Council to Abingdon & Witney College.

Service	Division of Service	2014/15 £'000	2015/16 £'000
Children's and Education Services	Early Years	1,612	2,074
	Primary schools	12,214	25,340
	Secondary schools	21,715	12,772
	Special schools	1,449	12,554
	Post-16 provision	143	1
	Other Education and Community Budget	34,712	14,295
	Sure Start Children's Centres/Flying Start And Early Years	8,727	8,120
	Safeguarding Children and Young People's Services	2,984	24,823
	Services For Young People	8,286	8,525
	Children Looked After	30,128	25,726
	Family Support Services	13,548	8,691
	Youth Justice	470	1,312
	Asylum Seekers	1,242	1,034
	Other Children's & Family Services	63	0
	Supporting People Services	1,908	2,620
	Total Children's and Education Services	139,201	147,887
Adult Social Care	Physical Support Adults (18 - 64)	15,544	12,533
	Physical Support Older People (65+)	42,047	41,304
	Sensory Support Adults (16 - 64)	220	217
	Sensory Support Older People (65+)	1,012	681
	Support With Memory And Cognition Adults (16 - 64)	213	104
	Support With Memory And Cognition Older People (65+)	2,136	2,985
	Learning Disabilities Support Adults (16 - 64)	58,183	61,650
	Learning Disabilities Support Older People (65+)	6,796	6,058
	Mental Health Support Adults (16 - 64)	5,902	9,416
	Mental Health Support Older People (65+)	2,161	2,528
	Social Support: Substance Misuse Support	273	184
	Social Support: Asylum Seeker Support	28	23
	Social Support: Support To Carers	1,863	896
	Social Support: Social Isolation	2,567	2,315
	Assistive Equipment And Technology	5,169	5,319
	Social Care Activities	17,261	16,481
	Information And Early Intervention	2,581	3,212
Commissioning And Service Delivery	20,304	15,430	
Supporting People	5,819	3,805	
	Total Adult Social Care	190,079	185,141

NOTES TO THE CORE FINANCIAL STATEMENTS

Service	Division of Service	2014/15 £'000	2015/16 £'000
Highways & Transport Services	Transport Planning, Policy and Strategy	8,453	8,101
	Structural Maintenance	16,016	5,974
	Environment, Safety and Routine Maintenance	18,235	25,037
	Street Lighting (including energy costs)	4,593	4,952
	Winter Service	1,888	1,664
	Traffic management and Road safety	2,427	527
	On Street Parking Service	-1,887	-2,131
	Off Street Parking Service	921	-61
	Public Transport	12,292	13,562
		<u>Total Highways & Transport Services</u>	62,938
Environmental & Regulatory Services	Regulatory Services	2,138	1,619
	Flood Defence and Land Drainage	528	534
	Waste Disposal	17,780	17,938
	Trade Waste	-18	-2
	Recycling	5,407	8,618
	Waste Minimisation	136	127
		<u>Total Environmental & Regulatory Services</u>	25,971
Fire and Rescue Services	Fire-fighting and Rescue Operations	29,113	26,924
	Safer Communities	189	96
		<u>Total Fire and Rescue Services</u>	29,302
Cultural & Related Services	Culture & Heritage	2,971	2,677
	Open Spaces	2,081	1,789
	Recreation & Sport	110	0
	Library Service	12,442	9,932
		<u>Total Cultural & Related Services</u>	17,604
Planning Services	Planning Policy	768	15
	Development Control	1,413	1,239
	Economic Development	858	10,889
	Economic Research	67	0
	Business Support	536	717
	Environmental Initiatives	297	32
	Community Development	0	7,006
		<u>Total Planning Services</u>	3,939
Public Health	Sexual Health	-403	-23
	NHS Health Check Programme	-55	0
	Health Protection	-19	0
	National Child Measurement Programme	1	0
	Public Health Advice	-72	0
	Obesity	-96	0
	Physical Activity	-27	0
	Substance Misuse	-593	0
	Smoking and Tobacco	-25	0
	Children 15-19 Public Health Programmes	-261	0
	Children 0-5 Public Health Programmes		0
	Miscellaneous Public Health Services	-395	-3
		<u>Total Public Health</u>	-1,945

NOTES TO THE CORE FINANCIAL STATEMENTS

Service	Division of Service	2014/15 £'000	2015/16 £'000
Central Services to the Public	Registration Services	652	386
	Emergency Planning	427	281
	Coroners Court Services	926	1,007
	Local Welfare Assistance Schemes	21	0
	Elections	7	11
	General Grants	536	332
	<u>Total Central Services to the Public</u>	2,569	2,017
Other Corporate Services (Incl Strategic Measures)	Democratic Representation & Management	3,421	1,940
	Corporate Management	2,088	3,120
	Non Distributed Costs	-6,169	-6,419
	<u>Total Other Corporate Services</u>	-660	-1,359
	Total Net Cost of Services	468,998	481,435

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Dedicated Schools Grant (DSG)

The County Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the County Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2013. The School Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2015/16 (with comparative figures for 2014/15) are as follows:

2014/15				2015/16		
Central Expenditure	ISB	Total		Central Expenditure	ISB	Total
£'000	£'000	£'000		£'000	£'000	£'000
		416,212	Final DSG before academy recoupment			430,187
		-149,458	Less academy figure recouped for the year			-183,545
		266,754	Total DSG after academy recoupment			246,642
		11,895	Brought forward from previous year			11,135
		-5,089	Less carry forward to next year agreed in advance			-3,026
87,467	186,093	273,560	Agreed initial budgeted distribution	86,445	168,306	254,751
		0	In year adjustments			0
87,467	186,093	273,560	Final budget distribution	86,445	168,306	254,751
-81,421		-81,421	Less actual central expenditure	-80,701		-80,701
	-186,093	-186,093	Less actual ISB deployed to schools		-168,306	-168,306
		0	County Council contribution			0
6,046	0	11,135	Carry forward to next year	5,744	0	8,770

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Clinical Commissioning Group, Huntercombe Young Offenders Institute and the Youth Justice Board. The service operates a pooled budget and in 2015/16 the gross income and expenditure were £1.420m and £1.460m respectively (2014/15 £1.589m and £1.390m). The County Council's contribution to the pooled budget was £0.463m (£0.490m in 2014/15).

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

The County Council is party to a number of pooled budget arrangements for adult social care and health services. Details of the arrangements in place for 2015/16 are provided in the table below, together with comparative data for 2014/15.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15	Purpose	Lead	Gross income £000	Gross Expenditure £000	Authority's Contribution £000
<u>Pooled budgets with Oxfordshire Clinical Commissioning Group (OCCG)</u>					
Older People & Equipment	Commissioning service provision for residential, nursing and continuing care for older people, and equipment	County Council	182,095	182,095	92,449
Physical Disabilities	Commissioning service provision for home, residential, nursing and continuing care for people with physical disabilities	County Council	19,373	19,373	11,972
Learning Disabilities	Commissioning both care and support and residential/supported living placements for people with learning disabilities	County Council	85,253	85,253	72,347
Mental Health Commissioning	Commissioning mental health services	OCCG	49,016	49,162	9,436
<u>Pooled budget with Oxford Health NHS Foundation Trust (OHFT)</u>					
Mental Health Provider	Providing mental health services	OHFT	10,737	10,737	2,390
Total			346,474	346,620	188,594

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 Verge maintenance – within town boundaries. Charged to the Surplus or Deficit on the Provision of Services: £0.153m (£0.237m in 2014/15)

- (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: £0.347m (£0.852m in 2014/15)
Charged to capital : £1.095m (£0.835m in 2014/15)

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

In 2015/16 the County Council operated ICT services on an agency basis on behalf of Oxford City Council. There were two parts to the agency agreement with Oxford City Council - provision of services and replacement of equipment and ICT infrastructure. The revenue expenditure for 2015/16 was £1.019m (£1.128m for 2014/15). This was matched by income for 2015/16 of £1.019m (£1.128m for 2014/15). As in 2014/15, there was no capital expenditure under the agreement in 2015/16.

11. Members' Allowances

Allowances & expenses	2014/15 £'000	2015/16 £'000
Allowances	726	853
Travel & Subsistence	40	34
Total	766	887

Basic and special responsibility allowances were increased with effect from 1 April 2015 following agreement at the Council meeting on 9 December 2014 following a full review by the Independent Remuneration Panel.

12. Audit and Inspection Fee

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

	2014/15 £'000	2015/16 £'000
Code of Practice Work	146	110
Code of Practice Work - prior year rebates	-15	0
Statutory Inspection	0	0
Certification of Grant Claims and Returns	7	0
Other Related Costs	40	15
Total	178	125

There was no statutory inspection work in 2014/15 or 2015/16.

13. Senior Officers' Remuneration

The Accounts and Audit Regulations 2015 require disclosure of remuneration for senior staff. Remuneration for these purposes includes all sums paid to or receivable by an employee including expense allowances chargeable to tax and non-taxable termination payments including enhancement, redundancy and pay in lieu of notice.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

name, the remaining senior employees are disclosed by post title.

The number of employees whose remuneration (excluding employer pension contributions) exceeded £50,000 is set out in the following table. In accordance with the 2015 regulations, the figures exclude senior employees whose remuneration is disclosed separately.

Band (£)	Number of Employees					
	School	Non-School	Total	School	Non-School	Total
	2014/15	2014/15	2014/15	2015/16	2015/16	2015/16
50,000-54,999	75	76	151	68	101	169
55,000-59,999	54	49	103	48	59	107
60,000-64,999	34	32	66	36	44	80
65,000-69,999	14	14	28	18	9	27
70,000-74,999	11	17	28	7	12	19
75,000-79,999	1	14	15	6	20	26
80,000-84,999	5	4	9	5	7	12
85,000-89,999	4	2	6	1	1	2
90,000-94,999	1	1	2	2	1	3
95,000-99,999	0	3	3	0	2	2
100,000-104,999	1	2	3	0	2	2
105,000-109,999	0	0	0	0	0	0
110,000-114,999	0	0	0	0	0	0
115,000-119,999	0	0	0	0	0	0
120,000-124,999	0	0	0	0	0	0
125,000-129,999	0	0	0	0	0	0

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

2015/16	Salary (Including Fees & Allowances)	Expense Allowances	Compensation for Loss of Employment	Other Emoluments	Total Remuneration Excluding Pension Contributions 2014/15	Employers Pension Contribution	Total Remuneration Including Pension Contributions 2015/16
Post Holder Information	£	£	£	£	£	£	£
Chief Executive - Joanna Simons (to Sept 2015)	97,144		250,000		347,144	19,310	366,454
Head of Paid Service - Peter Clark (from Oct 2015)	75,600				75,600	15,044	90,644
Monitoring Officer and Head of Law & Governance (to Sept 2015)	60,600				60,600	12,059	72,659
Chief Finance Officer	116,664				116,664	23,114	139,778
Chief Human Resources Officer	121,200				121,200	24,119	145,319
Chief Legal Officer (from Oct 2015)	50,063				50,063	9,962	60,025
Head of Policy	84,588				84,588	16,789	101,377
Director for Children, Education & Families	146,978				146,978	29,107	176,085
Deputy Director Children's Social Care	100,546				100,546	19,925	120,471
Deputy Director for Corporate Parenting & Safeguarding (from Sept 2015)	52,544				52,544	10,456	63,000
Director for Environment & Economy	132,543				132,543	26,284	158,827
Deputy Director for Commercial & Delivery	100,787				100,787	19,925	120,712
Deputy Director for Strategy & Infrastructure Planning	101,297				101,297	19,925	121,222
Deputy Director for Oxfordshire Customer Services	100,125				100,125	19,925	120,050
Director for Adult Social Services*	136,334				136,334	27,130	163,464
Deputy Director - Joint Commissioning	93,868				93,868	18,675	112,543
Deputy Director for Adult Social Care	101,051				101,051	19,925	120,976
Chief Fire Officer	132,405				132,405	28,732	161,137
Deputy Chief Fire Officer	104,052			1,878	105,930	22,579	128,509
Director for Public Health - Jonathan McWilliam	179,973				179,973	21,820	201,793
Deputy Director for Public Health	103,680				103,680	14,783	118,463
Total	2,192,042	0	250,000	1,878	2,443,920	419,588	2,863,508

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15	Salary (Including Fees & Allowances)	Expense Allowances	Compensation for Loss of Employment	Other Emoluments	Total Remuneration Excluding Pension Contributions 2014/15	Employers Pension Contribution	Total Remuneration Including Pension Contributions 2014/15
Post Holder Information	£	£	£	£	£	£	£
Chief Executive - Joanna Simons	192,145				192,145	38,237	230,382
Chief Finance Officer	110,000				110,000	21,890	131,890
Monitoring Officer and Head of Law & Governance	115,046				115,046	22,894	137,940
Head of Human Resources	115,000				115,000	22,885	137,885
Head of Policy	70,110				70,110	13,952	84,062
Director for Children, Education & Families	144,821				144,821	28,819	173,640
Deputy Director Education & Early Intervention to September 2014	45,987				45,987	9,151	55,138
Deputy Director Children's Social Care	99,133				99,133	19,727	118,860
Director for Environment & Economy	130,770				130,770	26,023	156,793
Director for Environment & Economy to April 2014	6,469				6,469	289	6,758
Deputy Director for Commercial & Delivery	99,133				99,133	19,727	118,860
Deputy Director for Strategy & Infrastructure Planning from July 2014	72,017				72,017	14,331	86,348
Deputy Director - Oxfordshire Customer Services	99,133				99,133	19,727	118,860
Director for Social & Community Services (*)	134,984				134,984	26,862	161,846
Deputy Director Joint Commissioning from September 2014	52,387				52,387	10,425	62,812
Deputy Director Joint Commissioning to May 2014	15,723				15,723	3,129	18,852
Deputy Director for Adult Social Care from May 2014	83,375				83,375	16,592	99,967
Chief Fire Officer	131,020			633	131,653	27,907	159,560
Director of Public Health - Jonathan McWilliam	180,987				180,987	21,362	202,349
Deputy Director of Public Health	104,361				104,361	14,473	118,834
Total	2,002,601	0	0	633	2,003,234	378,402	2,381,636

(*) Joint with Oxfordshire Clinical Commissioning Group (OCCG). Half of the salary and other employee costs shown in the table were paid by OCCG from September 2014.

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

The £0.250m exit package shown in the above table relates to the former Chief Executive – see note 13.

NOTES TO THE CORE FINANCIAL STATEMENTS

Band (£)	Exit packages 2014/15					
	Compulsory		Other		Total	
	No.	£'000	No.	£'000	No.	£'000
0 - 19,999	73	572	59	477	132	1,049
20,000 - 39,999	28	832	8	226	36	1,058
40,000 - 59,999	13	592	3	135	16	727
60,000 - 79,999	6	388	0	0	6	388
80,000 - 99,999	1	96	1	85	2	181
100,000 - 149,999	1	145	0	0	1	145
150,000 - 199,999	0	0	0	0	0	0
Total	122	2,625	71	923	193	3,548
Add new provisions created						82
Less amounts provided for in previous year						0
Add unused amount of previous year's provision						0
Adjust for differences between payments and accruals						-106
Total cost of exit packages in the Comprehensive Income and Expenditure Statement						3,524

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 2014/15.

	2014/15		2015/16	
	Plant, vehicles & equipment	Land and buildings	Plant, vehicles & equipment	Land and buildings
	£'000	£'000	£'000	£'000
Minimum lease payments charged in year	967	2,756	1,129	2,552
Contingent rents charged in year	458	111	392	160
Sublease payments received in year	0	-57	0	-86
Future minimum lease payments:				
Within 1 year	828	2,418	926	2,355
Within 2nd - 5th years	1,407	6,629	1,561	5,387
6th year and beyond	20	5,480	0	3,781
Total commitments	2,255	14,527	2,487	11,523
Total future sublease payments receivable	0	-137	0	-58

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

NOTES TO THE CORE FINANCIAL STATEMENTS

are set out below, together with comparative figures for 2014/15. 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.

	2014/15		2015/16	
	Plant, vehicles & equipment £'000	Land and buildings £'000	Plant, vehicles & equipment £'000	Land and buildings £'000
Minimum lease payments receivable in year	0	1,229	0	1,627
Contingent rents receivable in year	0	671	0	650
Future minimum lease payments receivable:				
Within 1 year	0	911	0	1,308
Within 2nd - 5th years	0	2,268	0	3,329
6th year and beyond	0	18,924	0	22,598
Total receivable	0	22,103	0	27,235

Contingent rents include backdated rent increases.

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.

	2014/15 £'000	2015/16 £'000
Capital receipts	-1,852	-2,010
Disposal costs charged against capital receipts	52	44
Net capital receipts	-1,800	-1,966
Other receipts	-65	-149
	-1,865	-2,115
Carrying value of non-current assets derecognised	110,788	102,384
Disposal costs charged to the County Fund	26	91
	110,814	102,475
Other Operating Expenditure	108,949	100,360
Adjustments between accounting basis and funding basis	-108,991	-100,418
Net charge to County Fund	-42	-58

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:

	2014/15 £'000	2015/16 £'000
Surplus/deficit on trading operations	612	215
Interest payable and similar charges	20,801	21,187
Interest receivable and similar income	-2,730	-3,417
Income and expenditure in relation to investment properties and changes in their fair value	-547	-406
Net pensions interest expense	27,810	25,685
Net fire-fighters Pension Fund Top-Up Grant	-2,564	-3,725
Total Financing and Investment Income & Expenditure	43,382	39,539

18. Trading Operations

The County Council operates trading accounts for a number of services within the authority. In 2014/15 central support services, property & facilities and the integrated transport unit were treated as trading accounts. With the exception of legal services, the costs of these services are now allocated to services with no discretionary element and therefore they are no longer treated as trading accounts. The Internal Learning Disabilities Day Services and the Shared Lives service operate as trading operations and these have been treated as trading accounts from 2015/16. Details of their financial performance during 2015/16 are as follows (expenditure includes accounting adjustments outlined in note 5). Central support services and property & facilities both had a nil surplus/deficit in 2014/15 and have been excluded from the table.

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15		2015/16		
Surplus (-) / Deficit (+) £'000	Trading Operation	Turnover £'000	Expenditure £'000	Surplus (-) / Deficit (+) £'000
612	Integrated Transport Unit Provision of transport for adult social care clients and home to school transport			
0	Legal Services Provision of legal support to services within the authority	4,050	3,976	-74
	Learning Disabilities Day Services (Internal) Provision of day services to learning disability clients	4,143	4,396	253
	Shared Lives Provision of services to supported adults and their carers	2,051	2,087	36
612	Total	10,244	10,459	215

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

	2015/16				
	Financial Liabilities	Financial Assets			Total
	Liabilities at amortised cost	Loans and receivables	Available-for-sale assets	Assets at fair value through profit & loss	
£'000	£'000	£'000	£'000	£'000	
Interest expense	19,824				19,824
Reductions in fair value					0
Impairment losses		1,363			1,363
Fee expense		14	83		97
Total expense in Surplus or Deficit on the Provision of Services	19,824	1,377	83	0	21,284
Interest income		-2,296			-2,296
Interest income accrued on impaired financial assets					0
Increases in fair value					0
Gains on derecognition			-1,121		-1,121
Fee income					0
Total income in Surplus or Deficit on the Provision of Services	0	-2,296	-1,121	0	-3,417
Gains/losses on revaluation			-23		-23
Amounts recycled to the Surplus or Deficit on the Provision of Services			246		246
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure			223		223
Net gain(-)/loss for the year	19,824	-919	-815	0	18,090

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative figures for 2014/15 are as follows:

	2014/15				
	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	20,253				20,253
Reductions in fair value					0
Impairment losses		548			548
Fee expense					0
Total expense in Surplus or Deficit on the Provision of Services	20,253	548	0	0	20,801
Interest income		-2,729			-2,729
Gains on derecognition					0
Fee income			-1		-1
Total income in Surplus or Deficit on the Provision of Services	0	-2,729	-1	0	-2,730
Gains/losses on revaluation			-1,229		-1,229
Amounts recycled to the Surplus or Deficit on the Provision of Services			0		0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure			-1,229		-1,229
Net gain(-)/loss for the year	20,253	-2,181	-1,230	0	16,842

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

The County Council participates in four pension schemes:

The Local Government Pension Scheme (LGPS)

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

The County Council is the Administering Authority for the Fund. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by teams within the County Council. Where appropriate some functions are delegated to the Fund's professional advisers. The accounts of the Oxfordshire Local Government Pension Fund are set out on pages 131 onwards.

As Administering Authority to the Fund, the County Council, after consultation with the Fund Actuary (Barnet Waddingham Public Sector Consulting) and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These are amended when appropriate based on the Fund's performance and funding.

The LGPS is a funded scheme, meaning that the County Council and employees pay contributions into a Fund, calculated at a level intended to balance the pension liabilities with investment assets. The County Council may also grant additional benefits to LGPS members on retirement under the Discretionary Payment Regulations which are not paid from the Fund – these are referred to as LGPS unfunded benefits below.

Employer contributions are set every 3 years as a result of the actuarial valuation of the Fund required by regulations. The latest actuarial valuation was at 31 March 2013 and set the contribution rates for the period 1 April 2014 to 31 March 2017. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. The total contributions expected to be made by the County Council to the Local Government Pension Scheme (LGPS) in 2016/17 are £28.469m for funded benefits (£29.681m in 2015/16). £1.450m of LGPS unfunded benefits are expected to be paid to beneficiaries in 2016/17 (£1.451m in 2015/16). For 2015/16 the estimated duration of the County Council's liabilities is 18 years for funded benefits and 10 years for unfunded benefits (18 years and 10 years respectively for 2014/15).

The County Council currently participates in the Oxfordshire County Council pool with 61 other employers with admissions agreements in order to share experience of risks they are exposed to in the Fund. At the 2013 valuation, the deficit on the whole pool was calculated and allocated to each employer in proportion to their liabilities. The next re-allocation will be carried out at the 2016 valuation, should the employer remain in the pool. Each employer

within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool.

On the County Council's withdrawal from the Fund, a cessation value would be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which would determine the termination contribution due by the County Council, on a set of assumptions deemed appropriate by the Fund Actuary.

Curtailment costs arise as a result of the payment of unreduced pensions on early retirement. The capitalised cost of the additional benefits relative to those reserved for under IAS19 is £1.650m for 2015/16 (£0.411m for 2014/15). As a result of some members of the Oxfordshire Pension Fund transferring to/from another employer over the year, liabilities have been settled at a cost different to the amount reserved for under IAS19. The capitalised gain of this settlement is £10.905m (£7.441m for 2014/15).

The fire-fighters Pension Schemes

There are five separate schemes relating to fire-fighters pensions – the 1992 scheme, the 2006 scheme, the 2015 scheme, the Retained Modified scheme and the fire-fighters compensation scheme for injury benefits and ill health retirements. Each of these are defined benefit statutory schemes administered in accordance with the Firefighters' Pension Scheme Regulations 2014 and Fire Pension Orders 1992 and 2006 and provide benefits based on final salary and length of service on retirement, other than the 2015 scheme which provides benefits accrued from 1 April 2015 based on career average revalued salaries.

The County Council is the Administering Authority for each of the schemes. The day to day administration is undertaken by teams within the County Council. Where appropriate some functions are delegated to the schemes' professional advisers.

The 1992, 2006, 2015 and the Retained Modified schemes are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pension payments as they fall due. The County Council and employees pay contributions into a fund account and where these are not sufficient to meet pension payments for the year, the deficit is met by central government top-up grant. Any surplus in the pension fund in the year is paid back to central government. The Fire-fighters Pension Fund Accounts are set out at on pages 126 to 129. Employer contributions are set every four years as a result of the combined actuarial valuation of the fire-fighters' pension schemes required by the Department for Communities and Local Government on behalf of the Secretary of State. The last completed actuarial valuation was at 31 March 2012 and set contributions for the period from 1 April 2015 to 31 March 2019. The next actuarial valuation will be carried out as at 31 March 2016.

The fire-fighters' compensation scheme injury benefits and ill health retirements are paid on a pay as you go basis. There are no assets held to back the liabilities of the scheme.

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

The total of contributions (including government top-up grant) and injury/ill health retirement benefit payments expected to be made by the County Council in 2016/17 is £5.681m (£4.533m in 2015/16). The estimated duration of the County Council's combined liabilities for the fire-fighters' scheme for 2015/16 is 22 years (22 years for 2014/15).

There are no curtailments or settlements to report relating to the fire-fighters pension schemes.

The Teachers' Pension Scheme

This is a defined benefit scheme administered in accordance with the Teachers' Pensions Regulations 2014 and provides benefits based on final salary and length of service (for benefits accrued up to 31 March 2015) and career average revalued salary (for benefits accrued from 1 April 2015). The Scheme is administered by Capita on behalf of the Department for Education.

The Scheme is an unfunded pension scheme, in which payments from the Scheme are funded by contributions from current employees and employers with the difference between these contributions and Scheme expenditure financed by the Exchequer.

The County Council contributes towards the costs of the scheme by making contributions based on a percentage of members' pensionable salaries as set by the Secretary of State for Education, taking advice from the Scheme's actuary. In 2015/16 the County Council paid £13.902m in employer contributions to the Teachers' Pension Scheme (2014/15 £14.373m) – the amount has reduced because of schools converting to academy trusts. This represents about 0.4% of the total contributions to the Teachers' Pension Scheme by all participating employers. The employer contribution rate for 2015/16 was 14.1% to August 2015 and rose to 16.48% in September 2015 (14.1% in 2014/15). As at 31 March 2015 there was £1.823m owed to the Teachers' Pension Scheme in respect of accrued pensions contributions (£1.931m in 2014/15). The total contributions expected to be made by the County Council to the Teachers' Pension Scheme in 2016/17 are £11.985m (£14.470m in 2015/16).

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

Expected payments to beneficiaries for teachers added years are £3.770m in 2016/17 (£3.791m in 2015/16). The estimated duration of the County Council's liabilities for teachers added years benefits for 2015/16 is 9 years (9 years for 2014/15).

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

The NHS Pension Scheme

This is an unfunded occupational scheme backed by the Exchequer, which is open to all NHS employees and employees of other approved organisations and administered by the NHS Business Services Authority on behalf of the Department of Health. Public Health staff that transferred to the County Council in April 2013 are members of this scheme. The Scheme provides benefits based on final salary and length of service (for benefits accrued up to 31 March 2015) and career average revalued salary (for benefits accrued from 1 April 2015).

The Scheme receives contributions from employees and employers to defray the costs of pensions and other benefits. Any surplus of income from contributions over payments made is returned to HM Treasury. Any excess of payments over receipts is met from the Exchequer.

Contribution rates are set by the Secretary of State for Health, taking advice from the Scheme's actuary. In 2015/16 the County Council paid £0.099m to the NHS Pension Scheme (£0.108m in 2014/15). This represents about 0.002% of the total contributions to the NHS Pension Scheme by all participating employers. The employer contribution rate for 2015/16 was 14.3% (14.0% in 2014/15). As at 31 March 2016 there was £0.014m owed to the NHS Pension Scheme in respect of accrued pensions contributions (£0.019m at 31 March 2015). The total contributions expected to be made by the County Council to the NHS Pension Scheme in 2016/17 are £0.087m (£0.181m in 2015/16).

The NHS Pension Scheme is a defined benefit scheme, but because of the way the scheme is centrally managed the County Council is unable to identify its share of the underlying assets and liabilities of the scheme and it is therefore classified as a defined contribution scheme for accounting purposes.

The County Council is exposed to a number of risks from participating in the pension schemes accounted for as defined benefit schemes outlined above. Risks common to all of the schemes are:

- Interest rate risk – the liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. Given the volatile nature of market yields the yield on high quality corporate bonds could fall leading to an increase in the liabilities.
- Inflation risk – the benefits are linked to inflation and so increased costs may emerge if inflation is higher than expected.
- Longevity risk – in the event that the members live longer than assumed more benefits will be paid out than expected. There are also other demographic risks.

As a funded scheme, the LGPS gives exposure to other additional risks:

- Investment risk – The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk – The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of assets and liabilities may not move in the same way.
- Inflation risk – deficits may emerge to the extent that the assets are not linked to inflation.

In addition, as many unrelated employers participate in the Oxfordshire County Council Pension Fund, there is an 'orphan liability risk' where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the County Council, for example higher than expected investment returns or employers leaving the funds with excess assets which would eventually

NOTES TO THE CORE FINANCIAL STATEMENTS

get inherited by the remaining employers, market yields may rise or inflation be less than expected reducing the value of the liabilities and ongoing cost of benefit accrual.

The cost of retirement benefits arising from defined benefit schemes are recognised in the Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge the County Council is required to make against the County Fund 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 table sets out the transactions that have been made in the accounts:

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	Local Government Pension Scheme		Fire Fighters' Pension Schemes		Teacher's Added Years		Total	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement								
<u>Cost of Services</u>								
Current service cost	35,768	41,192	4,822	4,442	0	0	40,590	45,634
Past service costs	370	1,936	0	731	0	0	370	2,667
(Gain)/loss from settlements	-7,441	-10,905	0	0	0	0	-7,441	-10,905
Administration Expenses	836	545	0	0	0	0	836	545
	29,533	32,768	4,822	5,173	0	0	34,355	37,941
<u>Financing and Investment Income & Expenditure</u>								
Net Interest expense	18,355	17,690	7,440	6,835	2,015	1,160	27,810	25,685
Government Top-Up Grant/Surplus payable to Government	0	0	-2,564	-3,725	0	0	-2,564	-3,725
	47,888	50,458	9,698	8,283	2,015	1,160	59,601	59,901
<u>Surplus/Deficit on the Provision of Services</u>								
<u>Other Comprehensive Income and Expenditure</u>								
Return on plan assets	-60,302	29,849	0	0	0	0	-60,302	29,849
Actuarial gains (-) and losses (+) from demographic assumptions	0	0	0	0	0	0	0	0
Actuarial gains (-) and losses (+) from financial assumptions	163,808	-99,708	28,314	-17,131	3,810	-1,709	195,932	-118,548
Experience gains (-) and losses (+)	3,196	167	0	613	-5,409	424	-2,213	1,204
Other actuarial gains (-) and losses (+)	0	0	0	0	0	0	0	0
Total retirement benefits charged to the Comprehensive Income and Expenditure Statement	154,590	-19,234	38,012	-8,235	416	-125	193,018	-27,594
Movement in Reserves Statement								
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits in accordance with the Code	-15,841	-18,864	-7,443	-6,130	1,510	2,550	-21,774	-22,444
Actual amount charged against the County Fund Balance for pensions in the year	32,047	31,594	2,255	2,153	3,525	3,710	37,827	37,457

NOTES TO THE CORE FINANCIAL STATEMENTS

The net liabilities set out in the following table show the underlying long-term commitments that the County Council has to pay retirement benefits.

	2014/15 £'000	2015/16 £'000
Present value liabilities:		
Local Government Pension Scheme (funded benefits)	1,452,291	1,390,984
Local Government Pension Scheme (unfunded benefits)	21,095	19,604
Fire-fighters' Pension Schemes	203,271	192,883
Teachers' Added Years	52,500	48,665
Total present value liabilities	1,729,157	1,652,136
Fair value of assets in the Local Government Pension Scheme	907,154	895,184
Net liabilities in the scheme:		
Local Government Pension Scheme (funded)	545,137	495,800
Local Government Pension Scheme (unfunded)	21,095	19,604
Fire-fighters' Pension Schemes	203,271	192,883
Teachers' Added Years	52,500	48,665
Total Net Liabilities	822,003	756,952

The total net liability of £756.952m (2014/15 £822.003m) 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 81% (2014/15 90%). 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 Schemes will be reviewed regularly by actuaries acting on behalf of the government to ensure that they reflect the true cost of accruing pensions
- Finance is only required to be raised to cover teachers added years benefits and fire-fighters injury pensions and unfunded ill health retirements when they are actually paid

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Liabilities	Local Government Pension Scheme (funded)		Local Government Pension Scheme (unfunded)		Fire-fighters' Pension Schemes		Teachers Added Years		Total	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	1,240,802	1,452,291	17,587	21,095	167,515	203,271	55,608	52,500	1,481,512	1,729,157
Current service cost	35,768	41,192	0	0	4,822	4,442	0	0	40,590	45,634
Interest expense	53,499	46,851	608	510	7,440	6,835	2,015	1,160	63,562	55,356
Contributions by scheme participants	9,868	9,449	0	0	1,393	1,623	0	0	11,261	11,072
Actuarial gains and losses - demographic assumptions	0	0	0	0	0	0	0	0	0	0
Actuarial gains and losses - financial assumptions	162,670	-98,966	1,138	-742	28,314	-17,131	3,810	-1,709	195,932	-118,548
Experience gains and losses	0	0	3,196	167	0	613	-5,409	424	-2,213	1,204
Other actuarial gains and losses	0	0	0	0	0	0	0	0	0	0
Benefits paid	-38,245	-40,274	-1,434	-1,426	-3,649	-3,776	-3,524	-3,710	-46,852	-49,186
Past service costs	370	1,936	0	0	0	731	0	0	370	2,667
(Gain)/loss from settlements	-12,441	-21,495	0	0	0	0	0	0	-12,441	-21,495
Fire-fighters pension scheme top-up grant	0	0	0	0	-2,564	-3,725	0	0	-2,564	-3,725
Closing balance at 31 March	1,452,291	1,390,984	21,095	19,604	203,271	192,883	52,500	48,665	1,729,157	1,652,136

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 2013

NOTES TO THE CORE FINANCIAL STATEMENTS

The Fire-fighters' Pension Schemes and Teachers Added Years have no assets to cover liabilities. Assets in the Local Government Pension Scheme are valued at fair value, principally market value of investments. A reconciliation of the fair value of assets in the Local Government Pension Scheme is as follows:

Assets	2014/15 £'000	2015/16 £'000
Opening balance at 1 April	814,700	907,154
Interest income	35,752	29,671
Return on plan assets	60,302	-29,849
Other actuarial gains and losses	0	0
Administration expenses	-836	-545
Employer contributions	30,613	30,168
Contributions by scheme participants	9,868	9,449
Benefits paid	-38,245	-40,274
Settlements received/(paid)	-5,000	-10,590
Closing balance at 31 March	907,154	895,184

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

Assets	At 31 March 2015			At 31 March 2016		
	£'000	£'000	%	£'000	£'000	%
<u>Equities</u>						
UK investments - quoted	300,446		33%	164,729		18%
UK investments - unquoted				128,918		14%
Overseas investments - quoted	312,709		34%	94,898		11%
Overseas investments - unquoted				184,426		21%
		613,155			572,971	
<u>Gilts (quoted)</u>						
UK fixed interest government securities	88,682		10%	48,199		5%
Overseas fixed interest govt securities	19,467		2%	24,099		3%
UK index-linked government securities	0		0%	46,413		5%
		108,149			118,711	
<u>Other bonds (quoted)</u>						
UK corporate bonds	27,001		3%	27,904		3%
Overseas corporate bonds	6,333		1%	3,600		1%
		33,334			31,504	
<u>Other quoted assets</u>						
Cash		24,733	3%		26,787	3%
<u>Other unquoted assets</u>						
Property		56,058	6%		71,160	8%
Limited Liability Partnerships		30,652	3%		35,289	4%
Hedge Funds		258	0%		0	0%
Diversified Growth Fund		42,093	5%		39,299	4%
Total		908,432	100%		895,721	100%

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Local Government Pension Scheme (funded)		Local Government Pension Scheme (unfunded)		Fire-fighters' Pension Schemes		Teachers Added Years	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
Longevity assumptions: Base Table*	S1PA with a 95% multiplier		S1PA with a 95% multiplier		S1PA Heavy with allowance for medium cohort projection		S1PA with a 95% multiplier	
Men:								
Rate of improvement	1.50%	1.50%	1.50%	1.50%	1.00%	1.00%	1.50%	1.50%
Longevity from 65 (currently aged 65) (yrs)	23.3	23.3	23.3	23.3	19.4	19.5	23.3	23.3
Longevity from 65 (currently aged 45) (yrs)	25.5	25.6	25.5	25.6	21.3	23.5	25.5	25.6
Women:								
Rate of improvement	1.50%	1.50%	1.50%	1.50%	1.00%	1.00%	1.50%	1.50%
Longevity from 65 (currently aged 65) (yrs)	25.7	25.8	25.7	25.8	23.4	21.4	25.7	25.8
Longevity from 65 (currently aged 45) (yrs)	28.0	28.1	28.0	28.1	25.2	25.3	28.0	28.1
Financial Assumptions:								
Retail Price Index (RPI) increases	3.2%	3.2%	2.7%	2.6%	3.3%	3.4%	2.7%	2.5%
Consumer Price Index (CPI) increases	2.4%	2.3%	1.9%	1.7%	2.5%	2.5%	1.9%	1.6%
Rate of increase in salaries	4.2%	4.1%	n/a	n/a	4.7%	4.7%	n/a	n/a
Rate of increase in pensions and deferred pensions	2.4%	2.3%	1.9%	1.7%	2.5%	2.5%	1.9%	1.6%
Rate for discounting scheme liabilities	3.3%	3.6%	2.5%	2.7%	3.4%	3.8%	2.4%	2.5%

*Explanations of abbreviations are given in the glossary

In addition the following assumptions have been made for the Local Government Pension Scheme:

- Members will exchange half of their commutable pension for cash at retirement.

NOTES TO THE CORE FINANCIAL STATEMENTS

- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

For the Fire-fighters Scheme:

- Members will exchange half of their commutable pension for cash at retirement
- Active members will retire one year later than they are first able to do so without reduction.

The effect of an increase or decrease in the assumptions used to calculate the pension liability is set out below.

Sensitivity Analysis	Local Government Pension Scheme (funded)		Local Government Pension Scheme (unfunded)		Fire-fighters' Pension Schemes		Teachers Added Years	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
0.1% adjustment to discount rate:								
Change in Present Value of Scheme Liabilities	-23,491	23,917	-182	184	-4,044	4,133	-410	414
Change in Projected Service Cost	-795	814	-	-	-133	138	-	-
0.1% adjustment to pension increase:								
Change in Present Value of Scheme Liabilities	22,260	-21,877	186	-184	2,545	-2,545	417	-414
Change in Projected Service Cost	806	-788	-	-	92	-88	-	-
0.1% adjustment to long term salary increase:								
Change in Present Value of Scheme Liabilities	1,940	-1,932	0	0	1,637	-1,602	0	0
Change in Projected Service Cost	18	-18	-	-	48	-47	-	-
1 year adjustment to mortality age rating assumption:								
Change in Present Value of Scheme Liabilities	42,176	-40,896	720	-694	6,071	-5,881	1,701	-1,641
Change in Projected Service Cost	945	-921	-	-	-	-	-	-

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2014/15	2015/16
	£'000	£'000
Balance as at 1 April	-666,812	-822,003
Net charge made for retirement benefits in accordance with IAS19	-21,774	-22,444
Remeasurements of the net defined liability	-133,417	87,495
Balance as at 31 March	-822,003	-756,952

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:

	2014/15	2015/16
	£'000	£'000
Council Tax income	284,813	295,737
Non-domestic rates	26,802	28,866
Non-ringfenced government grants	133,818	119,629
Capital grants and contributions	83,680	97,858
Total Taxation and Non-Specific Grant Income	529,113	542,090

The Business Rates Retention Scheme was introduced in April 2013. The County Council receives a 10% share of the business rates collected by the Oxfordshire district councils, rather than a share of the nationally pooled non-domestic rates.

22. Grant Income

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Credited to Taxation and Non Specific Grant Income:

	2014/15 £'000	2015/16 £'000
Revenue Support Grant	80,623	62,305
Business Rates Top-Up Grant	36,390	37,085
Education Services Grant	7,028	5,302
New Homes Bonus	2,387	3,379
Care Act New Burdens Grant		3,368
Independent Living Fund Grant		3,004
Section 31 Grant - Business Rates and Other Reliefs	1,551	1,864
Troubled Families Grant	1,126	0
Other revenue grants	4,713	3,322
Capital grants	74,023	66,422
Developer contributions	9,360	29,313
Other capital contributions	297	1,599
Donated assets	0	524
Total	217,498	217,487

Credited to Services:

	2014/15 £'000	2015/16 £'000
Dedicated Schools Grant	266,754	246,642
Public Health Grant	26,086	28,536
Pupil Premium Grant	11,350	9,818
Universal Infant Free School Meals	4,052	5,071
Sixth Form Funding	5,124	3,422
Adult Learning	3,165	2,286
PE & Sports Grant	1,721	1,659
Local Sustainable Transport Fund Resource Grant	784	1,035
Asylum Seekers	1,053	1,481
Regional Growth Fund (Local Enterprise Partnership)	1,553	851
Other grants	10,699	5,882
Total	332,341	306,683

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Central government is responsible for the statutory framework within which all local authorities operate and provides the majority of the County Council's funding in the form of general and specific grants. Note 57 on Cash Flow Statement – Operating Activities summarises the main transactions with central government and details of revenue government grant receipts are provided in Note 60.

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 councillor is a trustee of the charity running Vale House dementia care home which received payment of £1.245m from the County Council in 2015/16. The councillor receives no remuneration for the trusteeship had no involvement in the award of the contract. 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 2016, the County Council made employer contributions totalling £30.260m to the Fund (£30.817m in 2014/15). The County Council charged the Fund £1.018m (£1.042m in 2014/15) for expenses incurred in administering the Fund. As at 31 March 2016 £3.168m was due to the Pension Fund and £0.069m by the Pension Fund (£3.282m and £0.066m respectively as at 31 March 2015).

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 2015/16 are as follows:

<u>Oxford City</u>	<u>South Oxfordshire</u>	<u>West Oxfordshire</u>
Jean Fooks	Kevin Bulmer	Louise Chapman
Mark Lygo	Steve Harrod	Pete Handley
Susanna Pressel	David Nimmo Smith	James F. Mills
Gill Sanders		Neil Owen
John Tanner		

<u>Cherwell</u>	<u>Vale of White Horse</u>
Maurice Billington	Yvonne Constance OBE
Mark Cherry	Jenny Hannaby
Surinder Dhesi	Bob Johnston
Timothy Hallchurch MBE	Sandy Lovatt
Kieron Mallon	
George Reynolds	
Les Sibley	
Lawrie Stratford	

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

transactions. Other transactions include payments for waste recycling and joint use sports facilities.

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

2014/15	Collection Fund Transactions			Other Transactions	
District Council	Rates £'000	Rates Receipts £'000	Precepts £'000	Payments £'000	Receipts £'000
Cherwell	1,594	-7,506	-58,878	2,561	-358
Oxford City	1,640	-8,263	-51,349	3,727	-1,164
South Oxfordshire	1,049	-4,254	-66,696	1,762	-210
Vale of White Horse	1,051	-5,163	-57,943	1,769	-7
West Oxfordshire	1,060	-3,403	-49,795	1,450	-365
Total	6,394	-28,589	-284,661	11,269	-2,104

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

NOTES TO THE CORE FINANCIAL STATEMENTS

24. Movement of Property, Plant and Equipment

2015/16	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
Cost or valuation as at 1 April	620,856	114,850	479,908	2,704	31,574	1,249,892	17,570
Additions	10,052	1,204	27,351		39,229	77,836	446
Donations	217	307				524	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	55,899			1,450		57,349	282
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	10,091			-53		10,038	62
Derecognition - disposals	-849	-1,872		-821		-3,542	
Derecognition - other	-82,394	-20,007				-102,401	-446
Assets reclassified to / from Held for Sale	-1,181			79		-1,102	
Assets reclassified to / from Investment Properties	451					451	
Transfers	-26,544	29,354	4,876	50	-7,736		
Other movements in cost or valuation					-157	-157	
Cost or Valuation as at 31 March	586,598	123,836	512,135	3,409	62,910	1,288,888	17,914
Depreciation and Impairment as at 1 April	-1,728	-23,904	-122,507			-148,139	-219
Depreciation charge	-8,288	-7,916	-14,624	-53		-30,881	-230
Depreciation and impairment written out to the Revaluation Reserve	14,507			3		14,510	
Depreciation and impairment written out to the Surplus/Deficit on Provision of Services	1,625			39		1,664	

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16 Continued	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
Impairment losses/(reversals) recognised in the Revaluation Reserve	-1,289					-1,289	
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	-192					-192	
Derecognition - disposals		1,623		2		1,625	
Derecognition - other	530	1,404				1,934	
Assets reclassified to / from Held for Sale							
Assets reclassified to / from Investment Properties							
Transfers	-7,223	7,223					
Other movements in depreciation and impairment							
Depreciation and impairment as at 31 March	-2,058	-21,570	-137,131	-9		-160,768	-449
Net Book Value at 31 March 2015	619,128	90,946	357,401	2,704	31,574	1,101,753	17,351
Net Book Value at 31 March 2016	584,540	102,266	375,004	3,400	62,910	1,128,120	17,465

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
Cost or valuation as at 1 April	696,263	116,698	445,453	4,642	12,585	1,275,641	17,520
Additions	14,812	1,576	31,893	204	25,073	73,558	769
Donations							
Revaluation increases/(decreases) recognised in the Revaluation Reserve	27,391			529		27,920	41
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	-3,143			5		-3,138	9
Derecognition - disposals		-1,096				-1,096	
Derecognition - other	-90,484	-29,781		-1,280		-121,545	-769
Assets reclassified to / from Held for Sale				-1,300		-1,300	
Assets reclassified to / from Investment Properties	-52			-96		-148	
Transfers	-23,931	27,453	2,562		-6,084		
Other movements in cost or valuation							
Cost or Valuation as at 31 March	620,856	114,850	479,908	2,704	31,574	1,249,892	17,570
Depreciation and impairment as at 1 April	-2,015	-30,882	-109,696	-1		-142,594	-1
Depreciation charge	-8,482	-6,885	-12,811	-47		-28,225	-219
Depreciation and impairment written out to the Revaluation Reserve	10,866			202		11,068	
Depreciation and impairment written out to the Surplus/Deficit on Provision of Services	4,240			50		4,290	

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 Continued	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
Impairment losses/(reversals) recognised in the Revaluation Reserve	-2,606			-122		-2,728	
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	-2,835	-453		-82		-3,370	
Derecognition - disposals		1,010				1,010	
Derecognition - other	1,319	11,091				12,410	1
Assets reclassified to / from Held for Sale							
Assets reclassified to / from Investment Properties							
Transfers	-2,215	2,215					
Other movements in depreciation and impairment							
Depreciation and impairment as at 31 March	-1,728	-23,904	-122,507			-148,139	-219
Net Book Value at 31 March 2014	694,248	85,816	335,757	4,641	12,585	1,133,047	17,519
Net Book Value at 31 March 2015	619,128	90,946	357,401	2,704	31,574	1,101,753	17,351

NOTES TO THE CORE FINANCIAL STATEMENTS

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

25. Investment Properties

	2014/15		2015/16	
	Non-Current	Current	Non-Current	Current
	£'000	£'000	£'000	£'000
Balance at 1 April	7,190	0	7,569	0
Derecognition	-277			
Net gains (+)/losses (-) from fair value adjustments	508		346	1
Assets reclassified to / from Investment Properties	148		-474	23
Balance at 31 March	7,569	0	7,441	24

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

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

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

The office and commercial units located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	Fair Value Level	Fair Value at 31 March 2016 £'000	Additional information for level 3 properties			
			Valuation technique	Unobservable inputs	Range (weighted average used)	Sensitivity
Agricultural units	2	6,528				
Office units	3	326	Income approach using a discounted cash flow	Rent growth	2% - 4% (3%)	Significant changes in rent growth, vacancy levels or discount rate will result in a significantly lower of higher fair value
				Vacancy levels	2% - 4% (3%)	
Commercial units	3	611	Rent growth	2% - 4% (3%)		
			Vacancy levels	2% - 4% (3%)		
				Discount rate	8% - 11% (10%)	
				Rent growth	2% - 4% (3%)	
				Vacancy levels	2% - 4% (3%)	
				Discount rate	5% - 6% (5%)	
		7,465				

The fair value of level 3 investment properties has moved from £0.887m at the start of the year to £0.937m at 31 March 2016 due to £0.050m of fair value adjustments.

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

26. Movement in the value of Assets Held for Sale

2014/15 £'000		2015/16 £'000
76	Balance at 1 April	79
	Assets newly classified as held for sale:	
1,300	- Property, Plant and Equipment	1,181
3	Revaluation gains/(losses)	-632
	Impairment losses	
	Assets declassified as held for sale:	
	- Property, Plant and Equipment	-79
-1,300	Assets derecognised	0
	Additions	
79	Balance at 31 March	549

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

NOTES TO THE CORE FINANCIAL STATEMENTS

27. Movement in the value of Intangible Assets

The County Council did not capitalise any purchased software licenses in 2015/16 (nil in 2014/15). The movement in the carrying value of intangible assets for the year was as follows:

	2014/15 £'000	2015/16 £'000
Gross Carrying Value at 1 April	3,810	3,810
Additions		
Derecognition		-1,887
Gross Carrying Value at 31 March	3,810	1,923
Amortisation and Impairment at 1 April	-3,098	-3,392
Amortisation for the year	-294	-246
Impairment losses		
Derecognition		1,887
Amortisation and Impairment at 31 March	-3,392	-1,751
Net Book at 1 April	712	418
Net Book Value at 31 March	418	172

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

Service line	2014/15 £'000	2015/16 £'000
Children's and Education Services	109	85
Adult Social Care	89	96
Highways and Transport Services	52	28
Fire and Rescue Services	10	9
Environmental and Regulatory Services	1	1
Public Health	1	4
Cultural and Related Services	22	8
Planning Services		
Central Services to the Public	7	2
Other Corporate Services	3	13
Total	294	246

28. Heritage Assets

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

The main heritage assets held by the County Council comprise museum collections, history centre collections and archaeological sites.

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 £2.7m for the Museum Service and the Oxfordshire History Centre (based on historic valuations) provides an indication of the value of these items not recognised on the Balance Sheet.

29. Valuation of non-current assets

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

- Year 1: Secondary and special schools
- Year 2: Primary, nursery, junior and infant schools
- Year 3: Social care premises, libraries, museums and adult learning premises
- Year 4: Fire & Rescue Service and Community Safety premises, staff housing, central offices and highways depots
- Year 5: Other educational premises (including children's, youth and sports centres), surplus assets and other properties not re-valued within the past 5 years

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

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

Property valuations are conducted by the County Council's appointed external property consultants Carillion Capita 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 primary, nursery, junior and infant schools were revalued as at 1 April 2015. Surplus assets were also revalued as at 1 April 2015 to reflect the new basis of valuation at fair value.

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

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

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

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

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

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

	2014/15	2015/16
	£'000	£'000
Balance at 1 April	27,181	26,442
Increase in liability in the year		
Liability repaid in the year	-739	-766
Balance at 31 March	26,442	25,676

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	Long-Term		Current	
	At 31 March 2015	At 31 March 2016	At 31 March 2015	At 31 March 2016
	£'000	£'000	£'000	£'000
Service Concession Arrangement	25,647	24,850	795	826
Finance Leases	31	14	20	17
Investments - Forward Deal				10,000
Total Finance Liability	25,678	24,864	815	10,843

Details of payments due to be made under the service concession arrangement are as follows, with comparative figures for 2014/15 following on.

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

2014/15	Service Costs	Principal Repayments	Interest Costs	Lifecycle Replacement Payments	Total
	£'000	£'000	£'000	£'000	£'000
Within 1 Year	13,498	795	2,014	702	17,009
2 -5 Years	58,999	3,834	7,403	3,102	73,338
6 - 10 Years	87,510	6,679	7,367	4,628	106,184
11 -15 Years	26,237	15,134	3,074	3,245	47,690
Total	186,244	26,442	19,858	11,677	244,221

31. Capital Spending 2015/16

The County Council's total capital spend for 2015/16 was £126.323m, which included £3.356m of structural repairs and maintenance of buildings, structural highways maintenance, purchase of vehicles/equipment/ICT and loans and £39.229m of work in progress as at 31 March 2016.

Details of the expenditure are set out in the table on the next page:

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Spending	£'000	£'000
Children, Education & Families		
Frank Wise - Post 16 provision	1,377	
Bardwell - Post 16 provision	1,152	
Woodeaton - Renew Roof	1,026	
Didcot, Great Western Park Primary No.1	4,317	
Bodicote, Longford Park School	3,117	
Bayards Hill School - replacement of buildings	1,260	
Bletchingdon - relocate school	682	
Wolvercote - 1.5 form entry	2,127	
Windmill - 3 form entry phase 2	1,648	
John Hampden 2 form entry	634	
Badgemore 0.5 to 1 from entry phase 2	750	
Hill View - 3 form entry	1,566	
Hanwell Fields - 2 form entry	1,072	
Charlton - 2 form entry phase 3	917	
South West Bicester Primary School	3,965	
Watchfield - 2 form entry	1,466	
Faringdon Junior - 3 form entry	1,547	
North West Bicester (Eco-Town) Primary No.1	2,588	
Didcot, Great Western Park Secondary	4,085	
Eynsham, Bartholomew Academy 1 form entry	1,958	
Cheney - Expansion by 1 form entry	1,705	
Didcot, University Technology College	1,500	
Thame - Assessment Centre	2,077	
Didcot - Move on Home	1,087	
Eynsham - Assessment Centre	704	
Witney - Move on Home	560	
Schemes under £500,000	8,599	
Total Children, Education & Families		53,486
Social & Community Services		
Better Care Fund - Disabled Facilities Grant	2,401	
Adult Social Care Management System	565	
Schemes under £500,000	1,055	
Total Social & Community Services		4,021
Environment & Economy Transport		
Frideswide Square	4,025	
Bicester Park & Ride	3,151	
Routine Surface Dressing	1,432	
Combined Safety Schemes	849	
Routine Pre Patching	918	
Carriageway Programme	2,876	
Footways Programme	670	
Structural Patching 15/16	1,949	
Heath Bridge	547	
A34 Chilton Interchange	3,118	
Hagbourne Hill	2,600	
Wolvercote Roundabout	2,453	

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Spending	£'000	£'000
Environment & Economy Transport (Continued)		
Cuttleslowe Roundabout	2,288	
Oxford The Plain Cycle Improvements	606	
Milton Interchange, Science Vale UK	6,712	
Oxford Park End St Maintenance & Improvements	815	
Edge Strengthening	686	
Street Lighting (Challenge Fund)	1,046	
Drainage (Challenge Fund)	954	
Schemes under £500,000	8,449	
Total Environment & Economy Transport		46,144
Environment & Economy Other		
Better Broadband Project	6,990	
Schemes under £500,000	1,027	
Total Environment & Economy Other		8,017
Corporate Services		
City Deal - Culham Advanced Manufacturing Hub	2,000	
Local Growth Fund - Centre for Technology, Innovation & Skills	2,202	
Local Growth Fund - Centre for Applied Superconductivity	684	
Local Growth Fund - Oxpens Development	3,520	
Growing Places Fund - Harwell Oxford Employment Access Rd	1,379	
Bicester Library	554	
Schemes under £500,000	960	
Total Corporate Services		11,299
Sub Total Capital Programme		122,967
Capitalised Structural Repairs & Maintenance of Buildings		546
Capitalised Purchase of Vehicles / Equipment		262
Capitalised Structural Maintenance of Highways		1,434
Capitalised ICT		356
Capitalised Loans		758
Sub Total		3,356
Total		126,323

Summary of capital expenditure

Capital expenditure by asset class is as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15 £'000	2015/16 £'000
Property, Plant and Equipment	73,558	77,836
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute	22,618	48,175
Capital loans	1	758
Repayment of capital grants and contributions	0	0
	96,177	126,769
Less assets acquired under service concession arrangements	0	0
Less assets transferred from capital prepayment account	-768	-446
Less assets acquired under finance leases	0	0
Total capital expenditure	95,409	126,323

32. Capital Financing

The capital expenditure of £126.323m has been financed from the following sources:

	2014/15 £'000	2015/16 £'000
Prudential and other unsupported borrowing	373	24
Grants & Contributions	88,429	118,027
Revenue	6,607	8,272
Total	95,409	126,323

33. 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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15 £'000	2015/16 £'000
Capital Financing Requirement as at 1 April	422,896	406,295
New supported borrowing	0	0
New unsupported borrowing	373	24
Assets acquired under service concession arrangements	0	0
Assets acquired under finance leases	0	0
Service concession arrangements - lifecycle prepayments	676	761
Residual interest - asset accumulation prepayments	43	43
Loan repayments and fair value adjustments	9	-202
Reduction in underlying need to borrow arising from derecognition of finance leases	-8	0
Minimum Revenue Provision for the year	-17,694	-17,163
Increase (+)/decrease (-) in Capital Financing Requirement	-16,601	-16,537
Capital Financing Requirement as at 31 March	406,295	389,758

34. Capital Commitments

As at 31 March 2016 the Council was contractually committed to £64.548m (£40.645m as at 31 March 2016) on the following schemes:

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	2015/16 £'000	
Children, Education & Families		
Bicester, Longfields Primary	1,707	
Yarnton, William Fletcher Primary	1,025	
Hill View Primary	967	
Steventon, St Michael Primary	608	
Banbury, Queensway Primary	650	
Hook Norton Primary	963	
Children's Home, Litchfield Farm, Eynsham	911	
Children's Home, Moorland, Witney	705	
Didcot Great Western Park, Primary no 1	4,809	
Longford Park, Primary	4,981	
NW Bicester, Exemplar Primary	4,198	
Didcot Great Western Park Secondary	15,209	
Schemes under £500,000	2,354	
		39,087
Social & Community Services		
Schemes under £500,000	578	
		578
Environment & Economy		
A34 Milton Interchange Improvements	626	
Cotteslowe Roundabout Improvements	2,239	
Wolvercote Roundabout Improvements	2,300	
Hagbourne Hill - Main Works Construction	1,363	
Structural Patching	1,000	
Surface Dressing Pre-Patching	850	
Chilton slip roads	4,702	
Better Broadband (OxOnline)	9,333	
Schemes under £500,000	2,346	
		24,759
Corporate Services		
Schemes under £500,000	124	
		124
TOTAL		64,548

As at 31 March 2016 there were no commitments relating to investment property or intangible assets.

35. Financial Instrument Carrying Values

Financial assets comprise long-term and short-term investments, long-term and short-term debtors (excluding statutory debtors and capital prepayments) and cash & cash equivalents. Financial liabilities comprise long-term and short-term borrowing, creditors (excluding statutory creditors), finance leases, the finance liability element of service concession arrangements and forward deals on investments. The Code specifies the categorisation of these assets (see pages 30 – 32 of Note 1 Summary of Significant

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015	At 31 March 2016	At 31 March 2015	At 31 March 2016
	£'000	£'000	£'000	£'000
Loans and receivables	49,836	90,338	250,000	215,192
Available-for-sale financial assets	0	0	98,409	87,140
Financial assets at fair value through profit and loss	0	0	0	0
Total Financial Assets	49,836	90,338	348,409	302,332
Financial liabilities at amortised cost	394,061	390,247	116,550	116,844
Total Financial Liabilities	394,061	390,247	116,550	116,844

Statutory debtors and creditors, receipts in advance and the capital prepayment account are not considered to be financial instruments and are therefore excluded from the above carrying values.

The County Council has £8.254m of loans and receivables as at 31 March 2016 secured on property (£8.671m at 31 March 2015). Of this, £2.709m was new in 2015/16 (£1.393m in 2014/15). 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 2016, 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:

	2014/15 £'000	2015/16 £'000
Balance as at 1 April	4,726	4,944
Nominal value of new loans granted	337	118
Fair value adjustment on initial recognition	-9	
Loans repaid during the year	-166	-37
Impairment losses recognised	-3	
Interest credited to the Surplus/Deficit on Provision of Services	60	
Other changes	-1	-161
Balance as at 31 March	4,944	4,864

The soft loans comprise key worker loans for assistance with the purchase of housing, loans under the Children's Act relating to foster care accommodation, loans under the Chronically Sick and Disabled Persons Act for adaptations to homes and deferred payment agreements for clients' care costs entered into prior to the national mandatory scheme introduced from 1 April 2015. The nominal value of the soft loans as at 31 March 2016 was £4.864m (£4.972m at 31 March 2015).

36. Financial Instrument Fair Values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, using the following methods and assumptions:

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Financial Liabilities	Fair Value Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		At 31 March 2015 £'000	At 31 March 2015 £'000	At 31 March 2016 £'000	At 31 March 2016 £'000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB*	2	346,689	415,040	338,607	411,766
Long-term LOBO loans*	2	25,330	37,773	30,431	45,526
Finance lease payables and service concession liabilities	3	25,678	36,104	24,864	34,952
Total		397,697	488,917	393,902	492,244
Liabilities for which fair value is not disclosed **		112,398		113,189	
Total Financial Liabilities		510,095		507,091	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		79,816		73,766	
Short-term borrowing		35,403		32,235	
Short-term finance liabilities		815		10,843	
Long-term borrowing		368,383		365,383	
Long-term finance liabilities		25,678		24,864	
Total Financial Liabilities		510,095		507,091	

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

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

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date. Similarly the discount rate implied in the service concession arrangement and finance leases is higher than the rates available for new borrowing at the Balance Sheet date.

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Assets	Fair Value Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		At 31 March 2015 £'000	At 31 March 2015 £'000	At 31 March 2016 £'000	At 31 March 2016 £'000
<i>Financial assets held at fair value:</i>					
Money market funds	1	30,779		14,658	
Bond, equity and property funds	1	67,630		72,482	
<i>Financial assets held at amortised cost:</i>					
Long-term loans to local authorities*	2	47,210	47,446	87,392	87,716
Long-term debtors	3	2,834	2,879	3,338	3,361
Total		148,453	148,734	177,870	178,217
Assets for which fair value is not disclosed **		249,589		214,800	
Total Financial Assets		398,042		392,670	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		2,834		3,338	
Long-term investments		47,000		87,000	
Short-term debtors		36,282		29,229	
Short-term investments		289,608		260,317	
Cash and cash equivalents		22,318		12,786	
Total Financial Assets		398,042		392,670	

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

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

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

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

	At 31 March 2015		At 31 March 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and receivables	299,836	300,326	305,530	306,269
Financial Liabilities	510,611	614,523	507,091	605,432

NOTES TO THE CORE FINANCIAL STATEMENTS

37. Long Term Debtors

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

	At 31 March 2015 £'000	At 31 March 2016 £'000
Key Worker Loans	271	271
Car Loans to Employees	19	17
Chronically Sick & Disabled Persons Act – loans	1,950	2,030
Children’s Act: loans to foster carers	573	579
Loan to school trustees		350
Oxfordshire Local Enterprise Partnership loans		69
Other	21	22
	2,834	3,338
Capital Prepayment Account	2,534	2,892
Total	5,368	6,230

Key Worker loans, Chronically Sick & Disabled Persons Act loans and Children’s Act loans to foster carers are soft loans in that they are contracted at interest rates below market rates (zero in most cases).

The Capital Prepayment Account holds prepayments for lifecycle replacement costs relating to the service concession arrangement. As lifecycle replacements actually take place the value of the works is transferred to Property, Plant and Equipment (£0.446m was transferred in 2015/16). 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.

38. Debtors

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

	At 31 March 2015 £'000	At 31 March 2016 £'000
Government Departments	13,855	9,106
Other Local Authorities	10,473	12,881
Health Authorities	2,179	2,671
Public Corporations and Trading funds	0	0
Payments in Advance	5,763	5,357
Sundry	33,638	34,243
	65,908	64,258
Less Impairment Allowance Account	-8,740	-10,480
	57,168	53,778

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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:

2014/15 £'000		2015/16 £'000
-8,578	Balance at 1 April	-8,740
507	Decrease in allowance	0
-669	Increase in allowance	-1,740
-8,740	Balance at 31 March	-10,480

39. Cash and Cash Equivalents

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

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

	At 31 March 2015 £'000	At 31 March 2016 £'000
Cash at bank and in hand	-8,462	-1,880
Call Accounts	0	8
Money Market Funds	30,780	14,658
Total	22,318	12,786

40. 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-, unless there are other exceptional circumstances including Government ownership or Government guarantee.

Longer-term deposits of 1 year or more are restricted to the higher rated institutions with a minimum short-term FITCH rating of F1+, long-term rating AA-, or other Government bodies (e.g. other Local Authorities).

The following table summarises the nominal value (excluding accrued interest) of the Council's investment portfolio at 31 March 2016, and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment. The table includes money market funds and call accounts classed as cash & cash equivalents at 31 March 2016.

NOTES TO THE CORE FINANCIAL STATEMENTS

Counterparty	Credit rating criteria met when investment placed?	Credit rating criteria met on 31 March 2016?	Balance invested as at 31 March 2016						Total		
			Yes/No	Yes/No	Up to 1 month	1-3 months	3 - 6 months	6 – 12 months		1 – 2 years	2 – 3 years
					£'000	£'000	£'000	£'000		£'000	£'000
Banks UK	Yes	Yes	3,000	15,000						18,000	
Banks non-UK:											
Australia	Yes	Yes	5,000	5,000						10,000	
Canada	Yes	Yes			5,000	20,000				25,000	
Germany	Yes	Yes			15,000					15,000	
Netherlands	Yes	Yes			20,000	5,000				25,000	
Singapore	Yes	Yes			5,000					5,000	
Sweden	Yes	Yes			6,000					6,000	
Total Banks			8,000	20,000	51,000	25,000	0	0		104,000	
Local Authorities and Police Authorities	Yes	Yes	8,000	5,000	20,000	10,000	35,000	52,000		130,000	
Building Societies - UK	Yes	Yes			10,000					10,000	
Notice Accounts	Yes	Yes	29,800							29,800	
Short dated Bond Funds	Yes	Yes	36,756							36,756	
Bond Funds	Yes	Yes	15,918							15,918	
Property Funds	Yes	Yes	19,808							19,808	
Money Market Funds	Yes	Yes	14,658							14,658	
Call Accounts	Yes	Yes	8							8	
Total			132,948	25,000	81,000	35,000	35,000	52,000		360,948	

NOTES TO THE CORE FINANCIAL STATEMENTS

The above analysis shows that all deposits outstanding as at 31 March 2016 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.

Within the £64.258m short-term debtors included in loans and receivables, £20.043m were past due at 31 March 2016 (£20.478m at 31 March 2015). The past due amount can be analysed by age as follows:

	At 31 March 2015 £'000	At 31 March 2016 £'000
Less than 1 month	8,831	5,302
Between 1 and 3 months	4,668	5,068
Between 3 and 6 months	1,896	2,620
Between 6 months and 1 year	1,627	2,633
Between 1 and 3 years	2,598	3,317
Over 3 years	858	1,103
Total	20,478	20,043

None of these past-due short-term debtors have been individually impaired. An impairment allowance of £2.637m has been provided for past due debtors that are financial instruments based on past and current experience (£1.503m at 31 March 2015). This is the County Council's estimate of maximum exposure to uncollectability. £2.494m of the debtor impairment allowance is based on a collective assessments of debtors with similar characteristics. An individual impairment allowance has been provided for overdue library fines (£0.143m). There has been a deterioration in the rates of debt collection in the last year due to a period of transition to the new arrangements with the Hampshire County Council Integrated Business Centre, hence the current estimate of uncollectability is higher than the average for the previous 5 years. The past due debtors analysis and impairment allowance quoted above exclude those for statutory debtors as these are not considered to be financial instruments.

The key worker, CSDP Act and Children's Act loans are secured on property. Details of this collateral are provided in note 35.

Liquidity Risk

As the County Council has access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the County Council may be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to spread the maturity dates of fixed debt so that a significant proportion of the portfolio does not mature in any one year.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

At 31 March 2015 £'000		At 31 March 2016			
		Fixed Rate Borrowing £'000	Variable Rate Borrowing £'000	Other Finance Liabilities £'000	Total £'000
36,067	Less than 1 year	11,306	20,929	10,843	43,078
13,812	Between 1 and 2 years	18,000	10,000	900	28,900
67,849	Between 2 and 5 years	18,184	20,000	3,103	41,287
46,679	Between 5 and 10 years	45,049	0	6,977	52,026
266,516	More than 10 years	254,150	0	13,884	268,034
430,923		346,689	50,929	35,707	433,325

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 was limited to 25% in 2015/16. Principal deposited at variable rates net of investments at variable rates as a proportion of total net borrowing was limited to 25% in 2015/16.

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:

	2014/15 £'000	2015/16 £'000
Increase in interest payable on new borrowings	0	0
Increase in interest receivable on variable and structured investments	0	0
Increase in interest receivable on fixed rate investments	-1,397	-1,531
Increase in the gain arising from the revaluation of available for sale assets	-612	-681
Impact on Comprehensive Income & Expenditure Statement	-2,009	-2,212

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2014/15 £'000	2015/16 £'000
Decrease in interest payable on new borrowings	0	0
Decrease in interest receivable on variable and structured investments	0	0
Decrease in interest receivable on fixed rate investments	881	1,112
Decrease in the gain arising from the revaluation of available for sale assets	385	681
Impact on Comprehensive Income & Expenditure Statement	1,266	1,793

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

Price Risk

The County Council does not generally invest in equity shares but does have investments in externally managed pooled funds which may invest instruments sensitive to price movements. The fund managers monitor price fluctuations and have strategies for limiting the impact of adverse price movements of underlying investments within the pooled funds.

Foreign Exchange Risk

The council's deposits and debt instruments are denominated in sterling.

41. Creditors

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	At 31 March 2015 £'000	At 31 March 2016 £'000
Receipts in Advance		
Government Departments	1,690	376
Other Local Authorities	94	682
Health Authorities	3,379	259
Public Corporations and Trading Funds	0	0
Sundry	2,758	4,149
	7,921	5,466
Creditors		
Government Departments	9,323	8,451
Other Local Authorities	4,298	8,337
Health Authorities	2,784	3,367
Public Corporations and Trading Funds	9	11
Sundry	73,927	63,815
	90,341	83,981
Long Term Receipts in Advance	3,273	4,601
	101,535	94,048

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.

42. Provisions

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at 31 March 2014	Reclass- ification between short and long term	Additional provisions made in 2014/15	Amounts used in 2014/15	Unused amounts reversed in 2014/15	Balance at 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000
Provision due within 1 year						
Insurance	367	570	1,905	-1,851	-344	647
Pooled Budgets	963		30	-10	-299	684
Redundancy	90		82	-46		126
Carbon Commitment Levy	629			-629		0
MMI Scheme of Arrangement	20					20
Highways Schemes	433			-433		0
Business Rates	1,735		1,269			3,004
Joint Use	0		175			175
	4,237	570	3,461	-2,969	-643	4,656
Provision due after 1 year						
Insurance	6,879	-570	3,426	24	-2,289	7,470
Total	11,116	0	6,887	-2,945	-2,932	12,126

Details of the provisions held at 31 March 2016 are as follows:

- Insurance claims are managed by the County Council's Insurance Team, working with external insurers and legal advisors to achieve a satisfactory outcome. The time required to settle these claims will depend upon the complexity of each case and the approach adopted by each claimant but the expectation is that these cases will be settled within 18 months to two years. In a small number of cases where the final liability is dependent on a long term medical prognosis, the claim may take longer to settle to ensure all the medical facts are known.
- The Pooled Budgets provision reflects the County Council's share of the estimated liability to pay claims in respect of continuing care assessments (under both the old and new frameworks) in its capacity as host of the Older People's and Physical Disabilities Pooled Budgets arrangement.
- The redundancy provisions reflect the estimated liability for redundancy costs within Children, Education & Families and Cultural Services.
- The County Council has claims outstanding with Municipal Mutual Insurance Plc. (MMI). In November 2012 the directors of MMI triggered a process to wind up the business. This means the County Council may have to repay all or part of the insurance claims settled since the company ceased to trade, as well as fund any outstanding claims. A levy of 15% has been paid since 2012, and this was increased to 25% in 2016. A provision of £0.733m has been allocated as per the actuary's report of April 2016 however the latest levy which was requested in April has already been paid and therefore deducted from the actuary's report as his suggested provision included this.

- Under the Business Rates Retention Scheme the County Council is required to account for its share of the billing authorities' provision for appeals on business rates valuations.
- The Joint Use provision relates to an underpayment for joint use facilities provided by South Oxfordshire District Council.

43. Deferred Income

The deferred income balance of £3.461m at 31 March 2016 (£3.796m at 31 March 2015) 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.

44. 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 2015/16, split between short term and long term is as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

The balance at 31 March 2016 includes £5.431m Growing Places Fund grant held on behalf of the Oxfordshire Local Enterprise Partnership (OxLEP), for which the County Council is the accountable body (£8.223m at 31 March 2015).

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

The comparative amounts for 2014/15 are given in the following table:

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15	Capital Grants	Developer Contributions	Other Contributions	Total
	£'000	£'000	£'000	£'000
Short term:				
Balance as at 1 April 2014	12,112	4,541	0	16,653
Received/refunded during the year	10,128	204		10,332
Transferred to the Comprehensive Income and Expenditure Statement during the year	-4,823	-5,154		-9,977
Reclassification between short and long term	0	14,752		14,752
Balance at 31 March 2015	17,417	14,343	0	31,760
Long term:				
Balance as at 1 April 2014	2,080	28,479	65	30,624
Received/refunded during the year		23,815		23,815
Transferred to the Comprehensive Income and Expenditure Statement during the year		-58		-58
Reclassification between short and long term		-14,752		-14,752
Balance at 31 March 2015	2,080	37,484	65	39,629
Total at 31 March 2015	19,497	51,827	65	71,389

45. County Fund Balance

The balance on the County Fund at 31 March 2016 was £18.984m (£24.297m at 31 March 2105) as shown in the Movement in Reserves Statement on page 15.

NOTES TO THE CORE FINANCIAL STATEMENTS

46. Earmarked Reserves

	Balance at 1 April 2014 £'000	In-year movement 2014/15 £'000	Balance at 31 March 2015 £'000	In-year movement 2015/16 £'000	Balance at 31 March 2016 £'000
Local Management of Schools	24,154	-2,172	21,982	-1,335	20,647
Other Schools Reserves	1,290	-1,353	-63	100	37
Vehicle and Equipment Reserve	2,399	-24	2,375	748	3,123
Grants and Contribution Reserve	20,596	-1,871	18,725	-4,158	14,567
ICT Projects	1,424	-790	634	-361	273
Government Initiatives		1,085	1,085	-220	865
CE&F Commercial Services	989	-488	501	-167	334
CE&F Joint working with Police	272	-272	0	0	0
CE&F School Intervention Fund	1,116	-666	450	60	510
CE&F Foster Carer Loans	201	19	220	20	240
CE&F Academies Conversion Support	619	-149	470	-361	109
CE&F Staff Training and Development	102	-102	0	0	0
CE&F Early Intervention Service Reserve	363	-335	28	-25	3
CE&F Thriving Families	1,745	16	1,761	-7	1,754
CE&F Children's Social Care	20	706	726	-641	85
CE&F Pay Protection Costs	282	-282	0	0	0
S&CS Older People Pooled Budget Reserve	2,878	-12	2,866	-1,205	1,661
S&CS Physical Disabilities Pooled Budget Reserve	1,044	-500	544	0	544
S&CS Learning Disabilities Pooled Budget Reserve	95	0	95	-13	82
S&CS Fire Control	409	-369	40	319	359
S&CS Fire & Rescue & Emergency Planning Reserve	129	0	129	57	186
S&CS Community Safety Reserve	156	0	156	0	156
EE Highways and Transport Reserve	385	-348	37	0	37
EE Area Stewardship	137	-137	0	0	0
EE On Street Car Parking	2,086	-641	1,445	434	1,879
EE SALIX Repayments	297	79	376	-289	87
EE Dix Pit Engineering Works & WRC Development	839	-109	730	-515	215
EE Waste Management	528	-148	380	0	380
EE Property Disposal Costs	201	34	235	32	267
EE Skills Reward	102	-95	7	-7	0

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at 1 April 2014 £'000	In-year movement 2014/15 £'000	Balance at 31 March 2015 £'000	In-year movement 2015/16 £'000	Balance at 31 March 2016 £'000
EE Developer Funding (Revenue)	410	65	475	60	535
EE Joint Use	1,077	-263	814	-544	270
EE Catering Investment Fund	1,594	-476	1,118	-702	416
EE Asset Rationalisation	637	-400	237	-45	192
EE Minerals and Waste Project	111	-65	46	77	123
EE OCS Development Reserves	1,063	-801	262	-200	62
EE Money Management Reserve	150	-150	0	0	0
EE Oxfordshire - Buckinghamshire partnership	198	200	398	-398	0
EE LABGI Reserve	278	-80	198	1	199
EE Oxford Western Conveyance		350	350	400	750
EE Cultural Services Reserve	1,506	-477	1,029	-89	940
EE Other Reserves	194	-105	89	0	89
CS Big Society Fund	16	-16	0	0	0
CS CIPFA Trainees	58	-58	0	0	0
CS Coroner's Service	133	-93	40	0	40
CS Council Elections	0	232	232	255	487
CS Registration Service	675	-271	404	0	404
Insurance Reserve	3,482	1,034	4,516	2,570	7,086
Carry Forward Reserve	1,085	-889	196	-196	0
Capital Reserve	19,442	3,893	23,335	423	23,758
Rolling Fund Reserve	2,050	491	2,541	-2,047	494
Budget Reserve	19,393	-10,587	8,806	-95	8,711
Efficiency Reserve	4,253	-2,505	1,748	1,128	2,876
Prudential Borrowing Reserve	7,530	1,368	8,898	1,402	10,300
Total Earmarked Reserves	130,193	-18,527	111,666	-5,534	106,132

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 2015		Balance at 31 March 2016	
	No. of schools	Balance £'000	No. of schools	Balance £'000
Primary Schools				
Schools in surplus	180	12,632	163	12,697
Schools in deficit	13	-225	14	-495
Secondary Schools				
Schools in surplus	7	1,354	3	857
Schools in deficit	2	-525	3	-1,071
Special Schools				
Schools in surplus	9	1,134	7	928
Schools in deficit	0	0	2	-78
Sub-Total Revenue	211	14,370	192	12,838
Closed Schools, Schools Contingency & Schools Forum		7,612		7,809
Total		21,982		20,647

Other School Reserves

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

Vehicle and Equipment Reserve

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

Grants and Contributions Reserve

This reserve has been set up to hold unspent grants and contributions committed to be spent in future years. £8.770m of the balance at 31 March 2016 relates to the Dedicated Schools Grant.

ICT Projects Reserve

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

Government Initiatives Reserve

This reserve is used to hold underspends on budgets funded by unringfenced grants held that relate to specific agreed outcomes or the implementation of Government initiatives.

CE&F Commercial Services

This reserve has combined a number of smaller reserves and includes the Oxfordshire Safeguarding Children Board Reserve, which was set up to hold contributions from participants in the Board (the balance will be drawn down as required). Surplus balances from Outdoor Education Centres are also held in the reserve.

CE&F Joint Working with Police Reserve

This reserve was used to fund a two-year project to respond to an increase in referrals and workloads.

CE&F School Intervention Fund Reserve

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

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 Staff Training & Development Reserve

This reserve was for training and staff development towards new ways of working following a restructuring of the Children, Education and Families directorate.

CE&F Early Intervention Service Reserves

Funding for early intervention projects and equipment.

CE&F Thriving Families Reserve

This reserve will be used to fund the Thriving Families project.

CE&F Children's Social Care Reserve

This reserve is to fund project work within Children's Social Care.

CE&F Pay Protection Costs Reserve

This reserve has been used to support the Medium Term Financial Plan.

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

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

S&CS Fire Control Reserve

This reserve has been created to hold funding for the Oxfordshire, Berkshire and Buckinghamshire Fire Control Centre.

S&CS Fire & Rescue Emergency Planning Reserves

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

S&CS Community Safety Reserves

These reserves have combined some smaller reserves, including the Gypsy & Traveller Service reserve, which is held for maintenance works at the Gypsy & Traveller sites. The other reserves are to be used for costs of complex investigations, e.g. expert witnesses.

EE Highways and Transport Reserve

To be used to fund bridge investigation work.

EE Area Stewardship Reserve

Remaining Area Stewardship Scheme funding that was spent in 2014/15.

EE On-Street Parking Account Reserve

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

EE SALIX Energy Schemes Reserve

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

EE Dix Pit Engineering Works & WRC Development Reserve

These reserves are to meet engineering work at Dix Pit waste management site and any other ongoing liabilities due to the closure of other landfill sites.

EE Waste Management

This reserve will be used to fund financial liabilities due to any contract deficit mechanism payments as part of the Energy from Waste Contract.

EE Property Disposal Costs Reserve

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

EE Skills Reward Reserve

This reserve was used to fund job clubs.

EE Developer Funding (Revenue) Reserve

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

E&E Joint Use Reserve

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

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

EE MM Money Management Reserve

This reserve was fully spent in 2014/15.

EE Oxfordshire - Buckinghamshire Partnership Reserve

This reserve was set up to ring-fence funding for the Oxfordshire & Buckinghamshire Partnership graduate teacher training programme. The partnership ceased in 2015/16 and the reserve was used to meet cessation costs and returned to the funding body where necessary.

EE LABGI Reserve

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

EE Oxford West Conveyance Reserve

This reserve holds funding for the flood relief scheme.

EE Cultural Services Reserves

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

EE Other Reserves

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

CS Big Society Fund Reserve

This reserve held funding for the Big Society Fund. The remaining schemes were completed in 2014/15.

CS CIPFA Trainees Reserve

This reserve originally provided funding for CIPFA trainees. This was agreed to be used to support the Medium Term Financial Plan as part of the 2015/16 budget.

CS Coroner's Service

This reserve will be used to support one – off projects in the Coroner's Service.

CS Elections Reserve

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

CS Registration Service

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Insurance Reserve

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

An independent actuary, Arthur J Gallagher, carries out a full valuation of the County Council's employers and public liability, motor, property and personal accident liability every three years using generally accepted actuarial methods. Interim valuations take place annually in between. The last full valuation was completed as at 31 March 2016.

The actuaries projected the standard claims arising in future years in respect of the period up to 31 March 2016 at £2.590m. In addition to these claims the actuaries have also highlighted an amount in respect of Municipal Mutual Insurance Plc (MMI) clawback and non-standard claims (for example exceptional and latent claims) which in total has been assessed at £1.886m. £0.508m has been included in the reserve to cover MMI clawback noted as a contingent liability in Note 61.

	At 31 March 2015 £'000	At 31 March 2016 £'000
Standard claims likely to be received as at 31 March	578	2,590
Additional IBNR/Latent claims as assessed by Actuarial review	1,913	1,886
MMI clawback as assessed by actuarial review	1,177	508
Risk management	413	2,102
Contribution from balances agreed by Cabinet in July 2014 - reflects actuarial advice	435	0
Total	4,516	7,086

Carry Forward Reserve

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

Capital Reserve

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

Rolling Fund Reserve

The Rolling Fund was established to facilitate, through forward funding, the timely provision of critical infrastructure that supports planned growth. This has been agreed to be used to support the Medium Term Financial Plan.

Budget Reserve

This reserve is used to manage the cash flow implications of variations to the Medium Term Financial Plan.

NOTES TO THE CORE FINANCIAL STATEMENTS

Efficiency Reserve

This reserve is to help support the implementation of directorate business strategies and the Medium Term Financial Plan.

Prudential Borrowing Reserve

This reserve is used to meet the costs of borrowing for increased funding for the Capital Programme. Contributions are to be made each year with draw-downs being required as costs are incurred.

47. Useable Capital Receipts

	2014/15 £'000	2015/16 £'000
Balance as at 1 April	14,148	16,078
Net receipts from sale of assets	1,800	1,966
Net receipts from repayment of loans	130	50
Receipts applied to finance capital expenditure	0	0
Balance as at 31 March	16,078	18,094

This reserve has been established for the purpose of financing capital expenditure in future years. Unutilised capital receipts at 31 March 2016 have been earmarked for future schemes.

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

	£'000
Marywood House	598
Westgate redevelopment	500
Other receipts from sale of assets under £500,000	868
Total	1,966

48. 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.

	2014/15 £'000	2015/16 £'000
Balance as at 1 April	54,540	49,620
Applied during the year	-28,133	-27,729
Recognised as income but not applied during the year	23,213	6,979
Balance as at 31 March	49,620	28,870

NOTES TO THE CORE FINANCIAL STATEMENTS

49. Unusable Reserves

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

	Balance at 31 March 2015 £'000	Balance at 31 March 2016 £'000
Available-for-Sale Financial Instruments Reserve	1,681	1,458
Pensions Reserve	-822,003	-756,952
Revaluation Reserve	97,020	142,005
Capital Adjustment Account	611,832	610,734
Financial Instruments Adjustment Account	-262	-242
Collection Fund Adjustment Account	4,593	4,987
Accumulated Absences Account	-4,314	-2,329
Total	-111,453	-339

Movements on the Pensions Reserve are set out in the Retirement Benefits Note 20.

50. Available for Sale Reserve

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

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

51. 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

2014/15 £'000			2015/16 £'000	
	81,836	Balance as at 1st April		97,020
27,920		Revaluation of assets	57,349	
-2,728		Impairment of assets	-1,289	
7,233		Write back of accumulated depreciation on revaluations	12,653	
3,834		Write back of accumulated impairment on revaluations	1,857	
	36,259	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		70,570
1,261		Difference between fair value depreciation and historical cost depreciation	-2,397	
-22,336		Accumulated gains on assets sold or scrapped	-23,188	
	-21,075	Amounts written off to the Capital Adjustment Account		-25,585
	97,020	Balance as at 31st March		142,005

52. 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

2014/15 £'000			2015/16 £'000	
	641,790	Balance as at 1st April		611,832
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
-28,226		Charges for depreciation for non-current assets	-30,881	
-3,370		Charges for impairment for non-current assets	-192	
1,153		Revaluation losses/subsequent gains on Property, Plant and Equipment	11,702	
-294		Amortisation of Intangible Assets	-246	
-22,618		Revenue expenditure funded from capital under statute	-48,175	
-109,212		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on derecognition	-102,384	
1		Removal of finance liability on derecognition of assets held under finance leases		
	-162,566	Adjusting amounts written out of the Revaluation Reserve:		-170,176
-1,261		Difference between fair value depreciation and historical cost depreciation	2,397	
21,286		Accumulated gains on assets sold or scrapped	23,188	
	20,025			25,585
	499,249	Net written out amount of the cost of non-current assets consumed in the year		467,241
		Capital financing applied in the year:		
60,625		Capital grants and contributions credited to the CIES that have been applied to capital financing	90,447	
27,804		Application of grants to capital financing from the Capital Grants Unapplied account	27,580	
		Reversal of grants and contributions applied in previous years		
17,694		Statutory provision for the financing of capital investment charged against the County Fund balance	17,163	
6,607		Capital expenditure charged against the County Fund balance	8,272	
		Reversal of revenue applied to capital financing in previous years	-157	
	112,730			143,305
	508	Movements in the market value of Investment Properties debited or credited to the CIES		346
	-277	Amounts of Investment Properties written off on disposal or sale as part of the gain/loss on derecognition		
		Movement in the Donated Asset Account credited to the CIES		524
	3	Revaluation losses/subsequent gains on Assets held for Sale		-632
		Impairment losses on Assets held for Sale		
	1,050	Accumulated gains on Assets held for Sale sold or scrapped		
	-1,300	Amounts of Assets held for Sale written off on disposal or sale as part of the gain/loss on derecognition		
	-131	Repayment of loans treated as capital receipts		-50
	611,832	Balance as at 31 March		610,734

NOTES TO THE CORE FINANCIAL STATEMENTS

53. 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. The £0.018m balance held for soft loans as at 31 March 2015 was written off during 2015/16.

2014/15 £'000		2015/16 £'000
-317	Balance as at 1 April	-262
-11	Write-down/write-ups to fair value	18
66	Effective interest rate adjustments	2
55	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	20
-262	Balance at 31 March	-242

54. Collection Fund Adjustment Account

The account holds the difference between the accrued Council Tax income and accrued Business Rates income included in the Comprehensive Income and Expenditure Statement (CIES) and the amount required by regulations to be credited to the County Fund. The movement on the account is as follows:

2014/15 £'000		2015/16 £'000
6,228	Balance as at 1 April	4,593
-2,042	Decrease in Council Tax and Business Rate surpluses/increases in deficits	-670
407	Increases in Council Tax and Business Rate surpluses/reductions in deficits	1,064
-1,635	Amount by which Council Tax and Business Rate income credited to the CIES is different from the income for the year calculated in accordance with statutory requirements	394
4,593	Balance at 31 March	4,987

NOTES TO THE CORE FINANCIAL STATEMENTS

55. Accumulated Absences Account

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

The balance at 31 March 2016 relates to teachers' accumulated holiday pay, no accruals have been made for non-teaching staff in 2015/16 as the amounts involved are not considered to be material to the accounts. The balance for teachers' accumulated holiday pay has reduced because of the conversion of schools to academies.

2014/15 £'000		2015/16 £'000	
-5,745	Balance at 1 April		-4,314
5,745	Settlement or cancellation of previous year's accrual	4,314	
-4,314	Amount accrued at the end of the current year	-2,329	
1,431	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute		1,985
-4,314	Balance at 31 March		-2,329

56. 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:

	2014/15 £'000	2015/16 £'000
Depreciation/amortisation of fixed assets	-28,519	-31,127
Impairment charges/revaluation losses	-2,214	10,878
Retirement benefit adjustments	-21,773	-22,444
Debt write-offs and Impairment allowances	-548	-1,363
Other financial instrument adjustments	56	266
Provisions set aside in the year	-1,555	-1,609
Deferred income released	334	335
Movement in value of investment properties	508	347
Carrying amount of non-current asset sold	-110,790	-102,384
Transfers from Capital Grants Receipts in Advance	10,035	63,033
Previous years' capitalised spend written-off	0	-157
Donated assets	0	524
Increase/decrease(-) in inventories	-132	-55
Increase/decrease(-) in debtors	9,944	-1,993
Increase(-)/decrease in creditors	-10,133	12,315
Total adjustments for non-cash movements	-154,787	-73,434

NOTES TO THE CORE FINANCIAL STATEMENTS

57. Cash Flow Statement – Operating Activities

The cash flows for operating activities are as follows:

2014/15 £'000		2015/16 £'000	
	Cash outflows		
380,210	Cash paid to and on behalf of employees	350,070	
484,138	Other operating costs	518,305	
864,348			868,375
	Cash inflows		
-284,663	Council Tax receipts	-295,725	
-28,588	Non-domestic rate income	-29,527	
-80,623	Revenue Support Grant	-62,305	
-36,390	Business Rates Top-Up Grant	-37,085	
-379,354	Other government grants and contributions	-349,195	
-66,321	Other cash received for goods and services	-61,436	
-875,939			-835,273
	Cash outflows		
18,126	Interest paid	19,993	
2,134	Interest element of finance lease rental payments	-1	
20,260			19,992
	Cash Inflows		
-2,630	Interest received		-3,114
6,039	Total operating activities		49,980

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

58. Cash Flow Statement – Investing Activities

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15 £'000	2015/16 £'000
Purchase of property, plant and equipment, investment property and intangible assets	69,437	72,728
Purchase of short-term and long-term investments	343,970	312,895
Other payments for investing activities	719	1,562
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-1,799	-1,966
Capital grants	-100,958	-119,938
Proceeds from short-term and long-term investments	-326,000	-312,266
Other receipts from investing activities	-205	-249
Total investing activities	-14,836	-47,234

59. Cash Flow Statement – Financing Activities

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

	2014/15 £'000	2015/16 £'000
Cash receipts of short- and long-term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet service concession arrangements	825	786
Repayments of short- and long-term borrowing	2,002	6,000
Other payments for financing activities	0	0
Total financing activities	2,827	6,786

60. Analysis of Government Grants

The total cash received for revenue government grants (other than Revenue Support Grant and Business Rates Top-Up Grant) is £324.764m. An analysis is set out in the table on the next page.

NOTES TO THE CORE FINANCIAL STATEMENTS

Government Grants	2014/15 £'000	2015/16 £'000
Department for Education		
Dedicated Schools Grant	269,026	245,402
Pupil Premium Grant	11,324	9,840
Education Services Grant	7,401	5,302
Universal Infant Free School Meals	4,052	5,071
PE & Sports Grant	1,721	1,659
Department of Health		
Public Health Grant	26,086	28,536
Care Act New Burdens Grant		3,368
Independent Living Fund Grant		3,004
Education Funding Agency		
Sixth Form Funding	5,124	3,422
Skills Funding Agency		
Adult Learning	3,671	1,299
Department for Transport		
Local Sustainable Transport Fund Resource Grant	566	1,104
Department for Communities & Local Government		
New Homes Bonus	2,387	3,379
Section 31 Grant - Business Rates and Other Reliefs	1,551	1,864
Regional Growth Fund	1,195	1,241
Troubled Families Grant	1,126	
Home Office		
Asylum Seekers	991	1,257
Other grants less than £1m	10,033	9,016
Total	346,254	324,764

Dedicated Schools Grant, Pupil Premium Grant, Education Services Grant and Sixth Form Funding have reduced with the conversion of schools to academies. The Department of Work & Pensions closed the Independent Living Fund (ILF) in 2015 and devolved funding to local authorities to allow the care and support needs of existing ILF users to be met within the social care system. Responsibility for Adult Learning transferred to Abingdon & Witney College during 2015/16 and from September 2015 grant funding went directly to the College. The Troubled Families Grant for 2015/16 (£0.829m) is included in the total for other grants less than £1m.

61. Contingent Liabilities**Municipal Mutual Insurance Plc**

The County Council has claims outstanding with Municipal Mutual Insurance (MMI) Plc. In November 2012 the directors of MMI triggered a process to wind up the business. This means the County Council may have to repay all or part of the insurance claims settled since the company ceased to trade, as well as fund any outstanding claims. The current levy of 25% has been paid against settled claims, therefore as at 31 March 2016 the Council has a potential liability of £2.3 million remaining on previously settled claims, plus the value of any outstanding and future claims. On Actuarial advice a further 33% of the total known liability has been secured against future clawback over the longer term.

62. Material Post Balance Sheet Events

Events after the balance sheet date have been considered up until 14 September 2016, when the accounts were authorised for issue.

One school converted to academy status since 31 March 2016. The value of Property, Plant and Equipment that is expected to transfer to the academy trust during 2016/17 relating to this school is £4.944m.

A referendum on the United Kingdom's membership of the European Union (EU) took place on 23 June 2016. The vote to leave the EU has increased political and economic uncertainty. The impact of the result on the County Council will become clearer over the next couple of years.

63. Changes in accounting policy

The County Council is required to disclose information relating to the impact of an accounting change on the financial statements as a result of the adoption by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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 (2015/16).

The 2016/17 Code has adopted amendments to some financial standards that may have an impact on the amounts disclosed within the accounts which will apply from 1 April 2016. The new or revised financial standards are:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of a new Expenditure and Funding Analysis

NOTES TO THE CORE FINANCIAL STATEMENTS

- Changes to the format of the Pension Fund Account and the Net Assets Statement to be consistent with the 2015 Pensions SORP and application of IFRS 13 fair value measurement disclosures to pension fund investments.
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Annual Improvements to IFRSs 2012 – 2014 Cycle

It is not anticipated that the above amendments will have a material impact on the values reported in the County Council's financial statements. However, the format of the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement will change in 2016/17 (including comparators for 2015/16) to make it easier to relate the financial statements to financial information reported internally within the Council e.g. service income and expenditure will be reported on a directorate basis. The presentation and format of the Pension Fund financial statements will also change.

In addition to the amendments to financial standards there will be a change in accounting policy in 2016/17 as a result of adoption of the measurement requirements of the Code of Practice on Transport Infrastructure Assets (the Transport Code). Currently local authorities record the value of their transport infrastructure assets at historical cost within their accounts. However CIPFA/LASAAC, the body responsible for the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code), considers that current value is a more appropriate measurement base for local authority assets. The measurement requirements of the Transport Code have therefore been adopted in the Accounting Code for 2016/17. Transport infrastructure assets (to be known collectively as the Highways Network Asset) will be required to be measured on a depreciated replacement cost basis from 2016/17. This will represent a change in accounting policy from 1 April 2016, however exceptionally there will be no requirement to restate the preceding year information or for an opening balance as at 1 April 2016. The change will therefore be accounted for as an adjustment to opening balances as at 1 April 2016.

64. Authorisation of the Accounts

The Statement of Accounts was authorised for issue by Lorna Baxter, Chief Finance Officer on 14 September 2016.

FIRE-FIGHTERS' PENSION FUND ACCOUNTS: FUND ACCOUNT

Fund Account for the year ended 31 March

Fund Account	2014/15 £'000	2015/16 £'000
-		
Contributions Receivable		
From employer		
- normal	-1,836	-1,698
- early retirements	0	0
Other (ill health retirement contribution)	-73	-54
From members	-1,415	-1,624
	-3,324	-3,376
Transfers in	-34	0
Benefits Payable		
Pensions	4,546	4,899
Commutations and lump sum retirement benefits	930	1,811
Lump sum death benefits	0	24
Other (ill health lump sums)	52	102
	5,528	6,836
Payments to and on account of leavers		
Individual transfers out to other schemes	394	82
	394	82
Miscellaneous		
Annual Allowance Charge	0	71
Interest Payments		112
	0	183
Net amount payable/receivable for the year before top-up grant receivable/amount payable to sponsoring department	2,564	3,725
Top-up grant receivable	-2,564	-3,725
Net amount payable/receivable for the year	0	0

FIRE-FIGHTERS' PENSION FUND ACCOUNTS: NET ASSETS STATEMENT

Net Assets Statement	2014/15 £'000	2015/16 £'000
Net Current Assets and Liabilities		
Contributions due from employer	14	18
Pension top-up grant receivable from sponsoring department	780	1,073
Other Current Assets	11	12
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)	-104	-8
Cash balance	-701	-1,095
Total	0	0

1. Basis of Preparation

The fund reflects the financial arrangements relating to the 1992, 2006, 2015 and Retained Modified Firefighters Pension Schemes and the redress payments arising from the Government Actuary's Department (GAD) v Milne case.

The financial arrangements for the Firefighters Pension Scheme 1992 were made in exercise of the power conferred by section 26 of the Fire Services Act 1947, for the Firefighters Pension Scheme 2006 and the Firefighters Pension Scheme 2015 by the power conferred by section 34 of the Fire Services Act 2004.

The accounts have been prepared in accordance with the requirements of the above powers.

2. Payment of the employers and employees contributions towards pension liabilities

Fire & Rescue Authorities are required to make an employer contribution, as a percentage of pensionable pay, towards the future pension liability for all serving members, i.e. all firefighters but not pension credit members, of the 1992, 2006, 2015 and Retained Modified Firefighters' Pension Schemes, into their pension fund.

Fire & Rescue Authorities are required to pay employees' contributions, the percentage of pensionable pay paid by all serving members, i.e. all firefighters but not pension credit members of the 1992, 2006, 2015 and Retained Modified Firefighters' Pension Schemes towards their future pension liability into their pension funds.

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

3. Ill health early retirements

Fire & rescue authorities are required to make a payment into their pension fund of 4x average pensionable pay in respect of all higher tier ill health retirements and 2x average pensionable pay in respect of all lower tier ill-health retirements.

As the number of firefighters who retire on grounds of ill health varies from year to year and will cause financial volatility authorities are required to spread the charges over a period of 3 years. Oxfordshire Fire & Rescue Service had one ill health retirement in 2015/16.

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

NOTES TO THE FIRE-FIGHTERS' PENSION FUND ACCOUNTS

year, the deficit will be met by Central Government top-up grant. Any surplus in the pension fund is paid back to Central Government.

5. Administration and Management

The fund is administered and managed by Oxfordshire County Council staff whose time is not rechargeable to the fund.

6. Benefits

The funds accounts do not take account of liabilities to pay pensions and other benefits after the year end.

7. Membership

The following summarises the membership of the fund as at 31 March 2016.

	1992 Scheme	2006 Scheme	2015 Scheme
Contributors	65	38	481
Pensioners	304	26	2
Preserved Pensions	32	247	0

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

8. Long-term pension obligations

Details of the County Council's long-term pension obligations in respect of fire-fighters can be found in the Retirement Benefits Note 20 to the core financial statements.

9. Government Actuary's Department (GAD) V Milne redress payments

In the case of GAD v Milne, the Pensions Ombudsman found in favour of the plaintiff, which meant that for all Firefighters Pension Scheme 1992 cases where pension entitlements were drawn between 1 December 2001 and 22 August 2006, a recalculation of lump sum payments was required based upon revised commutation factors issued by GAD. All redress payments have been made during 2015/16, together with interest thereon.

THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS: FUND ACCOUNT

Fund Account for the Year Ended 31 March 2016			
	Notes	2015	2016
		£'000	£'000
Contributions and Benefits			
Contributions Receivable	6	-86,556	-87,895
Transfers from Other Schemes	7	-3,113	-4,325
Other Income	8	-423	-390
Income Sub Total		-90,092	-92,610
Benefits Payable	9	72,230	77,044
Payments to and on Account of Leavers	10	4,011	4,947
Management Expenses	11	5,434	8,751
Other Expenses		337	0
Expenditure Sub Total		82,012	90,742
Net Additions from dealings with members		-8,080	-1,868
Returns on Investments			
Investment Income	12	-23,564	-26,869
Commission Recapture		-2	-2
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	-182,703	31,791
Less Taxes on Income	12	81	138
Net returns on Investments		-206,188	5,058
Net Increase in the Net Assets Available for Benefits During the Year		-214,268	3,190
Opening Net Assets of the Scheme		1,631,211	1,845,479
Closing Net Assets of the Scheme		1,845,479	1,842,289

LOCAL GOVERNMENT PENSION FUND ACCOUNTS: NET ASSETS

Net Assets as at 31 March 2016			
	Notes	2015 £'000	2016 £'000
Investment Assets			
Fixed Interest Securities	16b	87,748	93,220
Index Linked Securities	16b	92,133	92,662
Equities	16b	643,335	621,770
Pooled Investments	16b	839,010	818,097
Pooled Property Investments	16b	111,462	142,259
Derivative Contracts	16c	1,598	758
Cash Deposits	16d	7,332	6,113
Other Investment Balances	16d	7,008	8,760
Investment Liabilities			
Derivative Contracts	16c	-393	-1,295
Other Investment Balances	16d	-4,249	-3,467
Total Investments		1,784,984	1,778,877
Assets and Liabilities			
Current Assets	17	50,191	55,706
Current Liabilities	18	-2,005	-3,021
Net Current Assets		48,186	52,685
Long-Term Assets	19	12,309	10,727
Net Assets of the scheme available to fund benefits at year end		1,845,479	1,842,289

Note 1 – Description of the fund

This description of the fund is a summary only. Further details are available in the Fund's 2015/16 Annual Report and in the underlying statutes.

General

The Oxfordshire County Council Pension Fund is part of the Local Government Pension Scheme which is a statutory, funded, defined benefit pension scheme. 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 covers eligible employees and elected members of the County Council, District Councils within the county area and employees of other bodies eligible to join the Scheme.

The scheme is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

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

Membership

The majority of fund employers are required to automatically enrol eligible jobholders into the LGPS under the government's auto-enrolment legislation, employees may then choose to opt-out of the scheme. Some employers will have the option of whether to auto-enrol eligible jobholders into the LGPS or another qualifying scheme.

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

Organisations participating in the Oxfordshire County Council Pension Fund include:

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

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

be when a service is transferred from a scheme employer and is to allow continuing membership for staff still involved in the delivery of the service transferred.

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

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

	As at 31 March 2015	As at 31 March 2016
Number of Contributory Employees in Scheme		
Oxfordshire County Council	10,801	11,674
Other Scheduled Bodies	9,527	10,885
Admitted Bodies	1,061	1,047
	21,389	23,606
Number of Pensioners and Dependents		
Oxfordshire County Council	7,874	8,214
Other Scheduled Bodies	4,833	4,949
Admitted Bodies	758	819
	13,465	13,982
Deferred Pensioners		
Oxfordshire County Council	14,002	14,161
Other Scheduled Bodies	6,914	7,002
Admitted Bodies	942	928
	21,858	22,091

Six Scheduled Bodies, of which five are Academies, plus thirty seven Admitted Bodies, joined the scheme in 2015/16. In addition four admitted bodies left the scheme in 2015/16. There was no significant impact on the membership of the scheme because the Academies' members were previously in the scheme as County Council employees and the other new bodies all transferred from an existing scheme employer or were small.

Funding

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The contribution from employees is prescribed by statute, and for the year ending 31 March 2016 rates ranged from 5.5% to 12.5% of pensionable pay.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The latest actuarial valuation took place in 2013 and determined the contribution rates to take effect from 01 April 2014. Employer contribution rates currently range from 12.0% to 24.6% of pensionable pay.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below.

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

From 1 April 2014 the scheme became a career average scheme, where members accrue benefits based on their pensionable pay in any given year at an accrual rate of 1/49th. Accrued pension is indexed annually in line with the Consumer Prices Index. The normal retirement age is linked to each individual member's State Pension Age.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. Scheme members are now also able to opt to pay 50% of the standard contributions in return for 50% of the pension benefit.

Note 2 – Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831) prohibits administering authorities from crediting Additional Voluntary Contributions to the Pension Fund. In consequence Additional Voluntary Contributions are excluded from the Net Assets Statement and are disclosed separately in Note 23.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The actuarial position of the scheme which takes into account these obligations is dealt with in the Actuarial Statement on page 164.

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 2016.
 - (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 2016.
 - (e) Fixed Interest stocks are valued on a 'clean' basis (i.e. the value of interest accruing from the previous interest payment date to the valuation date has been included within the amount receivable for accrued income).
 - (f) Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.
 - (g) Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
 - (h) All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Foreign Currencies

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

Contributions

3. Employee normal contributions are accounted for when deducted from pay. Employer normal contributions that are expressed as a rate of salary are accounted for on the

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid or on receipt if earlier than the due date.

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

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

Benefits, Refunds of Contributions and Transfer Values

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

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

Investment Income

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Change in Market Value'. Foreign income has been translated into sterling at the date of the transaction. Income due at the year-end was translated into sterling at the rate ruling at 31 March 2016.

Investment Management and Scheme Administration

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

Expenses

7. Expenses are accounted for on an accruals basis.

Cash

8. Cash held in bank accounts and other readily accessible cash funds is classified under cash balances as it is viewed that these funds are not held for investment purposes but to allow for effective cash management. Cash that has been deposited

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

for a fixed period and as such as an investment, has been included under cash deposits.

Listed Private Equity

9. The fund holds a number of investments in listed private equity companies. These are included under equities as the investment is in a company that undertakes private equity related activities rather than an investment in a specific fund that makes private equity investments. This is consistent with the treatment of other equity investments as the fund does not split out any other categories from within equities, for example retail stocks.

Management Fees

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

Note 4 – Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this involves the use of significant judgements by the managers. The value of unquoted private equity investments at 31 March 2016 was £69.374m (£64.433m at 31 March 2015). All of the unquoted private equity investments at 31 March 2016 are included within the pooled investments category in the net assets statement.

Pension Fund Liability

The pension fund liability is calculated every three years by the Fund's actuary, with annual updates in the intervening years. Methods and assumptions consistent with IAS19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 26. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

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

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

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

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Item	Uncertainties	Potential Impact
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. The fund engages an actuarial firm to provide expert advice on the assumptions to be applied.	The actuarial present value of promised retirement benefits included in the financial statements is £2,863m. There is a risk that this figure is under, or overstated in Note 26 to the accounts.
Unquoted Private Equity	Unquoted private equity investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation.	Unquoted private equity investments included in the financial statements total £69.374m. There is a risk these investments are under, or overstated in the accounts.

Note 6 – Contributions

	2014/15 £'000	2015/16 £'000
Employers		
Normal	-45,611	-46,230
Augmentation	0	0
Deficit Funding	-19,446	-18,254
Costs of Early Retirement	-451	-2,047
	-65,508	-66,531
Members		
Normal	-20,692	-21,010
Additional *	-356	-354
	-21,048	-21,364
Total	-86,556	-87,895

Deficit recovery contributions are paid by employers based on the maximum 25 year recovery period set out in the Funding Strategy Statement. Where appropriate, the Actuary has shortened the recovery period for some employers to maintain as near stable contribution rates for those employers, in line with the Regulations.

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

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

	Employer Contributions		Members Contributions	
	2014/15	2015/16	2014/15	2015/16
	£'000	£'000	£'000	£'000
Oxfordshire County Council	-30,817	-30,260	-9,837	-9,441
Scheduled Bodies	-30,859	-32,520	-9,909	-10,659
Resolution Bodies	-756	-745	-231	-225
Community Admission Bodies	-1,752	-1,639	-635	-583
Transferee Admission Bodies	-1,324	-1,367	-436	-456
Total	-65,508	-66,531	-21,048	-21,364

Note 7 – Transfers In

	2014/15 £'000	2015/16 £'000
Individual Transfers In from other schemes	-3,113	-4,325
Total	-3,113	-4,325

Note 8 – Other Income

Other Income for 2015/16 of £0.390m includes £0.368m reflecting the interest resulting from the unwinding of the discount for the long-term receivable recognised for transfers to Magistrates' Courts. The long-term receivable was calculated on a discounted cash flow basis. This resulted in a charge to the fund account in the year the long-term receivable was originally recognised representing the value of the discount. The discount is being written down over a ten year period. Further information regarding the deferred asset is included in Note 19.

Note 9 – Benefits

	2014/15 £'000	2015/16 £'000
Pensions Payable	59,484	62,029
Lump Sums – Retirement Grants	11,088	13,715
Lump Sums – Death Grants	1,658	1,300
Total	72,230	77,044

	Pensions Payable		Lump Sums	
	2014/15	2015/16	2014/15	2015/16
	£'000	£'000	£'000	£'000
Oxfordshire County Council	29,578	31,084	6,247	7,848
Scheduled Bodies	26,342	27,155	5,441	5,807
Resolution Bodies	488	504	50	222
Community Admission Bodies	2,736	2,909	797	924
Transferee Admission Bodies	340	377	211	214
Total	59,484	62,029	12,746	15,015

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 10 – Payment to and on account of leavers

	2014/15 £'000	2015/16 £'000
Refunds of Contributions	117	160
Payments for members joining state scheme	0	-18
Group Transfers Out to other schemes	0	153
Individual Transfers Out to other schemes	3,894	4,652
Total	4,011	4,947

Note 11 – Management Expenses

	2014/15 £'000	2015/16 £'000
Administrative Costs	1,292	1,293
Investment Management Expenses	3,744	7,069
Oversight & Governance Costs	398	389
Total	5,434	8,751

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

Note 12 – Investment Income

	2014/15 £'000	2015/16 £'000
Fixed Interest Securities	-2,371	-2,750
Index Linked Securities	-782	-648
Equity Dividends	-16,859	-19,959
Pooled Property Investments	-3,162	-2,855
Pooled Investments – Unit Trusts & Other Managed Funds	-113	-385
Interest on Cash Deposits	-254	-191
Other – Securities Lending	-23	-81
	-23,564	-26,869
Irrecoverable Withholding Tax - Equities	81	138
Total	-23,483	-26,731

Note 13 – Investment Management Expenses

	2014/15 £'000	2015/16 £'000
Management Fees	3,675	7,007
Custody Fees	69	62
Total	3,744	7,069

Investment Manager & Custody Fees are generally calculated on a fixed scale basis with applicable rates applied to the market value of the assets managed. See note 3 for details of the accounting treatment of management fees for 2015/16.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 14 – Securities Lending

In January 2014 the Fund introduced an arrangement with its custodian BNP Paribas to lend eligible securities from within its portfolio to third parties in return for collateral. Lending is limited to a maximum of 25% of the aggregate market value of the Fund. Collateralised lending generated income of £0.081m in 2015/16 (2014/15 £0.023m). This is included within investment income in the Pension Fund Accounts. At 31 March 2016 £32.737m of stock was on loan, for which the fund held £33.411m worth of collateral. Collateral consists of acceptable securities and government and supranational debt.

Note 15 – Related Party Transactions

The Pension Fund is required to disclose material transactions with related parties, and bodies or individuals that have the potential to control or influence the Pension Fund, or to be controlled or influenced by the Pension Fund. Disclosure of these transactions allows readers to assess the extent to which the Pension Fund might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Pension Fund.

Members of the Pension Fund Committee and the post of Service Manager (Pensions, Insurance & Money Management) are the key management personnel involved with the Pension Fund. During 2015/16, the Committee consisted of nine County Councillors, two District Councillors and a beneficiary observer. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts. An amount of £0.057m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2014/15 £'000	2015/16 £'000
Short Term Benefits	51*	49
Long Term/Post Retirement Benefits	9	8
Total	60	57

* Includes allowances paid to the Chairman of the Pension Fund Committee

These figures represent the relevant proportion of the salary and employer pension contributions for the key Council staff, reflecting their work for the Pension Fund.

As the County Council is the designated statutory body responsible for administering the Oxfordshire Pension Fund, it is a related party.

For the 12 months ended 31 March 2016, employer contributions to the Pension Fund from the County Council were £30.260m (2014/15 £30.817m). At 31 March 2016 there were receivables in respect of contributions due from the County Council of £3.168m (2014/15 £3.282m) and payables due to the County Council of £0.069m (2014/15 £0.066m) for support services.

The County Council was reimbursed £1.018m (2014/15 £1.042m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 16 – Investments

	Value at 31 March 2015 £'000	Value at 31 March 2016 £'000
Investment Assets		
Fixed Interest Securities	87,748	93,220
Index Linked Securities	92,133	92,662
Equities	643,335	621,770
Pooled Investments	839,010	818,097
Pooled Property Investments	111,462	142,259
Derivatives:		
- Forward Currency Contracts	1,598	758
Cash Deposits	7,332	6,113
Investment Income Due	3,918	4,702
Amounts Receivable for Sales	3,090	4,058
Total Investment Assets	1,789,626	1,783,639
Investment Liabilities		
Derivatives:		
- Forward Currency Contracts	-393	-1,295
Management Expenses Due	-930	-976
Amounts Payable for Purchases	-3,319	-2,491
Total Investment Liabilities	-4,642	-4,762
Net Investment Assets	1,784,984	1,778,877

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 16a – Reconciliation of Movements in Investments and Derivatives

	Value at 1 April 2015	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	87,748	310,987	-309,871	4,356			93,220
Index Linked Securities	92,133	18,846	-19,527	1,210			92,662
Equities	643,335	120,766	-106,010	-36,321			621,770
Pooled Investments	839,010	7,869	-14,399	-14,383			818,097
Pooled Property Investments	111,462	23,387	-9,748	17,158			142,259
<u>Derivative Contracts</u>							
FX	1,205	1,112,306	-1,110,020	-4,028			-537
<u>Other Investment Balances</u>							
Cash Deposits	7,332	15,096	-14,719	217	-1,813		6,113
Amounts Receivable for Sales of Investments	3,090					968	4,058
Investment Income Due	3,918					784	4,702
Amounts Payable for Purchases of Investments	-4,249					782	-3,467
Total	1,784,984	1,609,257	-1,584,294	-31,791	-1,813	2,534	1,778,877

Included within the above purchases and sales figures are transaction costs of £0.081m. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

There have been no employer-related investments at any time during the year.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

	Value at 1 April 2014	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	74,957	98,661	-91,655	5,785			87,748
Index Linked Securities	80,201	41,394	-45,526	16,064			92,133
Equities	590,179	101,381	-101,388	53,163			643,335
Pooled Investments	703,652	112,976	-73,526	95,908			839,010
Pooled Property Investments	97,287	11,229	-5,789	8,735			111,462
<u>Derivative Contracts</u>							
FX	-11	202,470	-204,263	3,009			1,205
<u>Other Investment Balances</u>							
Cash Deposits	10,285	64,501	-68,822	39	1,329		7,332
Amounts Receivable for Sales of Investments	2,360					730	3,090
Investment Income Due	3,233					685	3,918
Amounts Payable for Purchases of Investments	-2,288					-1,961	-4,249
Total	1,559,855	632,612	-590,969	182,703	1,329	-546	1,784,984

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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

Fixed Interest Securities

	2014/15 £'000	2015/16 £'000
UK Public Sector	46,394	49,510
UK Other	4,420	-
Overseas Public Sector	36,934	43,710
Total	87,748	93,220

Index Linked Securities

	2014/15 £'000	2015/16 £'000
UK Public Sector Index Linked	92,133	92,662
Total	92,133	92,662

Equity Investments

	2014/15 £'000	2015/16 £'000
UK listed equities	436,277	430,437
Overseas Listed Equities:		
North America	126,281	132,225
Japan	23,702	17,777
Europe	43,193	36,670
Pacific Basin	749	-
Emerging Markets	13,133	4,661
Total	643,335	621,770

Pooled Investment Vehicles

	2014/15 £'000	2015/16 £'000
UK Registered Managed Funds – Property	23,207	26,019
Non UK Registered Managed Funds – Property	14,742	19,449
UK Registered Managed Funds – Other	433,063	428,705
Non UK Registered Managed Funds – Other	149,158	148,384
UK Registered Property Unit Trusts	64,070	84,741
Non UK Registered Property Unit Trusts	9,443	12,050
Non UK Registered Unit Linked Insurance Fund	256,789	241,008
Total	950,472	960,356

Total Investments (excluding derivative contracts)

	2014/15 £'000	2015/16 £'000
	1,773,688	1,768,008

Note 16c – Derivative Contracts

Objectives and policies

The Pension Fund Committee have authorised the use of derivatives by some of their Investment Managers as part of the investment strategy for the pension scheme.

The main objectives and policies followed during the year are summarised as follows:

Forward Foreign Exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Forward Foreign Exchange (FX)

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

Contract	Settlement Date	Currency Bought	Currency Sold	Asset value	Liability value at	Net
		'000	'000	At year end £'000	year end £'000	Forward currency Contracts £'000
Forward OTC	1 month	5,688 GBP	11,100 AUD		-252	
Forward OTC	1 month	368 GBP	693 CAD		-5	
Forward OTC	1 month	16,387 GBP	21,000 EUR		-265	
Forward OTC	1 month	6,131 GBP	963,000 JPY	170		
Forward OTC	1 month	16,076 GBP	22,400 USD	491		
Forward OTC	1 month	77 GBP	923 SEK		-2	
Forward OTC	1 month	4,570 USD	3,266 GBP		-87	
Forward OTC	1 month	2,977 GBP	5,630 CAD		-51	
Forward OTC	1 month	67 GBP	86 EUR		-1	
Forward OTC	1 month	1,801 USD	1,280 GBP		-27	
Forward OTC	1 month	842 USD	1,130 CAD		-22	
Forward OTC	5 months	11,714 GBP	15,035 EUR		-263	
Forward OTC	1 month	733 GBP	937 EUR		-10	
Forward OTC	1 month	6,290 USD	4,458 GBP		-82	
Forward OTC	1 month	4,827 GBP	9,140 AUD		-64	
Forward OTC	1 month	336 GBP	54,033 JPY	1		
Forward OTC	1 month	4,388 USD	3,890 EUR	29	-61	
Forward OTC	1 month	1,544 GBP	2,930 AUD		-23	
Forward OTC	1 month	2,060 USD	1,444 GBP		-11	
Forward OTC	1 month	286 USD	32,543 JPY		-2	
Forward OTC	1 month	153 USD	17,172 JPY	1	-1	
Forward OTC	1 month	1,391 USD	156,307 JPY	5	-5	
Forward OTC	1 month	25,913 EUR	20,515 GBP	33		
Forward OTC	1 month	1,017,033 JPY	6,290 GBP	7		
Forward OTC	1 month	2,450 USD	1,703 GBP	2		
Forward OTC	1 month	20,523 GBP	25,900 EUR		-33	
Forward OTC	1 month	6,313 GBP	1,020,000 JPY		-8	
Forward OTC	1 month	1,703 GBP	2,450 USD		-2	
Forward OTC	1 month	23,170 AUD	12,385 GBP	14		
Forward OTC	1 month	7,453 CAD	4,004 GBP	5		
Forward OTC	1 month	12,381 GBP	23200 AUD		-13	
Forward OTC	1 month	4,002 GBP	7,450 CAD		-5	
Forward Currency Contracts at 31 March 2016				758	-1,295	-537
Prior Year Comparative						
Forward Currency contracts at 31 March 2015				1,598	-393	1,205

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 16d – Other Investment Balances

	2014/15 £'000	2015/16 £'000
<u>Receivables</u>		
Sale of Investments	3,090	4,058
Dividend & Interest Accrued	3,895	4,662
Inland Revenue	19	34
Other	4	6
	7,008	8,760
<u>Payables</u>		
Purchase of Investments	-3,318	-2,491
Management Fees	-921	-963
Custodian Fees	-10	-13
	-4,249	-3,467
Total	2,759	5,293

Cash Deposits

	2014/15 £'000	2015/16 £'000
Non-Sterling Cash Deposits	7,332	6,113
Total	7,332	6,113

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

	2014/15 £'000	% of Total Fund	2015/16 £'000	% of Total Fund
UBS Life Global Equities All Countries Fund	256,789	13.91	241,008	13.08
L&G World (ex-UK) Equity Index	154,278	8.36	154,912	8.41
L&G UK FTSE100 Equity Index	154,479	8.37	146,384	7.95
L&G Core Plus Bond Fund	109,953	5.96	113,220	6.15

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 17 – Current Assets

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

2014/15	Central Gov't Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,798	3,585	19	0	934	7,336
Employee Contributions	211	1,166	6	0	348	1,731
Rechargeable Benefits	60	942	0	3	17	1,022
Transferred Benefits	0	0	29	0	438	467
Costs of Early Retirement	19	260	0	0	162	441
Inland Revenue	63	0	0	0	0	63
Other	0	0	0	0	100	100
Cash Balances					39,031	39,031
Total	3,151	5,953	54	3	41,030	50,191

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 18 – Current Liabilities

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

2014/15	Central Government Bodies	Local Authorities	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000
Transferred Benefits	0	0	0	-193	-193
Benefits Payable	0	0	0	-348	-348
Inland Revenue	-849	0	0	0	-849
Costs of Early Retirement	-390	0	0	0	-390
Staff Costs	0	-59	0	0	-59
Consultancy	0	0	-4	0	-4
Other	0	-11	0	-151	-162
Total	-1,239	-70	-4	-692	-2,005

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 19 – Long-Term Assets

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

2014/15	Central Government Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employer Contributions	11,795	0	0	0	27	11,822
Costs of Early Retirement	42	278	0	0	167	487
Total	11,837	278	0	0	194	12,309

Long-Term assets for 2015/16 include deferred receivables in relation to the transfer of staff to Magistrates' Courts for which a payment of £21.860m is due to be received in ten equal annual instalments, in line with the national agreement reached between Actuaries on behalf of Pension Funds, and the Government Actuary Department on behalf of the Government.

Note 20 - Assets under External Management

The market value of assets under external fund management amounted to £1,677.950m as at 31 March 2016. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager:

Fund Manager	31/03/2015		31/03/2016	
	Market Value £'000	%	Market Value £'000	%
Baillie Gifford	349,700	20.59	338,290	20.16
Legal & General	602,093	35.46	602,360	35.90
UBS	359,077	21.15	356,440	21.24
Wellington	226,635	13.35	216,560	12.91
Insight	84,221	4.96	79,010	4.71
Adams Street Partners	30,918	1.82	34,376	2.05
Partners Group	45,331	2.67	50,914	3.03
Total	1,697,975	100.00	1,677,950	100.00

Note 21 – Top 5 Holdings

Value of the Fund's Top Five Holdings at 31 March 2016	£'000	% of Fund
Electra Investment Trust	37,869	2.06
HG Capital Trust	22,454	1.22
British American Tobacco	19,783	1.07
Royal Dutch Shell	18,782	1.02
Bunzi	13,120	0.71

Note 22 – Taxation

The scheme is a 'registered pension scheme' for tax purposes under the Finance Act 2004. As such the fund is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. However, the Scheme cannot reclaim certain amounts of withholding taxes relating to overseas investment income which are suffered in the country of origin.

Note 23 – Additional Voluntary Contributions

	Market Value 31 March 2015 £'000	Market Value 31 March 2016 £'000
Prudential	14,387	13,881

AVC contributions of £1.392m were paid directly to Prudential during the year. (2014/15 - £1.460m).

The AVC provider to the Fund is the Prudential. The assets of these investments are held separately from the Fund. The AVC provider secures additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year.

Note 24 – Contingent Liabilities

There are two contingencies to note:

1. The Museums, Libraries and Archive (MLA) Council. Staff from three of the regional MLA employers who were previous members of the Oxfordshire County Council Pension Fund transferred to the MLA Council on 6 April 2009 and 31 March 2010. Actuaries are currently working on the calculation of the payments to be made to the Premium section of the Principal Civil Service Pension Scheme in relation to the transfer of past service rights.
2. In 2013/14 the Pension Fund received a Final Determination from the Pension Ombudsman, in which he has instructed the Administering Authority to pay compensation to a complainant as a result of mal-administration. The final level of compensation is contingent on the circumstances of the complainant over the next eight years, though the maximum payment has been calculated as approximately £0.160m plus pensions increase.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

As at 31 March 2016 the fund had outstanding capital commitments (investments) totalling £39.511m (31 March 2015 - £46.511m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the pooled investments and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

Note 25 – 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 26 - Actuarial Present Value of Promised Retirement Benefits

	2015 £'000	2016 £'000
Present Value of Funded Obligation	2,940,743	2,863,405

Present Value of Funded Obligation consists of £2,784.675m (2015 – £2,848.943m) in respect of Vested Obligation and £78.730m (2015 – £91.800m) in respect of Non-Vested Obligation. The movement from March 2015 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 £134.859m (2015 - £121.930m).

There has been a reduction in the present value of the Funded Obligation of £212.197m (2015 - £340.124m increase) reflecting a change in the actuarial assumptions as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- A decrease in the assumed level of CPI and therefore pension increase from 2.4% to 2.3% (net effect a decrease in Present Value of Funded Obligation)
- A reduction in the assumed level of pay increases from 4.2% to 4.1% (net effect a reduction in Present Value of Funded Obligation)
- An increase in the discount factor from 3.3% to 3.6% (net effect a decrease in Present Value of Funded Obligation).

Note 27 - Financial Instruments

Note 27a – Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

	2014/15			2015/16		
	Fair Value through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000
Financial Assets						
Fixed Interest Securities	87,748			93,220		
Index Linked Securities	92,133			92,662		
Equities	643,335			621,770		
Pooled Investments	839,010			818,097		
Pooled Property Investments	111,462			142,259		
Derivatives	1,598			758		
Cash		46,363			50,726	
Other Investment Balances	6,990			8,727		
Receivables		90			137	
	1,782,276	46,453	0	1,777,493	50,863	0
Financial Liabilities						
Derivatives	-393			-1,295		
Other Investment Balances	-4,249			-3,468		
Payables			-219			-156
	-4,642	0	-219	-4,763	0	-156
Total	1,777,634	46,453	-219	1,772,730	50,863	-156

Note 27b – Net Gains and Losses on Financial Instruments

	31 March 2015 £'000	31 March 2016 £'000
Financial Assets		
Fair Value through Profit and Loss	179,655	-27,980
Loans and Receivables	39	217
Financial Liabilities		
Fair Value through Profit and Loss	3,009	-4,028
Financial Liabilities Measured at Amortised Cost	0	0
Total	182,703	-31,791

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

Financial instruments have been classified in to one of the following three categories to reflect the level of uncertainty in estimating their fair values:

Level 1

Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Fair value is based on inputs other than quoted prices included within Level 1 that are observable either directly (i.e., from prices) or indirectly (i.e., derived from prices).

Level 3

Fair value is determined by reference to valuation techniques using inputs that are not observable in the market.

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.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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

Value at 31 March 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	775,272	918,622	88,382	1,782,276
Loans and Receivables	46,453	0	0	46,453
Total Financial Assets	821,725	918,622	88,382	1,828,729
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	-4,249	-393	0	-4,642
Financial Liabilities at Amortised Cost	-219	0	0	-219
Total Financial Liabilities	-4,468	-393	0	-4,861
Net Financial Assets	817,257	918,229	88,382	1,823,868

Note 28 - Risk

The Pension Fund is subject to risk in terms of its key responsibility to meet the pension liabilities of the scheme members as they become due. These risks relate to the value of both the assets and the liabilities of the Fund and the timing of when the payment of the liabilities becomes due.

At a strategic level, the main tools used by the Pension Fund to manage risk are:

- The 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 2013 Valuation estimated that the current Funding Level is only 82%, but set contribution rates to address the deficit over the next 25 years.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

- 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 classes, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance.
- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values.
- 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. Recently, changes to the scheme have been made with the aim of making the scheme more sustainable including; linking the normal retirement age to future estimates of life expectancy to bring stability to the length of time benefits are in payment, a change in the calculation of benefits to career average revalued earnings to avoid the sudden hike possible in final benefits possible under a final salary scheme, and a switch in the basis of indexation to CPI which is generally lower than the RPI alternative.

The Actuary when completing the 2013 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 82% down to 76% or up to 90%. A change in the CPI assumption of 0.5% per annum would lead to a reduction in the funding level to 76% or an increase to 89%.

In terms of the investment in the various Financial Instruments open to the Pension Fund, the Fund is exposed to the following risks:

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

- 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

The Pension Fund's, credit risk is largely associated with the Fund's investments in Fixed Interest and Index Linked Securities, Cash Deposits and Short Term loans, where there is a risk that the other parties may fail to meet the interest or dividend payments due, or fail to return the Fund's investment at the end of the investment period.

At 31 March 2016 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2015	31 March 2016
	£'000	£'000
UK Government Gilts	46,394	49,510
UK Corporate Bonds	114,373	113,220
UK Index Linked Gilts	92,133	92,662
Overseas Government Bonds	36,934	43,710
Non-Sterling Cash Deposits	7,332	6,113
Cash Balances	39,031	44,613
Total	336,197	349,828

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates, whilst limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be invested in sub-investment grade bonds. Cash held in sterling at 31 March 2016 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2015	Rating	Balance as at 31 March 2016
		£'000		£'000
Money Market Funds				
Ignis Asset Management	AAA	5,504	AAA	7,187
Bank Current Accounts				
Lloyds Bank Plc	A	5,126	A+	7,213
BNP Paribas	A+	28,401	A	36,326
Total		39,031		50,726

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 2015/16 the Pension Fund received/accrued income related to dealings with members of £92.6m (2014/15 - £90.1m) and incurred expenditure related to dealings with members of £87.9m (2014/15 - £82.0m). There were further receipts/accruals of £26.9m (2014/15 - £23.6m) in respect of investment income, against which need to be set taxes of £0.1m (2014/15 - £0.1m). The net inflow was therefore £31.5m (2014/15 - £31.6m).

These figures indicate significant levels of flexibility around the levels of cash available to meet liabilities as they are due. A cash flow forecast is maintained for the Fund to understand and manage the timing of the Fund's cash flows. On a daily basis, the Fund holds a minimum of £10m of cash in call accounts and money market funds to meet benefit payments due, drawdowns from the private equity fund managers, and other payments due from the Fund.

The Fund would need to experience a significant change in either the levels of contributions received, and/or the levels of benefits payable, as well as the loss of all current investment income, before it might be required to liquidate assets at financial loss.

There are risks in this area going forward as a result of the scale of the reductions in public expenditure, and the resulting impact on active scheme membership. The reductions in public sector expenditure will impact on the liquidity of the Pension Fund both in terms of a reduction in contributions receivable as the workforce shrinks, as well as an increase in benefits payable as staff above the age of 55 are made redundant and become entitled to early payment of their pension.

However, as noted above, for the Fund to reach a position where it is forced to sell assets and therefore face a potential financial loss, (as well as to forego future investment returns which have been assumed to meet pension liabilities in the future), the net movement in cash would be equivalent to a reduction in contributions received or benefits payable in the region of 35%. Movements of this scale are deemed highly unlikely in the medium-term. The Pension Fund will seek to mitigate these risks through working with employers to understand the potential for any significant membership changes and by monitoring the fund's cashflows. The fund will also provide advice to the Government on the impact of any proposals for change, as well providing clear communication to current scheme members of the on-going benefits of scheme membership and the personal risks to their future financial prospects of opting out at this time.

Market Risk

The whole of the Pension Fund's investment asset base is subject to financial loss through market risk, which includes the impact of changes in interest rates, movements in market prices and movements in foreign currency rates. However, as noted above under the liquidity risk, these financial losses are not automatically realised, as all assets held by the

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Pension Fund are done so on a long term basis. Subject to the liquidity risk above, it is likely to be many years into the future before any assets will be required to be realised, during which time market risk will have the opportunity to even itself out.

Market risk is generally managed through diversification of investments within the portfolio in terms of asset types, geographical and industry sectors, and individual securities.

Whilst widespread recession will drive down the value of the Fund's assets and therefore funding level in the short term, this will have no direct bearing on the long term position of the Fund, nor the contribution rates for individual employers. Under the LGPS Regulations, the Fund Actuary is required to maintain as near stable contribution rate as possible, and as such the Valuation is based on long term assumptions about asset values, with all short term movements smoothed to reflect the long term trends.

Interest Rate Risk

The direct exposure of the fund to interest rate risk and the impact of a 100 basis point movement in interest rates are presented in the table below. This analysis assumes that all other variables remain constant:

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

Asset Type	Carrying Amount as at 31 March 2015	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	7,332	73	-73
Cash Balances	39,031	390	-390
Fixed Interest Securities	289,834	2,898	-2,898
Total Change in Assets Available	336,197	3,361	-3,361

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

Currency Risk

Currency risk concerns the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to foreign exchange risk on financial instruments that are denominated in currencies other

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 16c).

Based on the Fund's exposure to various currencies at 31 March 2016 and data on the level of volatility associated with these currencies it has been determined that the likely volatility associated with exchange rate movements is 12.9%. This is based on the one year implied volatility of the currency pairs to which the fund has exposure.

This analysis assumes that all other variables remain constant.

The table below shows the impact a 12.9% 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 2016	Change in Year in the Net Assets Available to Pay Benefits	
		+12.9%	-12.9%
	£'000	£'000	£'000
Overseas Equities	191,333	24,634	-24,634
Pooled Overseas Equities	395,920	50,975	-50,975
Pooled Private Equity (LLPs)	65,841	8,477	-8,477
Pooled Property	31,499	4,055	-4,055
Cash	6,113	787	-787
Total Change in Assets Available	690,706	88,928	-88,928

Currency Exposure - Asset Type	Asset Values as at 31 March 2015	Change in Year in the Net Assets Available to Pay Benefits	
		+10.8%	-10.8%
	£'000	£'000	£'000
Overseas Equities	207,058	22,321	-22,321
Pooled Overseas Equities	411,066	44,313	-44,313
Pooled Private Equity (LLPs)	61,508	6,631	-6,631
Pooled Property	24,185	2,607	-2,607
Cash	7,332	790	-790
Total Change in Assets Available	711,149	76,662	-76,662

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.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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

Asset Type	Value as at 31 March 2015 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
UK Equities	570,090	11.9	637,928	502,249
Pooled UK Equities (Small Cap)	14,353	7.4	15,410	13,297
Global Equities	227,725	9.5	249,336	206,114
Diversified Growth Fund	84,221	3.5	87,161	81,282
Pooled Global Equities	256,789	10.9	284,687	228,891
Pooled Overseas Equities	154,278	9.1	168,256	140,301
UK Bonds	50,814	5.4	53,579	48,050
Overseas Bonds	36,934	6.2	39,209	34,659
UK Index Linked Bonds	92,133	8.9	100,360	83,905
Pooled Corporate Bonds	109,953	4.3	114,682	105,224
Pooled Hedge Funds	503	3.5	521	485
Pooled Private Equity (LLPs)	64,433	7.4	69,201	59,665
Pooled Property	111,462	1.6	113,221	109,703
Cash	46,366	0.0	46,375	46,357
Total Assets Available to Pay Benefits	1,820,054	8.8	1,979,926	1,660,182

Note 29 - Events After The Balance Sheet Date

A referendum on the United Kingdom's membership of the European Union (EU) took place on 23 June 2016. The vote to leave the EU has increased political and economic uncertainty. The impact of the result on the Oxfordshire County Council Pension Fund will become clearer over the next couple of years.

Actuarial Valuation

The contribution rates within the 2015/16 Pension Fund Accounts were determined at the actuarial valuation carried out as at 31 March 2013.

This valuation showed that the required level of contributions to be paid to the Fund by the County Council for the year ended 31 March 2016 was 19.9% of Pensionable Pay. The corresponding rates of contribution that are required from the major participating employers for this period are:

	% Pay	Additional Monetary Amounts £'000
South Oxfordshire District Council	12.3	725
West Oxfordshire District Council	14.4	-
Cherwell District Council	13.7	1,526
Oxford City Council	20.6	-
Vale of White Horse District Council	13.1	677
Oxford Brookes University	14.1	1,560

The funding policy of the scheme is set out in the Funding Strategy Statement and can be summarised as follows:-

- To enable Employer contribution rates to be kept as stable as possible and affordable for the Fund's Employers.
- To make sure the Fund is always able to meet all its liabilities as they fall due.
- To manage Employers' liabilities effectively.
- To enable the income from investments to be maximised within reasonable risk parameters.

The actuarial method used to calculate the future service contribution rate for most Employers was the Projected Unit Method with a one year control period. The Attained Age Method has been used for some Employers who do not permit new employees to join the fund. These calculations draw on the same assumptions used for the funding target.

The market value of the Fund's assets at the valuation date was £1,523.7m. The smoothed market value¹ of the Fund's assets at the valuation date was £1,510.1m representing 82% of the Fund's accrued liabilities, allowing for future pay increases. The Actuary has certified contribution rates for all Fund employers from 1 April 2014, which subject to the financial assumptions contained in the valuation, would result in the deficit being recovered over a period of no more than 25 years.

The contribution rates have been calculated using assets at their smoothed market value and financial assumptions which are consistent with the assets being taken at their smoothed market value. The main financial assumptions were as follows:

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

THE LOCAL GOVERNMENT PENSION FUND ACTUARIAL VALUATION

Assumptions for the 2013 Valuation	Annual Rate %
Inflation	3.5
Pension Increases	2.7
Short-Term Pay Increases*	2.7
Long-Term Pay Increases	4.5
Discount Rates for Periods	5.8

*Short-term pay increases are for the two year period to 31 March 2015.

Assumptions are also made on the number of leavers, retirements and deaths. One of the important assumptions is the mortality of existing and future pensioners. Mortality rates have been based on up to date national standard tables adjusted for the recent experience of the Oxfordshire County Council Pension Fund and make allowance for an expectation of further improvements in mortality rates in the future.

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

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

Opinion on the Authority and firefighters' pension fund financial statements

We have audited the financial statements and the firefighters' pension fund financial statements of Oxfordshire County Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

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

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 14, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's and the firefighters pension

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

fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Oxfordshire County Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

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

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Oxfordshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Oxfordshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Oxfordshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Certificate

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

Paul King
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
September 2016

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

Independent Auditor's Report to the Members of Oxfordshire County Council

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement, the Statement of Accounting Policies and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 14, the Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

Opinion on financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and the amount and disposition of the fund's assets and liabilities as at 31 March 2016; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Melissa Hargreaves (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Manchester
September 2016

Annual Governance Statement 2015/16

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 and consultation with local people and stakeholders;
- Councillors and officers have clear functions, roles and responsibilities and training;
- 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 there are new plans for further improvements.

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. Excellent systems, processes, cultures and values are needed to control the Council and engage with and lead Oxfordshire to meet the needs of residents.

2. This Statement describes the corporate governance in Oxfordshire County Council in 2015/16 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 6(1) (b) of the Accounts and Audit (England) Regulations 2015.

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 our affairs and facilitating the effective exercise of our functions and managing risk.

4. Oxfordshire County Council has adopted a 'Code of corporate governance', which is consistent with the principles of the CIPFA/SOLACE² Framework 'Delivering Good Governance in Local Government'. A copy of our 'Code' is on our public website³.

² Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives

³ <http://www.oxfordshire.gov.uk/cms/public-site/corporate-governance>

ANNUAL GOVERNANCE STATEMENT

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 our 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 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 2015/16 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
 - Equalities
 - Consultation and Communication
 - Decision making structures
 - Senior Management
 - Controls Information, Projects and ICT
 - Codes of Conduct
 - Training

Further sections cover working with others:

- Schools
- Partnerships

Next, processes to ensure that good governance is in place:

- Measuring and Managing 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 2015/16
- Review of effectiveness
- Action Plans to be followed up in 2016/17

And finally, the signatures of our Leader and County Council Management Team (CCMT) officers show their approval of our Annual Governance Statement.

OUR GOVERNANCE FRAMEWORK

A vision for Oxfordshire

8. Oxfordshire County Council's ambition, as set out in the updated [2014/15 – 2017/18 Corporate Plan](#), is for a county where local residents and businesses can flourish - a Thriving Oxfordshire. To us this means having:
- A Thriving Economy - with small businesses starting, existing small businesses growing, and large businesses choosing to locate here, creating good jobs for local people. A strong economy makes everything else possible.
 - Thriving People and Communities - where residents are empowered to help themselves and can contribute to what happens locally, and where everyone can make informed decisions about their health and wellbeing.
 - A Safety Net – where we support and safeguard some of the county's most vulnerable residents, focusing on those we have a duty to consider, such as older people, disabled adults, and children. We must ensure these residents are aware of, and are easily able to access, the services and care to which they are entitled.
9. We will work to achieve these objectives by delivering essential core services and playing a key leadership role within the county to bring partners together to encourage the best possible outcomes for the residents of Oxfordshire. We will also, wherever appropriate, look first at how we can help people and communities to help themselves.
10. In 2015/16 our Corporate Plan was supported by Directorate Business Strategies which set out how the work will be delivered.

Equalities

11. Oxfordshire County Council is committed to making Oxfordshire a fair and equal place in which to live, work and visit. We want our services to effectively meet the needs of all local residents, including those in rural areas and areas of deprivation. We also aim to ensure that our staff are equipped with the knowledge and skills to meet the diverse needs of customers, that our services are accessible, and to encourage supportive and cohesive communities through our service delivery.
12. In 2012 we launched our Equality Policy setting out how we aim to achieve this goal, as well as meet our obligations under the Equality Act 2010. In our Equality Policy 2012-17, we set ourselves the following objectives:
1. Understanding the needs of individuals and communities
 2. Providing accessible, local and personalised services, including to rural areas and areas of deprivation
 3. Supporting thriving and cohesive communities
 4. Promoting a culture of fairness in employment and service delivery

These key equality objectives align closely with the council's overall strategic objectives, as set out in the council's Corporate Plan.

13. We have set of specific and measurable actions for Directorates to work toward each year in support of achieving these objectives, and we report annually to Cabinet on progress against these.
14. In addition, the Public Sector Equality Duty within the Equality Act requires us to consider how the decisions that we make, and the services we deliver, affect people who share different protected characteristics. We must publish information to demonstrate that we have done this. To meet this obligation we produce and publish Service and Community Impact Assessments (SCIAs) to review the potential impact of new and updated policies and service delivery decisions.
15. The Public Sector Equality Duty also requires us to publish information to demonstrate we have considered how our activities as an employer affect people who share different protected characteristics. We publish an Annual Equality in Employment report to monitor the extent to which we achieve this.

Consultation and Communication

16. Oxfordshire County Council's Communication team manages communication with residents, staff and other local and national stakeholders. Its activities include:
 - Generating positive media coverage to support council campaigns and priority issues
 - Managing incoming media inquiries and briefing stakeholders on issues related to council policy;
 - Delivering communication campaigns in support of council business objectives using cost-effective channels including social media

Council staff are kept informed about important workplace developments via a monthly all-staff newsletter with links to information on the Intranet, and regularly cascaded briefings. The Council holds an annual staff conference, which enables senior managers to communicate with staff about change and future direction.

All communication complies with the statutory Code of Recommended Practice on Local Authority Publicity, and the annual corporate communication plan is agreed with CCMT, cabinet members and political group leaders.

Oxfordshire County Council also has established public affairs channels managed by the Policy team for communicating with county councillors, local Members of Parliament (MPs), representatives from district councils and other local and national partners. This includes a monthly MPs briefing.

17. Our website includes our 'Transparency' information, as required by the Local Government Transparency Code.
18. The council ensures it meets its statutory consultation duty by using a consistent approach to consulting service users and other stakeholders about proposed service change.

19. We also have well established consultation and involvement arrangements to specifically engage the community and its staff. There is a council-wide Consultation & Involvement Strategy, a research governance framework covering consultation, evaluation and research with adult social care customers and a dedicated engagement team working with children and young people and vulnerable adults. 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>.
20. Oxfordshire County Council analyses a wide range of evidence and information, and this is available for use in the development of strategy, policy, and in service planning and delivery. Examples of this include feedback from consultation and involvement activities and the use of data about the lifestyle types and needs of people in different parts of Oxfordshire to inform decisions on targeting services. The impact of budget and service change decisions on vulnerable groups is monitored through the production of Service and Community Impact Assessments as part of our budget and service change process, and these are supported by statistical information relating to those groups, refreshed annually.
21. The County Council's Research and Intelligence Team manages the 'Oxfordshire Insight' website, which provides an open platform for sharing information and statistics on Oxfordshire. The team proactively communicates data to staff and councillors to encourage an evidence based approach to decision-making. We also attach great importance to engaging with communities that wish to maintain and improve their local areas, and in addition to providing data to support Community-Led Planning the council is engaged in "Oxfordshire Together", a major programme to encourage town and parish councils to take on delivery of some services which are no longer financially viable for the county council.
22. Oxfordshire's Joint Strategic Needs Assessment (JSNA) – a shared evidence base required by the Health and Social Care Act - is actively maintained, with an annual summary report considered by the Health and Wellbeing Board as part of their priority-setting process, in particular providing the foundation for the Oxfordshire Health and Wellbeing Strategy. This evidence base identifies the health needs of the local community and other factors affecting health outcomes, with trends over time and by local area where available. The JSNA also provides much of the evidence base for the Director of Public Health's Annual Report, and directly informs the approach to commissioning taken by the County Council and other partners.

Decision making structures

23. Oxfordshire County Council's Constitution sets out the roles of and relationships between the full Council, the Cabinet, Scrutiny and other Committees in the budget setting and policy and decision making processes. It notes the legal requirements. The County Council's Corporate Plan supplements our Policy Framework. These formal policies are approved by full Council in accordance with the provisions of Oxfordshire County Council's Constitution.

ANNUAL GOVERNANCE STATEMENT

24. 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.
25. 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.
26. The Constitution is reviewed annually by the Monitoring Officer with recommendations of changes being made to Full Council for consideration and adoption.
27. 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.
28. 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.
29. Oxfordshire County Council has an Audit & Governance Committee which operates in accordance with the CIPFA guidance 2013 and normally meets six times a year. The County Council also operates an Audit Working Group, made up of members of the Committee and Senior Officers, chaired by a co-opted member of the Audit & Governance Committee. The Audit Working Group looks in detail at specific areas of governance, risk or control under the direction of the Audit & Governance Committee.
30. The Monitoring Officer monitors and reviews the operation of the Constitution to ensure that its aims, principles and requirements are given full effect and makes recommendations on any necessary amendments to it to Full Council. 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.

Senior Management

31. The Head of Paid Service is responsible for co-ordinating the different functions of the council, staff appointment, organisation, management, numbers and grades. Additional responsibilities are set out in the Constitution include supporting councillors and the democratic process, overall corporate management and promoting our objectives,

performance management, strategic partnership, the community strategy, media and communications.

32. Our 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”⁴. 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 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. As such she can ensure 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.
33. The Financial Procedure Rules are part of the Constitution and are published on the Council’s website. These ‘Rules’ and the supporting Financial Regulations are reviewed by the Chief Finance Officer. Schemes of Financial Delegation and Delegation of Powers are reviewed and updated twice a year.
34. These financial documents are supported by and information for use by both Finance and non-finance specialists which is published on Oxfordshire County Council’s Intranet. Generic guidance on financial management reports and transactional activities is also available through the Hampshire Integrated Business Centre (IBC) portal.
35. There are teams of professionally qualified Finance staff in Corporate 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.
36. Oxfordshire has a Chief Legal Officer who is the Monitoring Officer. His role, in summary, includes meeting all legal requirements, ensuring effective administration and

⁴ See: http://www.cipfa.org/Policy-and-Guidance/Reports/-/media/Files/Publications/Reports/role_of_CFO_in_LG_2010_WR.pdf

compliance with statutory responsibilities around the councillors code of conduct and the ethical standards of officers. Additional responsibilities in the Constitution include maintaining the Constitution itself, work for the Audit & Governance Committee on standards issues, advising on ethical and legal issues, supporting the complaints procedure, access to information and promoting good corporate governance.

Controls on Information, Projects and ICT

37. 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.
38. Oxfordshire County Council requires projects to be managed using their Project Management Framework which gives a comprehensive structure, standard paperwork and defined processes. Progress of Major Programmes is reported to DLTs and to the Delivery Board, and the Head of Paid Service.
39. Our ICT Service Manager has overall responsibility for the strategic development and delivery of all aspects of ICT for Oxfordshire County Council. The Chief Legal Officer and Monitoring Officer is the Council's Data Controller and chairs the Information Governance Group. This group has representatives from all Directorates and specialists from Human Resources and ICT Services. The group has appointed a Senior Risk Information Owner, an Information Risk Owner for ICT and an Information Risk Owner for Joint Commissioning; as well as linking with the Caldicott Guardian (responsible for patient and service user confidentiality).

Codes of Conduct

40. Oxfordshire County Council has developed and adopted separate Codes of Conduct for Councillors and Officers; both Codes define the standards of behaviour expected by the County Council and the duty owed to the public. Training on the requirements of the codes is provided by the Council's Monitoring Officer for both Councillors and Officers. Both codes form part of the County Council's Constitution and are readily accessible via the council's Internet and Intranet websites. 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.
41. 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

42. Oxfordshire County Council's Constitution sets out the roles and functions for all councillors. Member development is delivered having regard to emerging issues, skills

requirements, formal roles and any necessary induction following an election or by-election.

WORKING WITH OTHERS

Schools

43. Section 48 of the Schools Standards and Framework Act 1998 requires the authority to prepare a scheme setting out the financial framework for local authority maintained schools, known as the Scheme for Financing Schools. Amendments to the Scheme may be proposed by the authority after consultation with all maintained schools and agreed by either the Schools Forum or the Secretary of State for Education. The Secretary of State may also direct changes to all authorities' scheme for financing schools. 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's Constitution. Schools receiving delegated budgets must adhere to the financial framework, and failure to comply with the Scheme can ultimately lead to withdrawal of delegation.
44. It is the responsibility of each school's governing body to set down and oversee proper governance arrangements for the school. The governing body in maintained schools is accountable to the local authority for the way the school is run. The Education Financial Services Team visit maintained schools to provide support, advice and challenge and give assurance on financial management in each school. The team validates all maintained schools' budgets annually and reviews budget monitoring reports during the year. The Education Financial Services team monitors compliance with the Scheme for Financing Schools and the Financial Manual of Guidance. Schools identified as having higher financial risks or issues are given additional support and oversight. If the authority is not satisfied that a school is exercising good financial management, 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.
45. All local authority maintained schools are required to complete a Schools Financial Value Standard (SFVS) statement annually and submit a signed copy to the local authority. The SFVS is not externally assessed but is used to inform the authority's programme of financial assessment and audit.
46. Dedicated Schools Grant (DSG) is the main source of funding for schools and the authority must consult Schools Forum about deployment of DSG to support the Schools Budget. Government continues to make other grant streams available to schools via the County Council, including funding for school sixth forms and the Pupil Premium. Grant terms and conditions and related guidance are followed when distributing the local school funding formula and other grant streams. All local authorities are required, under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009, to publish via their public web site and annual budget statement and an annual outturn statement.
47. Academies are legally separate entities and therefore their effective governance does not fall within the control or responsibilities of the County Council. The County Council retains responsibilities including ensuring that special educational needs are met,

safeguarding, and that the free entitlement to early year's education is provided by academies where applicable.

Partnerships

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

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

- **Oxfordshire Local Enterprise Partnership (OxLEP)** - responsible for championing and developing the Oxfordshire economy. Working with businesses, academia and the public sector OxLEP is responsible for bidding and securing funding for investment to promote growth in the county. Since April 2015 OxLEP has been an incorporated company limited by guarantee and Councillor Ian Hudspeth, the Leader of the Council, is a non-executive director. Oxfordshire County Council continues to act as the accountable body.
- **Oxfordshire Skills Board** – responsible for improving the skills available to employers and the learning opportunities available to students, residents and workforce.
- **Oxfordshire Growth Board** – responsible for the delivery of the projects agreed in the City Deal and Growth Deal. Core membership comprises the leaders or Cabinet/ Executive Members from Oxfordshire County Council and the district councils and is supported by an executive of senior officers from the six authorities, the Homes & Communities Agency (HCA), Oxfordshire Local Enterprise Partnership (OxLEP) and other partners.
- **Oxfordshire Local Transport Board** – responsible for identifying and prioritising the delivery of local major transport schemes.
- **Oxfordshire Safeguarding Children Board (OSCB)** – makes arrangements to safeguard and promote the welfare of children, agreeing how local organisations will co-operate to achieve this. The OSCB is led by an independent chair and includes representatives from all six local authorities in Oxfordshire, as well as Probation, Thames Valley Police, Oxfordshire Clinical Commissioning Group, Oxford University Hospitals NHS Trust, Oxford Health NHS Foundation Trust, schools and further education colleges, the military, the voluntary sector and lay members. The board meets three times per year and is supported by an Executive Group that meets six times per year. There are three area groups to ensure good communication lines to frontline practitioners.
- **Oxfordshire Safeguarding Adults Board** – responsible for working together to safeguard and promote the welfare of vulnerable adults. The board includes members from all statutory agencies, including: Oxfordshire County Council, Thames Valley Police, NHS Oxfordshire, Oxford Health NHS Foundation Trust and the Oxford University Hospitals NHS Trust. The Board has working relationships with other Boards and partnerships across the County, including the Oxfordshire Health

and Wellbeing Board to whom we submit an Annual Report. The Annual Report is also presented to the County Council's Performance Scrutiny Committee.

- **Oxfordshire Health and Wellbeing Board** – responsible for producing the Joint Health and Wellbeing Strategy and working together to improve the health and wellbeing of local people, especially those with health problems or in difficult circumstances. The Board members include district and county councillors, the Oxfordshire Clinical Commissioning Group, NHS England, Healthwatch Oxfordshire and senior officers from Local Government. Three partnership boards report to the Health and Wellbeing Board - the Older People's Joint Management Group, the Health Improvement Board and the Children's Trust. The Health and Wellbeing Board meets in public three times a year.
- **Oxfordshire Stronger Communities Alliance** – responsible for helping to build and maintain stronger communities and a thriving voluntary, community and faith sector in Oxfordshire to improve the quality of life for local people. Alliance (OSCA) brings together 23 members from voluntary sector support providers, faith groups, representatives of local councils, the NHS, military and police. OSCA Partnership meetings are held three times a year.
- **Oxfordshire Safer Communities Partnership** – provides strategic direction and challenge on countywide community safety issues. Identifies and agrees shared community safety risks, opportunities and priorities. Elected-member Board meets three times per year and is supported by an officer-led Business Group that meets six times per year. The Chairman attends Oxfordshire County Council's Performance Scrutiny Committee every year. A draft working protocol has been developed with Oxfordshire Safeguarding Children Board (OSCB) and will be extended to include Oxfordshire Safeguarding Adult Board (OSAB) and the Children's Trust next year.
- **Oxfordshire Environment Partnership** – Following the dissolution of the Oxfordshire Waste Partnership in 2014, the Oxfordshire Environment Partnership is a more informal arrangement that helps to co-ordinate shared action against Oxfordshire 2030 pledges relating to waste, energy, climate change, biodiversity and flooding. Membership comprises one elected member representative from the County Council, the City Council and each of the District Councils.

50. Further accountability is provided by the Oxfordshire Partnership. This brings together organisations from the public, private, voluntary and community sectors to focus on things that are important to people who live in, work in and visit Oxfordshire and, more importantly, to do something about them. The partnership currently has 37 members from:

- Local Government (12 members)
- Other public sector agencies (health, police, military, etc.) (7 members)
- The Voluntary, Community, and Faith Sectors (7 members)
- Town and Parish Councils (5 members)
- Private Sector representatives (3 members) and Education (including local universities) (3 members).

The partnership meets twice a year to discuss shared priorities and key issues. The Oxfordshire Partnership receives a written update from the following partnerships each autumn;

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- Oxfordshire Local Enterprise Partnership
- Oxfordshire Growth Board
- Oxfordshire Environment Partnership (formerly Environment and Waste Partnership)
- Oxfordshire Health and Wellbeing Board
- Oxfordshire Safer Communities Partnership
- Oxfordshire Stronger Communities Alliance
- Oxfordshire Safeguarding Children Board
- Oxfordshire Safeguarding Adults Board

Each partnership report addresses the following:

- The current focus for the Partnership;
- The personnel (Chairman and supporting staff) of the Partnership
- The Partnership's governance arrangements;
- The Partnership's key achievements in the last year;
- The aims for the Partnership in the year ahead;
- The key challenges for the Partnership and how these will be addressed going forward.

The same partnerships provide verbal updates to the Oxfordshire Partnership's spring meeting on developments in the six months since the written report was produced.

REVIEWING OUR EFFECTIVENESS

Measuring and Managing Service Performance

51. Oxfordshire County Council has a performance management framework, centred on quarterly reporting and an exception based escalation of issues. Priorities are identified in the Corporate Plan and related performance indicators are agreed with directorates, as part of the service and resource planning process. Progress is reported by the use of dashboards with Red, Amber or Green (RAG) ratings.
52. Accountability for performance runs from the individual to corporate level through directorate leadership teams and then on to the County Council Management Team (CCMT). Public reports are made to Performance Scrutiny Committee and Cabinet. Performance Scrutiny Committee met ten times in 2015/16 to consider performance across the Council focusing on a directorate in detail at each meeting. The Committee can call for additional reports from directors and examine issues in detail to ensure that improvements are made. The Committee also challenges proposed indicators and targets to ensure they are realistic and in line with strategic priorities. The Cabinet considers and agrees the indicators and targets. They also consider any performance issues escalated to them and any recommendations for further action by the Performance Scrutiny Committee.
53. Performance is also considered by the Delivery Board, which comprises Cabinet and CCMT members. In addition to the official reporting framework key issues are escalated to Directors and the Head of Paid Service on a need to know basis.

Compliance, Risks and Complaints & Whistleblowing

Compliance

54. 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;
 - A Corporate Governance Strategy for Law and Governance ; and a
 - 'Protocol for Implementing New Legislation' ensures that there are Directorate Leads who have a specific obligation to ensure appropriate dissemination of legal, policy and professional information within their Directorates.

55. 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, Budgets and Procurement.
56. 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.
57. 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 was not necessary for the Monitoring Officer to issue a formal report for the year 2015/16. 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

58. Oxfordshire County Council has a Risk Management Strategy which aims to ensure that there is continuous improvement in the arrangements for managing risk across all directorates. The Chief Finance Officer was the CCMT Risk Champion during 2015/16.
59. 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.
60. 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. The Strategic Risk register has been updated in 2015/16 and each risk is owned by a member of CCMT. CCMT reviews the risk register quarterly.
61. Risk Management in projects is required in our Corporate Project Management Framework⁵. It includes the requirement for risk registers to be maintained as part of the project management process.

⁵ <http://projectmanagement.oxfordshire.gov.uk/wps/wcm/connect/occ/project+management+framework/Home/>

Complaints & Whistleblowing

62. 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.
63. An annual review of reports and incidents is undertaken by the Monitoring Officer and is reported to the Audit & Governance Committee via the report of the Audit Working Group.

Internal audit

64. In 2010 CIPFA issued a Statement on the “Role of the Head of Internal Audit in public service organisations”. This outlines the principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit and the governance requirements needed to support them. The Council's arrangements conform with the governance requirements of the CIPFA statement as our Chief Internal Auditor:
- Objectively assesses the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;
 - Gives an objective and evidence based opinion on all aspects of governance, risk management and internal control;
 - Is a Senior Manager with regular and open engagement across the organisation, including the Leadership Team and the Audit & Governance Committee; and
 - Leads and directs an internal audit service that is resourced to be fit for purpose; and is professionally qualified and suitably experienced.
65. The Monitoring Officer sought feedback on the quality and effectiveness of the Internal Audit Service from Senior Managers across the council, reporting back to the Audit and Governance Committee. The conclusion from the survey was that management find the internal audit service effective in fulfilling its role.
66. The Chief Internal The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The annual self-assessment against the standards has recently been completed (May 2016). This has identified the following areas of non-conformance in 2015/16:
- The previous Chief Internal Auditor had operational management responsibility for the Risk Management and Strategic Insurance functions, so was not wholly independent. The risk of conflict of interest was managed where audit activity undertaken in areas where the CIA has operational responsibility was managed by the Audit Manager who reported on these directly to the Chief Finance Officer (S151 Officer). From 1 April 2016 this conflict is no longer applicable due to the change in roles within Internal Audit, and the appointment of an Interim Chief Internal Auditor who has no operational management responsibility for Risk Management or Strategic Insurance;

- The PSIAS requires that an Internal Audit Charter is in place for each local authority. The Internal Audit Charter has recently been drawn up in line with the PSIAS requirements and replaces all previous Internal Audit Terms of Reference. The Internal Audit Charter is subject to approval by the Audit & Governance Committee of Oxfordshire County Council on an annual basis, in line with PSIAS requirements.
- It is a requirement of the PSIAS for Internal Audit to have a Quality Assurance and Improvement Programme. This has recently been prepared for 16/17.
- It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. This must be completed by 31 March 2018 but will be considered later this year. The results will be reported back to the Audit & Governance Committee.
- The annual self-assessment against the PSIAS identified that the Internal Audit Procedures manual needs review and updating. This will be completed by the end of September 2016.

67. The Chief Internal Auditor has prepared an Annual Report on the work of Internal Audit which concludes a **qualified** assurance over Oxfordshire County Council's system of internal control. Whilst the opinion is based on the whole system of internal control and there are a relatively small number of limited assurance reports issued by Internal Audit, the underlying issue has been weaknesses in the system of financial control. This includes the outcome of the review of the design of controls including corporate oversight in relation to the key financial systems, following the fundamental changes to the OCC control environment resulting from the transfer of transactional processing to the Hampshire IBC. There are a number of areas identified that require improvement, so a financial management improvement plan is being devised to ensure that all issues are addressed, and crucially that any cultural and learning points are included to ensure that improvements are sustainable, and enable continuous improvement for both the system of control and the performance and efficiency of those systems.

68. Where Internal Audit identifies areas for improvement, management action plans are in place and are routinely monitored by the Internal Audit team and the Audit Working Group. Managers are required to provide positive assurance that actions have been implemented; performance on implementation is high, demonstrating that control weaknesses identified by Internal Audit are being addressed on a timely basis.

Checking the Effectiveness of our Governance

69. 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.

70. 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

71. 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.

Scrutiny Committees

72. Oxfordshire County Council has three scrutiny committees. They cover the following areas:

- Education;
- Performance;
- Joint Health Overview including district council and co-opted lay members

73. The scrutiny process is a fundamental part of the governance framework. The committees have three key functions. Firstly, they provide advice to the Cabinet on major policy decisions. They also explore particular issues of concern in depth and challenge the way in which our services are run. Committees may also review the Cabinet's decisions, through the call-in process. The call-in process is a powerful tool in the accountability process. Under certain circumstances, it allows for members to request the reconsideration of Cabinet decisions and gives scrutiny committees the opportunity to examine the decision making process.

74. The good governance of the council is further enhanced by the work of the Cabinet Advisory Groups. These groups can be set up to examine topics selected by Cabinet which align to corporate council priorities. They enable back bench members to be more closely involved with issues of greatest importance to the council. The Transport Advisory Panel is a permanent group that provides challenge and assurance to the development of transport policy.

75. Member engagement is key to good governance. Within Oxfordshire, local member engagement is strengthened by locality meetings. Locality meetings allow members to examine issues and influence policy development on issues affecting their local area.

76. CIPFA guidance indicated that Audit Committees '*should have clear reporting lines and rights of access to.... for example scrutiny committees*'. The Chairman of the Performance Scrutiny Committee has a standing invitation to attend our Audit & Governance Committee to provide advice in relation to the work of the Scrutiny Committees. Similarly, the Chairman of Audit & Governance Committee has a reciprocal standing invitation to attend the meetings of the Performance Scrutiny Committee. An annual report on the key achievements of all Scrutiny Committees is considered by our Audit & Governance Committee in draft and submitted for agreement by Council. Scrutiny and Audit Committee Chairmen meet regularly to coordinate their work and forward plans.

Corporate Governance Assurance Group (CGAG)

77. This Group monitors the corporate governance framework. It reviews the Annual Governance Statement action plan, as well as monitoring and challenging the assurance framework owned by 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 (Ernst and Young LLP) relating to the 2014/15 Annual Governance Statement. Since 2015/16 the group has included a representative from Human Resources and the council's Business Continuity Resilience Officer.

Key Deliverables

78. Updates on projects are reported quarterly, with information reported through existing quarterly business management (performance/risk/projects) reporting procedures. The forecast financial position is reported monthly to Leadership Teams and through the regular Financial Monitoring and Business Strategy Delivery Reports to Cabinet which are considered by the County Council Management Team.

79. Further to these monitoring arrangements, the Chief Finance Officer and the Head of Policy meet with all Deputy Directors. They review the delivery of budget savings, check progress on the delivery of projects and ensure that support is targeted to projects as necessary. The policy and finance teams work with service areas to monitor delivery of agreed savings and escalate issues for consideration to CCMT as required.

Other external reviews

80. Oxfordshire County Council receives external reports and inspections from a range of sources that can provide assurance or indicate any issues related to internal control and governance. These are generally ad-hoc and are reported to CGAG by the Head of Policy so that governance issues can be reported to Audit & Governance Committee. For completeness Directors are also asked to set out feedback from external reviews in their annual Statement of Assurance. One area of feedback is noteworthy:

- The Local Government Association review of budget savings options in October 2015 noted that the Council has a well informed and managed financial planning and budget setting process. It involves presenting clear information on the financial challenges ahead in the Medium Term Financial Plan; guidelines on identifying options and a challenge regime on options identified involving joint sessions between the Corporate Management Team and Cabinet Members. In addition the review noted that the Council adopts a transparent approach with those Members who are not part of the ruling coalition. In particular, the review noted that the Performance Scrutiny Committee, which exercises a full interest in budget options, is chaired by the Leader of the Labour Group.

SIGNIFICANT GOVERNANCE ISSUES

Progress in 2015/16

81. The Progress Report on Actions planned for 2015/16 follow and is consistent with the update provided to Audit & Governance Committee on 20 April 2016.

Action that were planned for 2015/16	Timescale, Responsible Officer, Monitoring Body	Progress	Status
<p>1. Data Quality For each major or critical database held by the Council, identify what are the necessary, realistic and affordable features that there should be to ensure that an appropriate level of data quality is reached.</p> <p>Check if these features are in in place and effective.</p> <p>Then if possible make changes so that any features that are missing or weak are put in place or improved.</p> <p>Then report back on this process. List any remaining changes that need to be implemented and whether, when and how this will be possible.</p>	<p>31 March 2016</p> <p>ICT Corporate Lead</p>	<p>The report to Audit & Governance Committee in November 2015 set out a series of actions in a two stage plan:</p> <ul style="list-style-type: none"> • Stage 1 – Actions that could be completed or significantly progressed up to 31 March 2016. • Stage 2 – A longer run programme of work that was likely to span 2016/17 and 2017/18. <p>Areas for Data Quality Improvement – a combination of the information gathered from Information Asset Registers along with the business systems priorities (as defined by the Business Continuity Stakeholders Group (BCSG) will be used to set out an approach and publish an appropriate timeline. Further work has been carried out to set out the approach and an improvement timeline has been published in preparation for the start of the main work from 1 April</p>	<p>On-going as part of business as usual</p>

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		<p>2016. A formal project has been created to ensure that there is a clear scope and effective governance with an agreed timescale.</p> <p>Data Quality on Priority 1 Systems – Some of the Council’s 30 Priority 1 systems already have mechanisms for data quality built in. ICT will ask for advice from the suppliers of the priority systems to find out what is available and then introduce changes where it is appropriate to do so and with support from the Directorates.</p> <p>Using the council’s defined Priority Systems list (as agreed with the Business Continuity Stakeholders Group), ICT are writing to all suppliers to ask them to confirm what functionality or features already exist in their business systems and whether they are already enabled or not. Standard CIPFA definitions will be used to measure Data Quality as set out in the Council’s Data Quality Policy.</p> <p>Some Service areas already carry out ‘data checking’ activities as part of their Service Monitoring and Reporting responsibilities. Spot checks will be introduced on a regular basis for all Priority 1 systems using the standard Data Quality Principles as set out in the Data Quality Policy. ICT</p>	
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		<p>will publish regular reports on those findings. By the end of May 2016, ICT will have used the information gathered from the suppliers to set out a timeline and to have created a scope for the 'spot checks'.</p> <p>ICT continues to regularly publish intranet articles about security and Information Management and is working towards developing a mandatory online training course to provide a firm grounding in the principles of data quality, what that means and its importance.</p>	
<p>2. Commercial Services Board (ongoing from 2013/14)</p> <p>1. Communicate the role of the Commercial Services Board and ensure that its requirements are fixed in place in the Council.</p> <p>2. Implementation of the Contract Management Framework</p> <p>3. Development of the County Procurement Team including resources to support the ongoing work of the Commercial Services Board and implementation of the contract management framework.</p> <p>4. Tackling instability arising out of the externalization agenda and the effect on SAP governance and control</p>	<p>31 March 2016</p> <p>Chief Finance Officer</p> <p>Interim Corporate Procurement Manager</p>	<p>The Commercial Services Board terms of reference and governance arrangements have been reviewed and revised. Underpinning that a Gateway Review Panel has been created and is now providing feedback and direction about contract management and the long term planning that should underpin that.</p> <p>A business case training programme involving 90 managers took place in February & March 2016. The training was well received and has raised awareness of commercial skills and built capability across the council. 91 contract managers have also been engaged in the 'passport to practice' program relating to</p>	<p>Ongoing</p>

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mechanisms		<p>contract management.</p> <p>The implementation of a Contract Management System has been agreed by the Commercial Services Board. The Corporate Procurement Lead, who is now in post, is leading on the procurement of the system with full implementation planned for summer 2016.</p>	
<p>3. Business Continuity (BC) (ongoing from 2014/15)</p> <p>1. Increase awareness and scrutiny of BC when buying in or outsourcing activity</p> <p>2. Ensure that flexible and agile working takes account of the need for BC</p> <p>3. Improve links between Directorates and the BC Steering Group</p> <p>4. Improve the Priority 1 exercise programme</p>	<p>31 March 2016</p> <p>Business Continuity and Resilience Officer</p>	<p>Awareness has improved but is expected to remain an issue as budgetary pressures and commissioning activity change.</p> <p>Awareness has improved but continues to need to be considered as part of the agile working programme in 2016/17.</p> <p>Awareness of the value of BC is being raised through directorate level BC exercises and the response to events in 2015/16.</p> <p>An exercise for Customer Services took place in February 2016. Corporate Services will take place in May 2016, and Children, Education and Families and Social and Community Services Directorates will exercise in October 2016. In November 2015 a Communications & Media exercise successfully engaged partner agencies</p>	<p>Complete</p> <p>Awareness of BC is much improved.</p> <p>Expected to become further embedded as part of business as usual.</p>

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<p>5. Improve awareness of BC across the organisation</p> <p>6. Use the good practice guide to improve BC generally</p> <p>7. Scrutinise the BC resilience of new projects. Notably the Integrated Business Centre (run by Hampshire) and the Joint Fire Control, to support bedding in for the first year.</p>		<p>across Oxfordshire and examined continuity arrangements around a major incident with both BC and emergency response requirements.</p> <p>This action is on target and will continue through to Business Continuity Awareness Week in 2016 and also with any new partnerships or devolution arrangements.</p> <p>This action is ongoing - the Business Continuity Institute (BCI) Good Practice Guidelines have been adopted by BCSG and will be adopted formally by the council in the new BC strategy for 2016, which is due to be published shortly. This includes strategy and framework, lifecycle and review, and will introduce outstanding elements such as Business Impact Assessments.</p> <p>Action complete for 2015/16. New projects can be identified for 2016/17.</p>	
<p>4. Externalisation of Human Resources and Finance Services (ongoing from 2014/15)</p> <p>Setting up, implementing and fixing in place our new operating model includes extensive working with another public body and</p>	<p>31 December 2015</p> <p>Chief Finance Officer</p> <p>Chief Internal Auditor</p> <p>Chief Human</p>	<p>Transactional Human Resources and Finance activities carried out across the council transferred to the Hampshire IBC in July 2016. Since then the Hampshire partnership has provided shared Corporate Services for Hampshire County Council,</p>	<p>The initial implementation and six month stabilisation period is complete. A further update on on-going issues is expected in</p>

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<p>other work. This work continues as Hampshire take on this role in July 2015.</p>	<p>Resources Officer</p>	<p>Hampshire Fire & Rescue, Hampshire Constabulary and Oxfordshire County Council.</p> <p>As anticipated, the first six months of operation were a significant challenge in terms of the scale of business change required, the embedding of new ways of working and the resolution of a range of first time events associated with the transfer of data and business practice.</p> <p>A jointly agreed stabilisation process has been implemented to address these issues in a collaborative way and as a result these are reducing in volume and scale as the model embeds and the six month update as at January 2016 noted that the council was in a much improved position compared to three months earlier.</p> <p>The council continues to work closely with Hampshire County Council to understand and respond to remaining issues and has implemented a number of mechanisms to ensure a swift resolution.</p> <p>Operational and Strategic Boards have been established which bring together all the four partners who will benefit from future investment. A programme of enhancement is currently underway with further</p>	<p>early 2016.</p> <p>There are a number of areas in which improvements are required in the internal processes within the council to align with the IBC processes to make the model work efficiently. This will form a new AGS action in 2016/17.</p>
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		developments scheduled for 2016.	
<p>5. Strategic Risk Register</p> <p>The Strategic Risk Register to be refreshed and agreed by CCMT, with a quarterly review, including management assurance on the effectiveness of the mitigation for the Strategic Risks.</p>	<p>31 September 2015</p> <p>Chief Internal Auditor</p> <p>CCMT</p>	<p>The Corporate Risk register has been reviewed by CCMT, and updated. Risks are all owned by a member of CCMT. The risk register was presented to the Audit Working Group on 4 February 2016.</p> <p>CCMT will be formally reviewing the risk register quarterly.</p>	<p>Complete</p>
<p>6. Supported Transport for Children</p> <p>To ensure full implementation of the children’s safeguarding standards framework for the transport service and the provision of assurance that these arrangements are effective.</p>	<p>30 September 2016</p> <p>Service Manager Business Development and Fleet Management</p> <p>Interim Head of Service - Safeguarding</p>	<p>Key risks are now being mitigated with processes and procedures developed and management controls in place. The volume of service users requiring risk assessments and passenger passports means the project his not yet complete, but is within an acceptable timeframe. A programme of safeguarding training is being delivered and enforced; and a key achievement has been the development of a joint operating framework with the licencing authorities. The management controls and quality framework have identified areas requiring performance improvement, and actions have been put in place to address these teams.</p>	<p>Complete</p> <p>Further actions will be progressed and monitored in 2016/17 as part of the on-going project.</p>

A Review of the effectiveness of our governance arrangements

82. We have reviewed our overall effectiveness. Key points are that:

- We have made progress on implementing our Action Plan for 2015/16 as noted above;
- Our decision taking processes are clear;
- The council operates within a budget that included a low council tax increase, and delivers year on year savings despite significant financial pressures. Financial management systems and processes are subject to regular review and actions taken where areas for improvement are identified to ensure good value for money is achieved.
- We monitor key governance issues through a system of Corporate Lead Officers, one covers Finance for example;
- Key management roles are defined and in place – Head of Paid Service, Chief Finance Officer, Monitoring Officer and Chief Internal Auditor;
- We have implemented the additional requirements of the Local Government Transparency Code that was updated in February 2015;
- We are considering the government's Security Policy Framework as a benchmark for our Council;
- 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 reasonable shape given the pressures, scale of change and uncertainty about funding and future structures. We have continuing and new plans to improve our governance in 2016/17. They are listed below.

Action Plan for 2016/17

83. For 2016/17, some areas have been identified where work on an issue continues or the quality of our governance could be improved, or where we have planned material changes to the governance arrangements. Our action plan for 2016/17 is as follows:

	Action now planned for 2016/17	Timescale for Completion	Responsible Officer	Monitoring Body
1	Staff supporting, managing and maintaining ICT systems and supplier relationships. Review to be carried out to identify how the systems are being managed and the effectiveness of the controls.	31 December 2016	Martyn Ward (Service Manager ICT Business Delivery) and Caroline Parker (ICT Information Services Manager)	ICT Leadership Team
2	Data reporting and information governance by third party partners and suppliers of services Review to be carried out to verify that our data is being secured, maintained and reported in accordance with agreed service responsibilities.	31 October 2016	Caroline Parker (ICT Information Services Manager)	Information Governance Group
3.	Data quality, duplication and storage De-duplication of data collection and storage prior to migration of data ahead of decommissioning of Data Centre; to include verification that commissioned/partnership services follow Council's data storage policies	31 October 2016	Caroline Parker (ICT Information Services Manager)	ICT Leadership Team

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	Action now planned for 2016/17	Timescale for Completion	Responsible Officer	Monitoring Body
4	<p>Financial Control Improvement Plan</p> <p>Improve the clarity of financial roles, procedures and data issues and the oversight of financial controls – through implementation of a Financial Control Improvement Plan developed in consultation with stakeholders, partners, with the Financial Leadership Team.</p>	31 March 2017	Ian Dyson, Assistant Chief Finance Officer	Finance Leadership Team
5	<p>Commercial Services Board (CSB)</p> <p>To strengthen/extend the role and effectiveness of the CSB (including the quality assurance/management information) through the action plans of the Gateway Review Panel, the Commercial Gateway Process and the work of the dedicated Corporate Procurement Lead.</p>	31 March 2017	Ian Dyson, Assistant Chief Finance Officer	CGAG
6	<p>Transformation</p> <p>Organisational transformation necessary during 2016/17 to meet the Council's plans, priorities and challenges (including any changes to senior management structures), will put sound governance at the core – including effective consultation, and legal and constitutional compliance.</p>	31 March 2017	Mark Stone, Interim Director of Transformation	CCMT

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	Action now planned for 2016/17	Timescale for Completion	Responsible Officer	Monitoring Body
7	Health & Safety – repairs and maintenance (R&M) in schools To support schools (community, voluntary controlled, special and maintained nurseries) in the deployment of their delegated funding for R&M. To ensure compliance through the provision of information, training and effective monitoring procedures. Additional action will include schools completing a building maintenance annual return which will be collated as part of the schools H&S Monitoring visit and used to monitor statutory compliance. Completed returns will be feedback to Property and Facilities for review and action.	31 March 2017	Paul Lundy, County Health and Safety Manager	Health and Safety Governance Group
8	Corporate Security Implement actions to ensure the ongoing security of the Council’s buildings, principally those with public access.	31 March 2017	Adrian Rowlands, Service Manager Property Procurement	

84. 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
Peter Clark
County Director

..... Date
Lorna Baxter
Chief Finance Officer

..... Date
Councillor Ian Hudspeth
Leader of the Council

..... Date
Nicholas Graham
Monitoring Officer

TRUST FUNDS

The County Council acts as a trustee for the various funds detailed below. The funds are invested in the Stock Market and with the County Council. They do not form part of the Balance Sheet.

		2014/15	2015/16	
Trust Funds where Oxfordshire County Council acts as sole trustee		Value of Fund £'000	No. of Funds	Value of Fund £'000
Children, Education & Families	Funds for the Development of Hill End Residential Centre	117	1	91
	Oxford Boys	24	1	26
	Criminal Injuries Compensation Awards	21	4	21
	Other (under £10,000)	16	4	14
Chief Executive's Office	Bequest of Property at Watlington	88	1	88
Total		266	11	240

		2014/15	2015/16	
Trust Funds where Oxfordshire County Council acts as joint trustees		Value of Fund £'000	No. of Funds	Value of Fund £'000
Children, Education & Families	Funds to be used for the benefit of Wallingford School	3,292	0	0
	Other (under £10,000)	1	1	1
	Social & Community Services	Junior Citizens Trust	9	1
Total		3,302	2	8

		2014/15	2015/16	
Other Funds		Value of Fund £'000	No. of Funds	Value of Fund £'000
Children, Education & Families	Thomas Gifford Charity	355	1	355
	City Lectureship Scholarship	18	1	18
	Other (under £10,000)	31	10	31
	Social & Community Services	Other (under £10,000)	9	1
Total		413	13	413

Actuarial gains and losses

These are changes in deficits or surpluses that arise because either actual experience or events have not been exactly the same as the assumptions adopted at the previous valuation (experience gains and losses) or the actuarial assumptions have changed.

Amortised

Written off over a period of time.

Bond Fund

A fund primarily invested in government and corporate bonds. The value of the investment changes as the market value of assets held by the fund changes.

Call Account

A call account is a deposit account with a financial institution without a fixed maturity date.

Capital Receipts

Receipts from the sale of capital assets.

Cash Equivalent

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flow

The movement of money into or out of the County Council during the financial year.

Collection Fund

A fund maintained by each district council to receive all income raised through the Council Tax and Business Rates. The County Council precepts the district councils to receive its share of Council Tax receipts.

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.

Fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

Financial asset

A right to future economic benefits controlled by the County Council that is represented by cash, an equity instrument of another entity, a contractual right to receive cash (or another financial asset) from another entity or a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the County Council.

Financial liability

An obligation to transfer economic benefits controlled by the County Council that is represented by a contractual obligation to deliver cash (or another financial asset) to another entity, or a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the County Council.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a

GLOSSARY

financial liability or equity instrument of another. Financial instruments include bank deposits, investments, debtors, long-term debtors, creditors, temporary loans and borrowings.

Financial Year

The County Council's accounts cover the period from 1 April in one year to 31 March in the next year.

Fixed Asset

A tangible asset that yields benefit to the County Council and the services it provides for a period of more than one year.

General Government Grants

These are general grants paid by central government in aid of local authority services as opposed to specific grants which may only be used for a specific purpose. The main general grant is Revenue Support Grant.

Hedge Fund

A hedge fund is a form of investment partnership.

Impairment

A reduction in the carrying value of an asset arising from physical damage, obsolescence or a significant decline in market value.

Inventories

Raw materials and stores which the County Council has bought and holds in stock for use as required 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)

These are issued by the International Accounting Standards Board and provide standards for the preparation of financial statements.

Lease

A method of financing capital expenditure where a rental charge is paid for an asset for a specified period of time.

Lessee

A party to a lease agreement who makes payment to use an asset.

Lessor

A party to a lease agreement who receives payment for the use of an asset.

Liabilities

Amounts owed by the County Council which will be paid at some time in the future.

Limited Liability Partnership

A partnership in which some or all partners have limited liabilities.

Long Term Investments

Investments that are not due to mature within the next 12 months.

Money Market Fund

Funds are invested in short dated assets including certificates of deposits, government securities and commercial papers making them highly liquid. Money Market Funds must be AAAMf rated, invest in high credit quality assets and maintain a weighted average maturity of 60 days or fewer. Investments have a stable net asset value and dividends are paid to investors on their investment.

Mortality Assumptions – Abbreviations

S1PA and S1PA Heavy - Mortality tables 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.

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.

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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.