

# Statement of Accounts

## 2014/2015

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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 2015. They have been compiled in accordance with the statutory requirements of the Accounts and Audit Regulations 2011 and in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code"). To meet statutory requirements, the Chief Finance Officer is required to sign the accounts no later than 30 June 2015 and certify that they give a true and fair view of the County Council's position. This was achieved on 30 June 2015 when the Chief Finance Officer authorised the accounts for issue. The County Council is required to consider and approve the accounts no later than 30 September 2015. The Audit & Governance Committee met on 16 September 2015 to fulfil this requirement.

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

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

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

### The Statements

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

- **Statement of Responsibilities for the Statement of Accounts** which outlines the respective responsibilities of the County Council and the 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 2014/15 the net reduction in the County Fund Balance before transfers from earmarked reserves was £16.268m. After transfers from earmarked reserves the closing balance for the County Fund was £24.297m.
- **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 2014/15, 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

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the use of assets. The taxation position is shown in the Movement in Reserves Statement. The Deficit on the Provision of Services for 2014/15 was £92.216m.

- **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 2015 were £90.208m.
- **Cash Flow Statement** which shows the changes in cash and cash equivalents of the County Council during the reporting period. The statement shows how the County Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the County Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the County Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the County Council. The net increase in cash and cash equivalents for 2014/15 was £5.970m.
- **Pension Fund Accounts** which set out the accounts of the Oxfordshire Local Government Pension Scheme and the Firefighters' Pension Scheme, both of which the County Council administer.
- **Annual Governance Statement** which describes the arrangements by which the County Council conducts its business. This statement does not form part of the statements on which the auditor's opinion is given, but has been included as part of this document for completeness.

The 2014/15 Code adopted amendments to some financial standards that applied from 1 April 2014. The new or revised financial standards adopted were:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 27 *Separate Financial Statements* (as amended in 2011)
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011)
- IAS 32 *Financial Instruments: Presentation*
- *Annual Improvements to IFRS 2009-2011 Cycle*

The main changes to the Code relate to the adoption of the new or amended group accounting standards (IFRS 10 - IAS 28 above). IFRS 10 introduces a new principle of control in determining group relationships. Under IFRS 11, classification of joint

arrangements is based on 'rights' and 'obligations' and is not solely determined by the legal form of the arrangement. The changes to the group accounting standards do not have an impact on the County Council's accounts for 2014/15 as there are no group relationships. Changes to IAS 32 provide clarification regarding offsetting financial assets and financial liabilities and presenting the net amount in the Balance Sheet. The County Council does not offset financial assets and financial liabilities and therefore this change has no impact on the financial statements.

The annual improvements to IFRS are minor in nature and are not considered to have any impact on the financial statements.

### **Revenue Expenditure**

2014/15 was the first budget of the Conservative Independent Alliance administration following the elections in May 2013. The agreed budget for 2014/15 and the Medium Term Financial Plan (MTFP) to 2017/18 reflected the Council's overarching aim of a 'Thriving Oxfordshire'.

As part of the Service & Resource Planning process for 2014/15, Directorates were asked to develop new business strategies for the period up to 2017/18 and put forward savings proposals to address funding shortfalls and emerging expenditure pressures faced by the Council. These strategies incorporate the £31m planned savings that formed part of the 2013/14 to 2016/17 Medium Term Financial Plan agreed by Council in February 2013.

Although the previous Medium Term Financial Plan had assumed large reductions in the Council's funding from Government, further reductions in local government funding announced in the 2013 Budget and the 2013 Spending Round (which set out Government spending plans for 2015/16), restrictions on the level of Council Tax increase imposed by referendum limits and new expenditure pressures (particularly from demand led services) required additional savings of £64m over the period up to 2017/18 taking the total to £265m over the period 2010/11 – 2017/18.

The County Council set a Council Tax requirement for 2014/15 of £277.734m. Following two years when the council tax increase was frozen, pressures and reductions in funding meant that the Band D Council Tax increased by 1.99% in 2014/15.

In the main, directorate business strategies are being delivered as planned with the majority of the savings for the year being achieved. Additional demand led pressures in Adults' and Children's Social Care which have become apparent in 2014/15 have been considered through the 2015/16 Service & Resource Planning Process with additional on-going funding of £7.4m provided for Children's Social Care and £5.4m for Adults with Learning Disabilities in 2015/16.

In terms of the County Council's actual expenditure, the Code requires the presentation set out in the Comprehensive Income and Expenditure Statement (page 15). However for internal purposes, expenditure is reported on a directorate basis.

The Provisional Revenue and Capital Outturn Report to Cabinet on 23 June 2015 (summarised in the table on the next page) shows expenditure compared to the original and latest budgets and the overall impact on the amount required to be met from Council Tax.

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Directorate	Original budget £'000	Latest budget £'000	Actual net expenditure £'000	Variation against latest budget £'000
Children, Education & Families	102,618	105,752	107,302	1,550
Social & Community Services	214,724	214,168	214,339	171
Environment & Economy	81,532	83,054	81,809	-1,245
Chief Executive's Office	20,748	21,211	20,539	-672
Public Health	0	0	0	0
	<b>419,622</b>	<b>424,185</b>	<b>423,989</b>	<b>-196</b>
<b>Strategic Measures:</b>				
Contributions to / from (-) Reserves	-12,519	-11,378	-10,086	1,292
Contributions to Balances	3,000	1,466	0	-1,466
Pension Past Service Deficit Funding	830	830	830	0
Contingency	3,476	68	8	-60
Capital Financing	35,254	35,258	34,376	-882
Interest on Balances	-4,548	-4,552	-4,852	-300
	<b>25,493</b>	<b>21,692</b>	<b>20,276</b>	<b>-1,416</b>
Government Grants	-14,832	-15,594	-16,805	-1,211
Council Tax	-6,929	-6,929	-6,929	0
Revenue Support Grant	-80,623	-80,623	-80,623	0
Business Rates Top-Up Grant	-36,390	-36,390	-36,390	0
Business Rates	-28,607	-28,607	-28,587	20
<b>Council Tax Requirement</b>	<b>277,734</b>	<b>277,734</b>	<b>274,931</b>	<b>-2,803</b>

A breakdown of expenditure met from the County Fund and how it is financed is shown in the pie charts on page 12.

The directorates' variation against budget of -£0.196m is the position after achieving the savings built into the budget and the use of reserves to support expenditure on a one – off basis. This included the use of £1.500m from the Pooled Budget reserves to support the Learning Disabilities Pooled budget and £1.135m from the Public Health reserve being used to support revenue expenditure on public health functions delivered elsewhere in the council on a one – off basis. £2.751m additional one – off funding to manage additional demand in Children, Education and Families was agreed by Council in November 2014 and released from corporate contingency. This funding is included in the latest budget and reflected in the outturn variation. Other corporate management actions taken to achieve the position at year end included a freeze on recruitment and non – urgent expenditure.

The underspend of £2.803m shown in the previous table compares to a deficit on the provision of services of £92.216m. 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 2013/14, the largest element of the deficit is from a loss on the disposal of assets of £108.949m, 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



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outturn position and the Surplus or Deficit on the Provision of Services is provided in Note 5 (page 43).

### Balances and reserves

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

	<b>Budget £'000</b>	<b>Actual £'000</b>
County Fund balance 1 April 2014	17,409	21,494
Additions to / calls on (-) balances	1,000	2,803
<b>County Fund balance 31 March 2015</b>	<b>18,409</b>	<b>24,297</b>

County Council balances were £5.888m higher than forecast in the 2014/15 to 2017/18 Medium Term Financial Plan as at 31 March 2015. This was after taking account of £2.050m Severe Weather Recovery Grant that will be spent in 2015/16. Excluding this, general balances were £22.247m, or £3.838m higher than forecast. The budget provided for £2.000m calls on balances and £0.545m was drawn down during the year. An underspend of £1.337m in Strategic Measures has been added to balances and includes £0.300m additional interest due to larger than forecast cash balances held by the council during the year. There was also an underspend on capital financing costs (£0.882m) and additional un – ringfenced government grants (£0.116m). £0.059m unused contingency was also added to balances at year end. The additional balances will be used to support the council's Medium Term Financial Plan.

Earmarked reserves totalled £111.666m at the end of the year and comprise school reserves (£21.919m), directorate reserves (£39.707m), corporate reserves (£1.944m) and other reserves (£48.096m). 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 £8.806m. This will be used in line with the Medium Term Financial Plan agreed by Council in February 2015. Capital reserves total £34.774m and will be used to finance the Capital Programme agreed by Council.

### Capital

Capital spend in 2014/15 was £95.409m including £4.269m of capitalised repair and maintenance, vehicles and equipment. Of the total capital spend including capitalised items £37.363m was spent on schools and other educational facilities, £45.563m on highways and transport schemes and the balance, £12.483m, on a range of other projects. Details of capital spending are provided in Note 32 (page 89). The capital spend was funded mainly from grants and contributions (£88.428m), with the remainder being from revenue (£6.607m) and prudential borrowing (£0.373m) (Note 33, page 92).

Overall the balance for Property Plant and Equipment assets has reduced by £31.294m, 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 £822.003m, which reduces the County Council's net worth by 90%. The pensions liability has increased by £155.191m compared to last year, as a result of changes to financial assumptions. Note 20 on

retirement benefits (page 65) 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 £26.493m, comprising £26.442m for property built by Oxfordshire Care Partnership under a service concession arrangement and £0.051m for assets acquired by way of finance leases.

The County Council is the accountable body for the Growing Places Fund on behalf of the Oxfordshire Local Enterprise Partnership. The remaining £8.223m of the capital element of the grant that was received in 2013/14 is held within Capital Grants Receipts in Advance pending allocation to projects in 2015/16 and future years.

### **Performance over the last financial year**

Further information is available in the council's 'Corporate Plan' for 2015/16 but over the last year the County Council has successfully:

- Continued to work alongside the Oxfordshire Local Enterprise Partnership and other partners to implement the City Deal agreement agreed in January 2014. This will boost innovation and business growth, create jobs and help secure Oxfordshire's place as a world leader in technology, knowledge and expertise.
- Worked closely with the NHS to agree a significant expansion to the pooled budget covering care for older people, and others to improve care and outcomes in physical disability, learning disability and mental health and wellbeing. We are developing integrated locality teams, and working towards a single point of access for health and social care. To facilitate closer working, the Director of Adult Social Services at the county council also holds the post of Director of Strategy & Transformation at the Oxfordshire Clinical Commissioning Group.
- Continued to make improvements to ensure that everything possible is done to make children safer in Oxfordshire and to support the Kingfisher Team, a joint social work, police and health unit focused on preventing, protecting and prosecuting cases of child sexual exploitation in Oxfordshire.
- Worked with the district councils and the Local Enterprise Partnership to secure a further £5.1m of funding to achieve a minimum of 95 per cent broadband coverage by 2017 in South Oxfordshire, Vale of the White Horse and Cherwell.
- Achieved agreement amongst national and local partners to develop a new train route providing direct connection to London, Milton Keynes, Heathrow via Reading and all points east and west. In 2014 work began on the new 'Oxford Parkway' station at Water Eaton. The economic impact of the project is estimated to be £15m per year and is estimated to create up to 12,000 new private sector jobs.
- Partnered with Age UK to create networks of local advisers across the county to improve the dissemination of information and advice about the range of social care and the support services available and to help people to access them. The networks

rolled out across the county in 2014 with clear locality plans supporting the development of local strategies.

- Continued to support troubled families – those with the most problems and who cause problems to the community around them – to make lifestyle changes and become thriving families. By January 2014 Oxfordshire had turned around 778 troubled families, the tenth highest out of 152 authorities, and the council is now an Early Starter for Phase 2 of the expanded programme, which runs through to 2020.

### **Plans for future service delivery**

2015/16 is the second year of the four-year directorate business strategies agreed by Council in February 2014. These build on the previous strategies agreed in 2011, and were not extended beyond 2017/18 due to uncertainty over future levels of government funding.

Sustained reductions in Government funding combined with pressure to restrict Council Tax increases have resulted in a significant squeeze on Council resources over recent years, at a time when demand for services has been increasing. The Corporate Plan for 2014/15 set out that over the period 2010/11 to 2017/18 the Council planned to save £265m to offset funding reductions and to meet additional expenditure pressures.

On-going expenditure pressures that were not anticipated when those savings were agreed were highlighted in the Financial Monitoring and Business Strategy Delivery reports to Cabinet throughout 2014/15. Additional savings of £27m over that period are now required to manage these pressures, bringing the total savings over the period 2010/11 to 2017/18 to £292m.

The Cabinet published its budget proposals and its recommended Budget, Medium Term Financial Plan and Capital Programme on 27 January 2015. The budget proposals were built on the premise of fairness and protecting the most vulnerable from the impact of any cuts, as well as raising income, where possible, so that reductions in service budgets are less challenging. Some of the savings have been used to re-invest in priority areas.

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 Cabinet's recommended Council Tax Requirement for 2015/16 of £288.2m on 17 February 2015. This was based on a Band D Council Tax of £1,232.46, an increase of 1.99% from the previous year.

The Capital Programme, also approved on 17 February 2015 includes planned expenditure of £127.4m for 2015/16. £96.6m of the total expenditure will be funded by grants and contributions, £15.1m through prudential borrowing and £15.7m through use of capital receipts.

As at 31 March 2015 the County Council was contractually committed to £40.645m 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

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authorised limit for external debt (an upper limit) of £490m for 2015/16 (compared to £484m for 2014/15), and an operational limit (the target limit for day to day activity) of £480m (increased from £474m for 2014/15). 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 £403.7m although it will be noted from the balance sheet that this is part-funding assets valued in excess of £1.1bn.

### **Summary accounts**

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

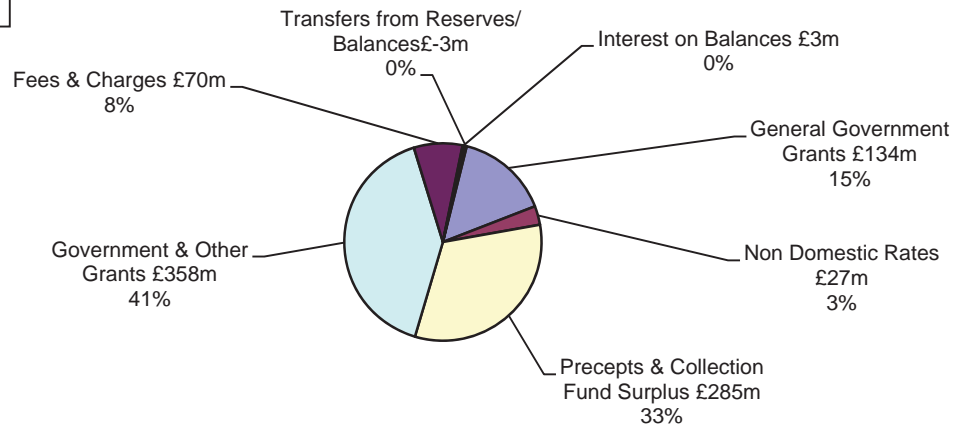
### **Conclusion**

The County Council remains in a robust financial position as at 31 March 2015 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. Additional balances available at the end of 2014/15 will be used to support the Medium Term Financial Plan on a one – off basis.

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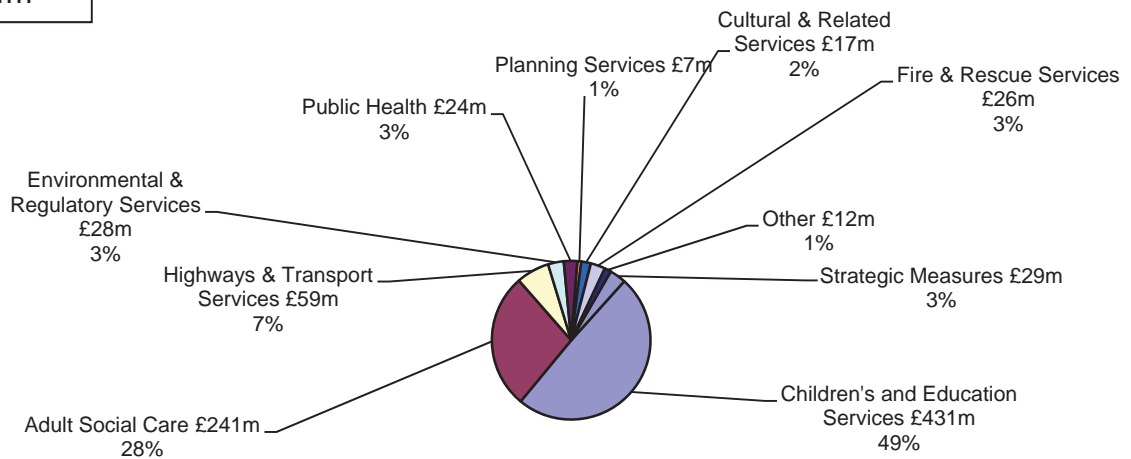
**Total  
£874m**

### Where the money came from



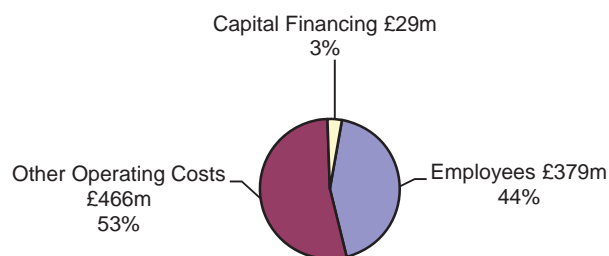
**Total  
£874m**

### What services have been provided with the money



**Total  
£874m**

### What the money was spent on



## 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: .....  
Chairman of the Audit & Governance Committee

Date 22-9-15

### 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 2014/15 ('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 2015.

Signed: .....

Date 22/9/2015

LORNA BAXTER  
Chief Finance Officer

## MOVEMENT IN RESERVES STATEMENT

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

	Notes	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbnns Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
<b>Balance at 31 March 2013</b>		<b>18,733</b>	<b>135,667</b>	<b>10,617</b>	<b>54,130</b>	<b>219,147</b>	<b>141,286</b>	<b>360,433</b>
<b>Movement in reserves during 2013/14</b>								
Surplus (+) or deficit (-) on Provision of Services		-54,634				-54,634	0	-54,634
Other Comprehensive Expenditure and Income			-1,304			-1,304	-26,688	-27,992
<b>Total Comprehensive Income and Expenditure</b>		<b>-54,634</b>	<b>-1,304</b>	<b>0</b>	<b>0</b>	<b>-55,938</b>	<b>-26,688</b>	<b>-82,626</b>
Adjustments between accounting basis & funding basis under regulations	4	53,225		3,531	410	57,166	-57,166	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>-1,409</b>	<b>-1,304</b>	<b>3,531</b>	<b>410</b>	<b>1,228</b>	<b>-83,854</b>	<b>-82,626</b>
Transfers to/from Earmarked Reserves	48	4,170	-4,170			0	0	0
<b>Increase (+)/Decrease (-) in Year</b>		<b>2,761</b>	<b>-5,474</b>	<b>3,531</b>	<b>410</b>	<b>1,228</b>	<b>-83,854</b>	<b>-82,626</b>
<b>Balance at 31 March 2014</b>		<b>21,494</b>	<b>130,193</b>	<b>14,148</b>	<b>54,540</b>	<b>220,375</b>	<b>57,432</b>	<b>277,807</b>
<b>Movement in reserves during 2014/15</b>								
Surplus (+) or deficit (-) on Provision of Services		-92,216				-92,216	0	-92,216
Other Comprehensive Expenditure and Income			544			544	-95,928	-95,384
<b>Total Comprehensive Income and Expenditure</b>		<b>-92,216</b>	<b>544</b>	<b>0</b>	<b>0</b>	<b>-91,672</b>	<b>-95,928</b>	<b>-187,600</b>
Adjustments between accounting basis & funding basis under regulations	4	75,948		1,930	-4,920	72,958	-72,958	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>-16,268</b>	<b>544</b>	<b>1,930</b>	<b>-4,920</b>	<b>-18,714</b>	<b>-168,886</b>	<b>-187,600</b>
Transfers to/from Earmarked Reserves	48	19,071	-19,071			0	0	0
<b>Increase (+)/Decrease (-) in Year</b>		<b>2,803</b>	<b>-18,527</b>	<b>1,930</b>	<b>-4,920</b>	<b>-18,714</b>	<b>-168,886</b>	<b>-187,600</b>
<b>Balance at 31 March 2015</b>		<b>24,297</b>	<b>111,666</b>	<b>16,078</b>	<b>49,620</b>	<b>201,661</b>	<b>-111,453</b>	<b>90,208</b>

Schools' balances are held within Earmarked Reserves (see Note 48).

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2013/14				Notes	2014/15		
Gross Expenditure £'000	Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Income £'000	Net Expenditure £'000
466,369	-341,827	124,542	Children's and Education Services	7,8	458,213	-319,012	139,201
241,185	-52,406	188,779	Adult Social Care	9	245,441	-55,362	190,079
73,289	-9,633	63,656	Highways and Transport Services		74,189	-11,251	62,938
28,487	-607	27,880	Fire and Rescue Services		30,057	-755	29,302
28,783	-1,928	26,855	Environmental and Regulatory Services		28,087	-2,116	25,971
21,358	-25,608	-4,250	Public Health		24,271	-26,216	-1,945
18,533	-1,871	16,662	Cultural and Related Services		19,532	-1,928	17,604
5,870	-1,290	4,580	Planning Services		7,355	-3,416	3,939
6,291	-1,908	4,383	Central Services to the Public		4,408	-1,839	2,569
1,696	-433	1,263	Other Corporate Services	11,12	-186	-474	-660
<b>891,861</b>	<b>-437,511</b>	<b>454,350</b>	<b>Cost of Services</b>	5,6	<b>891,367</b>	<b>-422,369</b>	<b>468,998</b>
74,953	-3,014	71,939	Other Operating Expenditure	16	110,814	-1,865	108,949
51,615	-12,049	39,566	Financing and Investment Income and Expenditure	17,18,19	54,445	-11,063	43,382
0	-511,221	-511,221	Taxation and Non-Specific Grant Income	21,22	0	-529,113	-529,113
<b>1,018,429</b>	<b>-963,795</b>	<b>54,634</b>	<b>Surplus(-) or Deficit(+) on Provision of Services</b>	5	<b>1,056,626</b>	<b>-964,410</b>	<b>92,216</b>
			<b>Items that will not be reclassified to the Surplus(-) or Deficit(+) on Provision of Services:</b>				
		-18,864	Surplus or deficit on revaluation of non-current assets	52			-39,241
		2,981	Impairment losses on non-current assets charged to the revaluation reserve	52			2,981
		42,620	Remeasurements of the net defined benefit liability (asset)	20			133,417
		26,737					97,157
			<b>Items that may be reclassified to the Surplus(-) or Deficit(+) on Provision of Services:</b>				
		-49	Surplus or deficit on revaluation of available for sale financial assets				-1,229
		1,304	Other gains or losses				-545
		1,255					-1,774
		<b>27,992</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>95,383</b>
		<b>82,626</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>187,599</b>



## BALANCE SHEET

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

As at 31 March 2014		Notes	As at 31 March 2015	
£'000			£'000	£'000
	<b>Long Term Assets</b>			
1,133,047	Property, Plant and Equipment	24	1,101,753	
7,190	Investment Property	25	7,569	
712	Intangible Assets	27	418	
86,000	Long Term Investments	36,41	47,000	
5,569	Long Term Debtors	38	5,368	
<b>1,232,518</b>	<b>Total Long Term Assets</b>			<b>1,162,108</b>
	<b>Current Assets</b>			
76	Assets Held for Sale	26	79	
187	Inventories		55	
47,809	Debtors	39	57,168	
231,372	Short Term Investments	36,41	289,608	
16,348	Cash and Cash Equivalents	40	22,318	
<b>295,792</b>	<b>Total Current Assets</b>			<b>369,228</b>
	<b>Current Liabilities</b>			
-21,411	Short Term Borrowing	36,41	-35,403	
-85,440	Short Term Creditors and Revenue Receipts in Advance	42	-98,262	
-4,237	Provisions due within 1 year	43,44	-4,656	
-828	Short Term Finance liability	30,31	-815	
-16,653	Short Term Capital Grants Receipts in Advance	46	-31,760	
<b>-128,569</b>	<b>Total Current Liabilities</b>			<b>-170,896</b>
	<b>Long Term Liabilities</b>			
-2,606	Long Term Creditors and Revenue Receipts in Advance	42	-3,273	
-6,879	Provisions due over 1 year	43,44	-7,470	
-384,383	Long Term Borrowing	36,41	-368,383	
-666,812	Pension Liability	20	-822,003	
-26,500	Long Term Finance Liability	30,31, 36,41	-25,678	
-4,130	Deferred Income	45	-3,796	
-30,624	Long Term Capital Grants Receipts in Advance	46	-39,629	
<b>-1,121,934</b>	<b>Total Long Term Liabilities</b>			<b>-1,270,232</b>
<b>277,807</b>	<b>Net Assets</b>			<b>90,208</b>
	<b>Financed from:</b>			
<b>220,375</b>	<b>Usable Reserves</b>	47-50	<b>201,661</b>	
<b>57,432</b>	<b>Unusable Reserves</b>	51-56	<b>-111,453</b>	
<b>277,807</b>	<b>Total Reserves</b>			<b>90,208</b>

*These financial statements replace the unaudited financial statements that were certified by Lorna Baxter on 30 June 2015.*

## CASH FLOW STATEMENT

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

2013/14 £'000		Notes	2014/15 £'000
54,634	Net (surplus) or deficit on the provision of services		92,216
-109,315	Adjust net surplus or deficit on the provision of services for non-cash movements	57	-154,787
57,838	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		68,610
3,157	Net cash flows from Operating Activities	58	6,039
-18,305	Investing Activities	59	-14,836
11,821	Financing Activities	60	2,827
<b>-3,327</b>	<b>Net increase (-) or decrease (+) in cash and cash equivalents</b>		<b>-5,970</b>
13,021	Cash and cash equivalents at the beginning of the reporting period		16,348
<b>16,348</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>22,318</b>

**1. Summary of Significant Accounting Policies****General**

The Statement of Accounts summarises the County Council's transactions for the 2014/15 financial year and its position at the year-end 31 March 2015. It has been compiled in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code)*, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and with the Service Reporting Code of Practice 2014/15 (SeRCOP) also issued by CIPFA.

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

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

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

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

For corrected prior period errors the following disclosures are made:

- The nature of the prior period error

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### **Exceptional Items**

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

### **Estimating Techniques**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Accounts and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates. Where it is necessary to choose between different estimation techniques, the County Council selects whichever technique is judged to be the most appropriate to its particular circumstances for the purposes of presenting the financial position in the accounts fairly.

### **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 2015) and the date the Statement of Accounts is authorised for issue. There are two types of event:

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

### **Accruals of Income and Expenditure**

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

- Revenue from the sale of goods is recognised when the County Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the County Council.
- Revenue from the provision of services is recognised when the County Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the County Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when they are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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**

Accounting policies for employee benefits are consistent with International Accounting Standard 19. This sets out recognition criteria for termination benefits, new definitions for retirement benefit service costs and classes of components of defined benefit cost to be recognised in the financial statements.

#### Benefits Payable during Employment

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

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the County Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy 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 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 and 2006 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.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

particular pension scheme. Where this amount does not match the amount charged to the Surplus or Deficit on the Provision of Services for the year the difference is taken to the Pensions Reserve via the Movement in Reserves Statement.

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

### **Overheads and Support Services**

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

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

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

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

### **Trading Activities**

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

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

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

### **Property, Plant and Equipment**

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

	<b>Date of Last Revaluation</b>	<b>Date of Next Revaluation</b>
Secondary and special schools	2014/15	2020/2021
Primary, nursery, junior and infant schools	2010/11	2015/16
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	2019/20

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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

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

### **Charges to Revenue for Property, Plant and Equipment**

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

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

### **Disposals and Non-current Assets Held for Sale**

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

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

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

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

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

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

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

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

### **Investment Property**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### **Heritage Assets**

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

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

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

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

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

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

### **Intangible Assets: Software Licenses**

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

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

over a period of up to 6 years using the straight-line method. Amortisations are reversed out of the County Fund Balance in the same way as depreciation, so that there is no impact on Council Tax.

### **Revenue Expenditure Funded from Capital Under Statute**

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

### **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 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### **Cash and Cash Equivalents**

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

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

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

### **Financial Assets**

Financial assets are classified into three types:

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at the effective (market) rate, with the difference between interest at the effective rate and the contractual

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

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

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

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

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

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

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

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

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

derecognition are also credited/debited to the Comprehensive Income and Expenditure Statement.

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

### **Financial Liabilities**

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

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

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

### **Foreign Currency Translation**

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

### **Debt Redemption**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### **Inventories and Long Term Contracts**

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

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

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

### **Provisions**

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

### **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 62, there are no significant unfunded risks.

### **Carbon Reduction Commitment Scheme**

The County Council was required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The scheme's introductory phase ended on 31 March 2014. The County Council was required to purchase and surrender allowances on the basis of emissions i.e. carbon dioxide produced as energy was used. As energy was used a liability and an expense were recognised. The liability was subsequently discharged by surrendering allowances. The cost to the County Council was recognised and reported in the Cost of Services for 2013/14 and was apportioned to services on the basis of energy consumption. Since the scheme finished on 31 March 2014 and the council is not participating in the on-going scheme there is no further liability or effect on the Cost of Services for 2014/15.

### **Contingent assets**

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

### **Contingent liabilities**

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

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

### **Reserves**

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

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

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

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

### **Group Accounts**

The County Council is required to prepare group accounts where it collaborates with other organisations through jointly controlled entities, operations or assets or through joint ventures. It may also exercise significant influence as an associate in entity created as a collaborative arrangement. For 2014/15 the County Council did not have any such interests and therefore prepared these accounts only as a single entity rather than as group accounts. For 2015/16 onwards group accounts will be required to show expenditure and income relating to the Local Enterprise Partnership which was incorporated as a company limited by guarantee on 1 April 2015, but for which the County Council remains the accountable body.

The County Council participates in a number of jointly controlled operations (e.g. pooled budget arrangements with the health sector). The County Council accounts directly (in its

## NOTES TO THE CORE FINANCIAL STATEMENTS

single entity accounts) for its part of the assets, liabilities, income, expenditure and cash flows held within or arising from such an arrangement.

Local authority maintained schools (community, voluntary aided, voluntary controlled and foundation) are treated as entities for financial reporting purposes in accordance with IFRS 10. This adapts the definition of single entity financial statements so that schools are consolidated into these statements. In December 2014 CIPFA/LASAAC issued LAAP Bulletin 101 Accounting for Non – Current Assets used by Local Authority Maintained Schools which provided further guidance on the practical application of the Code for non current assets used by schools, particularly in respect of Voluntary Aided, Voluntary Controlled, and some foundation schools where non current assets are owned by a third party. Current assets and income and expenditure by schools continue to be consolidated into the Council's accounts consistent with IFRS 10 and LAAP Bulletin 101.

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.

### **Disclosure of Interests in Other Entities**

Expenditure and income relating to 209 maintained schools (of which 192 are primary schools, 8 secondary and 9 special) is consolidated into the single entity financial statements. Revenue expenditure and income for those schools is included in the 'Children's and Education Services' SeRCOP category of 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.

Non - current assets relating to 116 schools, of which 100 are primary schools, are included as long term assets on the balance sheet. A further 92 primary schools and one special school are either owned by a third party or leased.

### **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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 as a result of a need to close facilities and reduce levels of service provision
- School land and buildings that have transferred to academy trusts under 125 year leases (or where the freehold has transferred) have been written out of the County Council's Balance Sheet. School land and buildings that are the subject of short-term lease/license agreements with academy trusts have been retained on the County Council's Balance Sheet as at 31 March 2015
- The County Council is deemed to control the residential care services provided under the agreement with Oxfordshire Care Partnership (OCP) and the residual value of all but one of the homes at the end of the agreement. Except for the home where the residual value at the end of the contract rests with OCP, the accounting policies for PFI and similar contracts have been applied to the arrangement and the homes (valued at £17.352m as at 31 March 2015) 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, subject to the proviso that where information on cost or valuation is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not required to be recognised on the Balance Sheet. The County Council considers that obtaining valuations for its heritage assets would involve a disproportionate cost in comparison to the benefits to the users of the accounts and therefore does not recognise these

## NOTES TO THE CORE FINANCIAL STATEMENTS

assets on the Balance Sheet. Note 28 provides further details on the heritage assets held by the County Council

- The County Council is acting as the Accountable Body for the Oxfordshire Local Enterprise Partnership (LEP). The LEP is made up of representatives from business, academia and the wider public sector, including the County Council. The Partnership's overarching aim is to be the catalyst for realising Oxfordshire's economic and commercial potential. The LEP received £8.370m of the Growing Places Fund in 2011/12 to spend on capital projects to address infrastructure needs. The remaining £8.223m has been recognised as a capital grant receipt in advance as at 31 March 2015 as there is an obligation to return the funds if it is not spent on capital projects in due course.
- Where assets are owned by the Council and used by maintained schools (Community Schools and the County's two Foundation Schools), the economic benefits and service potential of the asset is within the control of the Council and therefore the assets are recognised on the Council's balance sheet. Where they are owned by trustees and used by maintained schools (in most cases Voluntary Aided and Voluntary Controlled schools) the Council has assessed that the trustees permit the assets to be used for voluntary education and have not reassigned rights to the assets to the school or governing body. Therefore the assets are not recognised on the Council's balance sheet. In some cases school sites are part owned by the Council and part by trustees. These assets are treated in line with the above. In accordance with the Schools Standards and Framework Act 1998, ownership of playing fields rests with the Council and these are therefore recognised on the Council's balance sheet (subject to de-minimis valuations). 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 2015 for which there is significant risk of material adjustment in the forthcoming year are as follows:

#### Property, Plant and Equipment

As at 31 March 2015 the County Council had £653m 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 £0.367m for every year that useful lives had to be reduced.

### Debtors

As at 31 March 2015 the County Council had a balance for current debtors of £65.908m and had estimated an impairment allowance for doubtful debts of £8.740m. The impairment allowance comprises £1.503m for the County Council's own debts based on the age and type of each debt and £7.237m 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 £0.150m to be set aside as an allowance by the County Council and £0.724m from the Collection Funds.

### Provisions

As at 31 March 2015 the County Council made a provision of £8.117m 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 £0.812m effect on the provision required.

### Pensions Liability

Estimation of the net liability to pay pensions (£822.003m as at 31 March 2015) 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 2014/15 the County Council's actuaries advised that the net pensions liability had decreased by £2.213m as a result of estimates being corrected as a result of experience, and increased by £195.932m attributable to updating of the financial assumptions relating to pensions liabilities.

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**

2014/15	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbns Unapplied £'000	Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u>					
Charges for depreciation and amortisation	28,519				-28,519
Impairment losses	3,370				-3,370
Revaluation losses	-1,156				1,156
Movement in the market value of investment property	-508				508
Capital grants and contributions applied	-60,297			-28,132	88,429
Revenue expenditure funded from capital under statute	22,618				-22,618
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	110,790				-110,790
<u>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>					
Statutory provision for the repayment of debt	-17,693				17,693
Capital expenditure charged to the County Fund Balance	-6,607				6,607
Repayment of loans			131		-131
<b>Adjustments primarily involving the Capital Grants and Contributions Unapplied Account</b>					
Capital grants and contributions unapplied credited to the CIES	-23,212			23,212	
<b>Adjustments primarily involving the Capital Receipts Unapplied</b>					
Transfer of net sale proceeds credited as part of the gain/loss on disposals	-1,799		1,799		



**NOTES TO THE CORE FINANCIAL STATEMENTS**

2014/15 continued	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbns Unapplied £'000	Unusable Reserves £'000
<b>Adjustments primarily involving the Pensions Reserve</b> Net charge made for retirement benefits debited or credited to the CIES	21,774				-21,774
<b>Adjustments primarily involving the Financial Instrument Adjustment Account</b> Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	-55				55
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b> Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	-151				151
Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business Rates income calculated for the year in accordance with statutory requirements	1,786				-1,786
<b>Adjustments primarily involving the Accumulated Absences Account</b> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-1,431				1,431
<b>Total</b>	<b>75,948</b>	<b>0</b>	<b>1,930</b>	<b>-4,920</b>	<b>-72,958</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

2013/14	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contribns Unapplied £'000	Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u>					
Charges for depreciation and amortisation	30,751				-30,751
Impairment losses	5,942				-5,942
Revaluation losses	-6,267				6,267
Movement in the market value of investment property	-1,078				1,078
Capital grants and contributions applied	-51,074			-7,697	58,771
Revenue expenditure funded from capital under statute	15,516				-15,516
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	74,848				-74,848
<u>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>					
Statutory provision for the repayment of debt	-18,046				18,046
Capital expenditure charged to the County Fund Balance	-7,209				7,209
Repayment of loans			570		-570
<b>Adjustments primarily involving the Capital Grants and Contributions Unapplied Account</b>					
Capital grants and contributions unapplied credited to the CIES	-8,107			8,107	
<b>Adjustments primarily involving the Capital Receipts Unapplied</b>					
Transfer of net sale proceeds credited as part of the gain/loss on disposals	-2,961		2,961		

**NOTES TO THE CORE FINANCIAL STATEMENTS**

2013/14 continued	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbns Unapplied £'000	Unusable Reserves £'000
<p><b>Adjustments primarily involving the Pensions Reserve</b> Net charge made for retirement benefits debited or credited to the CIES</p>	23,209				-23,209
<p><b>Adjustments primarily involving the Financial Instrument Adjustment Account</b> Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements</p>	-72				72
<p><b>Adjustments primarily involving the Collection Fund Adjustment Account</b> Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements</p>	-2,171				2,171
<p>Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business Rates income calculated for the year in accordance with statutory requirements</p>	1,030				-1,030
<p><b>Adjustments primarily involving the Accumulated Absences Account</b> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</p>	-1,086				1,086
<b>Total</b>	<b>53,225</b>	<b>0</b>	<b>3,531</b>	<b>410</b>	<b>-57,166</b>

**5. Amounts reported internally**

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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
<b>Total Income</b>	<b>-341,506</b>	<b>-165,840</b>	<b>-109,689</b>	<b>-19,791</b>	<b>-26,489</b>	<b>-663,315</b>
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
<b>Total operating expenses</b>	<b>448,808</b>	<b>380,179</b>	<b>191,498</b>	<b>40,330</b>	<b>26,489</b>	<b>1,087,304</b>
<b>Directorate Provisional Outturn</b>	<b>107,302</b>	<b>214,339</b>	<b>81,809</b>	<b>20,539</b>	<b>0</b>	<b>423,989</b>

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

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

2014/15	£'000
<b>Directorate Provisional Outturn</b>	<b>423,989</b>
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
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>468,998</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**Reconciliation to Subjective Analysis**

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

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	0	0	0	0	0	-1,865	-1,865
Interest and investment income	0	0	0	0	0	0	-2,730	-2,730
Income from council tax	0	0	0	0	0	0	-284,813	-284,813
Government grants and contributions	-373,759	0	-309	2,999	14,840	-356,229	-248,735	-604,964
<b>Total Income</b>	<b>-663,315</b>	<b>-35</b>	<b>-1,134</b>	<b>7,151</b>	<b>234,964</b>	<b>-422,369</b>	<b>-542,041</b>	<b>-964,410</b>
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	0	824	0	-151,451	0	0	0
Depreciation, amortisation, impairments and revaluations	0	0	30,744	0	0	30,744	-508	30,236
Net interest expense on the pension defined liability	0	0	0	0	0	0	27,810	27,810
Interest payable and similar charges	0	0	0	0	0	0	20,801	20,801
Costs from the disposal of non-current assets	0	0	0	0	0	0	110,814	110,814
<b>Total operating expenses</b>	<b>1,087,304</b>	<b>980</b>	<b>87,116</b>	<b>-49,070</b>	<b>-234,964</b>	<b>891,366</b>	<b>165,260</b>	<b>1,056,626</b>
<b>Surplus or deficit on the provision of services</b>	<b>423,989</b>	<b>945</b>	<b>85,982</b>	<b>-41,919</b>	<b>0</b>	<b>468,997</b>	<b>-376,781</b>	<b>92,216</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative figures for 2013/14 for the directorate analysis and reconciliations are set out below.

2013/14	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	-35,153	-129,636	-98,100	-14,881	-76	-277,846
Government grants and contributions	-333,688	-18,454	-11,392	-2,084	-25,608	-391,226
<b>Total Income</b>	<b>-368,841</b>	<b>-148,090</b>	<b>-109,492</b>	<b>-16,965</b>	<b>-25,684</b>	<b>-669,072</b>
Employee expenses	278,705	51,267	48,499	18,804	1,322	398,597
Other operating expenses	180,721	203,043	129,415	10,456	23,798	547,433
Support service recharges	16,009	104,031	10,677	7,602	564	138,883
<b>Total operating expenses</b>	<b>475,435</b>	<b>358,341</b>	<b>188,591</b>	<b>36,862</b>	<b>25,684</b>	<b>1,084,913</b>
<b>Directorate Provisional Outturn</b>	<b>106,594</b>	<b>210,251</b>	<b>79,099</b>	<b>19,897</b>	<b>0</b>	<b>415,841</b>

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

2013/14	£'000
<b>Directorate Provisional Outturn</b>	<b>415,841</b>
Add services not included in main analysis	1,700
Add amounts not reported in provisional outturn	83,248
Remove amounts reported in the provisional outturn not included in the Comprehensive Income and Expenditure Statement	-46,439
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>454,350</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**Reconciliation to Subjective Analysis**

2013/14	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	-277,846	-6	-683	4,410	209,147	<b>-64,978</b>	-4,089	<b>-69,067</b>
Proceeds from the disposal of non-current assets						<b>0</b>	-3,014	<b>-3,014</b>
Interest and investment income						<b>0</b>	-3,312	<b>-3,312</b>
Income from council tax						<b>0</b>	-275,384	<b>-275,384</b>
Government grants and contributions	-391,226		-186	3,508	15,371	<b>-372,533</b>	-240,485	<b>-613,018</b>
<b>Total Income</b>	<b>-669,072</b>	<b>-6</b>	<b>-869</b>	<b>7,918</b>	<b>224,518</b>	<b>-437,511</b>	<b>-526,284</b>	<b>-963,795</b>
Employee expenses	398,597	1,499	37,528	-41,388	-8,981	<b>387,255</b>	3,530	<b>390,785</b>
Other service expenses	547,433	207	15,584	-12,969	-76,075	<b>474,180</b>	3,494	<b>477,674</b>
Support Service recharges	138,883		579		-139,462	<b>0</b>		<b>0</b>
Depreciation, amortisation, impairments and revaluations			30,426			<b>30,426</b>	-1,078	<b>29,348</b>
Pension interest costs and expected return on assets						<b>0</b>	24,811	<b>24,811</b>
Interest payable and similar charges						<b>0</b>	20,858	<b>20,858</b>
Costs from the disposal of non-current assets						<b>0</b>	74,953	<b>74,953</b>
<b>Total operating expenses</b>	<b>1,084,913</b>	<b>1,706</b>	<b>84,117</b>	<b>-54,357</b>	<b>-224,518</b>	<b>891,861</b>	<b>126,568</b>	<b>1,018,429</b>
<b>Surplus or deficit on the provision of services</b>	<b>415,841</b>	<b>1,700</b>	<b>83,248</b>	<b>-46,439</b>	<b>0</b>	<b>454,350</b>	<b>-399,716</b>	<b>54,634</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6. Service Expenditure Analysis

The net cost of services within the Comprehensive Income and Expenditure Statement is presented using the service expenditure analysis set out in the Service Reporting Code of Practice (SeRCOP). Set out below is a breakdown by division of service, including the new divisions for Adult Social Care and Children's and Education Services introduced in 2014/15. For comparative purposes 2013/14 expenditure for those services has been restated in line with the 2014/15 classification.

Service	Division of Service	2013/14 £'000	2014/15 £'000
Children's and Education Services	Early Years	-97	1,612
	Primary schools	16,139	12,214
	Secondary schools	11,358	21,715
	Special schools	-591	1,449
	Services to Young People & Other Community Learners	997	0
	Post-16 provision	4	143
	Other Education And Community Budget	31,776	34,712
	Sure Start Children's Centres/Flying Start And Early Years	9,643	8,727
	Safeguarding Children and Young People's Services	2,902	2,984
	Services For Young People	8,763	8,286
	Children Looked After	26,174	30,128
	Family Support Services	13,612	13,548
	Youth Justice	815	470
	Asylum Seekers	1,158	1,242
	Other Children's & Family Services	63	63
	Supporting People Services	1,826	1,908
		<b>Total Children's and Education Services</b>	<b>124,542</b>
Adult Social Care	Physical Support Adults (18 - 64)	16,270	15,544
	Physical Support Older People (65+)	39,452	41,003
	Sensory Support Adults (16 - 64)	235	220
	Sensory Support Older People (65+)	977	1,012
	Support With Memory And Cognition Adults (16 - 64)	848	213
	Support With Memory And Cognition Older People (65+)	1,852	1,876
	Learning Disabilities Support Adults (16 - 64)	56,675	57,994
	Learning Disabilities Support Older People (65+)	6,557	6,774
	Mental Health Support Adults (16 - 64)	5,828	5,902
	Mental Health Support Older People (65+)	2,174	2,161
	Short-Term Support: Learning Disability Support - Adults (16 - 64)	285	189
	Short-Term Support: Physical Support - Older People (65+)	970	1,044
	Short-Term Support: Support With Memory Cognition - Older People (65+)	248	260
	Short-Term Support: Learning Disability Support - Older People (65+)	34	22
	Social Support: Substance Misuse Support	407	273
	Social Support: Asylum Seeker Support	46	28
	Social Support: Support To Carers	1,832	1,863
	Social Support: Social Isolation	2,603	2,567
	Assistive Equipment And Technology	5,699	5,169
	Social Care Activities	16,951	17,261
	Information And Early Intervention	2,758	2,581
	Commissioning And Service Delivery	20,233	20,304
	Supporting People	5,845	5,819
	<b>Total Adult Social Care</b>	<b>188,779</b>	<b>190,079</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>Service</b>	<b>Division of Service</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Highways & Transport Services	Transport Planning, Policy and Strategy	7,050	8,453
	Structural Maintenance	18,248	16,016
	Environment, Safety and Routine Maintenance	17,558	18,235
	Street Lighting (including energy costs)	4,432	4,593
	Winter Service	1,578	1,888
	Traffic management and Road safety	2,291	2,427
	On Street Parking Service	-2,009	-1,887
	Off Street Parking Service	1,263	921
	Public Transport	13,245	12,292
		<u>Total Highways &amp; Transport Services</u>	63,656
Environmental & Regulatory Services	Regulatory Services	2,085	2,138
	Flood Defence and Land Drainage	531	528
	Waste Disposal	18,841	17,780
	Trade Waste	-25	-18
	Recycling	5,148	5,407
	Waste Minimisation	275	136
		<u>Total Environmental &amp; Regulatory Services</u>	26,855
Fire and Rescue Services	Fire-fighting and Rescue Operations	27,418	29,113
	Safer Communities	462	189
		<u>Total Fire and Rescue Services</u>	27,880
Cultural & Related Services	Culture & Heritage	2,980	2,971
	Open Spaces	2,217	2,081
	Recreation & Sport	101	110
	Library Service	11,364	12,442
		<u>Total Cultural &amp; Related Services</u>	16,662
Planning Services	Planning Policy	819	768
	Development Control	1,540	1,413
	Economic Development	806	858
	Economic Research	162	67
	Business Support	761	536
	Environmental Initiatives	492	297
	Community Development	0	0
		<u>Total Planning Services</u>	4,580
Public Health	Sexual Health	-1,195	-403
	NHS Health Check Programme	-58	-55
	Health Protection	-66	-19
	National Child Measurement Programme	-63	1
	Public Health Advice	-70	-72
	Obesity	-151	-96
	Physical Activity	-19	-27
	Substance Misuse	-1,621	-593
	Smoking and Tobacco	-182	-25
	Children 15-19 Public Health Programmes	-109	-261
	Miscellaneous Public Health Services	-716	-395
		<u>Total Public Health</u>	-4,250

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>Service</b>	<b>Division of Service</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Central Services to the Public	Registration Services	559	652
	Emergency Planning	413	427
	Coroners Court Services	868	926
	Local Welfare Assistance Schemes	599	21
	* Elections	7	7
	* General Grants	1,944	536
	<u>Total Central Services to the Public</u>	4,383	2,569
Other Corporate Services (Including Strategic Measures)	Democratic Representation & Management	2,705	3,421
	Corporate Management	2,061	2,088
	Non Distributed Costs	-3,503	-6,169
	<u>Total Other Corporate Services</u>	1,263	-660
	<b>Total Net Cost of Services</b>	<b>454,350</b>	<b>468,998</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**7. Dedicated Schools Grant (DSG)**

The County Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the County Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the 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 2014/15 (with comparative figures for 2013/14) are as follows:

2013/14				2014/15		
Central Expenditure	ISB	Total		Central Expenditure	ISB	Total
£'000	£'000	£'000		£'000	£'000	£'000
		412,849	Final DSG before academy recoupment			416,212
		-121,626	Less academy figure recouped for the year			-149,458
		291,223	Total DSG after academy recoupment			266,754
		8,898	Brought forward from previous year			11,895
		-2,494	Less carry forward to next year agreed in advance			-5,089
81,642	215,985	297,627	Agreed initial budgeted distribution	87,467	186,093	273,560
		0	In year adjustments			0
81,642	215,985	297,627	Final budget distribution	87,467	186,093	273,560
-72,241		-72,241	Less actual central expenditure	-81,421		-81,421
	-215,985	-215,985	Less actual ISB deployed to schools		-186,093	-186,093
		0	County Council contribution			0
<b>9,401</b>	<b>0</b>	<b>11,895</b>	<b>Carry forward to next year</b>	<b>6,046</b>	<b>0</b>	<b>11,135</b>

## 8. Youth Offending Service

The Youth Offending Service was set up under the Crime and Disorder Act 1998. It is a multi-agency service comprising the County Council, Thames Valley Police & Crime Commissioner, National Probation Service, the Oxfordshire Clinical Commissioning Group, Huntercombe Young Offenders Institute and the Youth Justice Board. The service operates a pooled budget and in 2014/15 the gross income and expenditure were £1.589m and £1.390m respectively (2013/14 £1.611m and £1.554m). The County Council's contribution to the pooled budget was £0.490m (£0.511m in 2013/14).

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

The County Council and the Oxfordshire Clinical Commissioning Group have a joint commissioning and pooled budget arrangement for Older People, Equipment and Physical Disabilities. The County Council is the "host" or lead in this arrangement, which in the main commissions care home provision for continuing care, nursing and residential placements in Oxfordshire. The pooled budget arrangement has operated since April 2002 (formerly with the Oxfordshire Primary Care Trust) and was expanded in 2013 to include additional services. A further expansion was agreed in 2014.

For 2014/15, the County Council contributed £104.421m to the pooled budget (2013/14 £103.22m). A summary of the pooled budget memorandum account shows:

2013/14		2014/15		
		Older People & Equipment	Physical Disability	Total
£'000		£'000	£'000	£'000
199,596	Gross income	182,095	19,373	201,468
199,596	Gross expenditure	182,095	19,373	201,468
103,022	Authority's contribution	92,449	11,972	104,421

A number of other partnership arrangements for adult social care and health services are in place:

- The County Council and the Oxfordshire Clinical Commissioning Group have a joint commissioning and pooled budget arrangement for Learning Disabilities. The County Council is the lead in this arrangement, which in the main commissions both care and support and residential/supported living placements for learning disabilities clients. In 2014/15 the gross income and expenditure were £85.253m and £85.253m respectively (2013/14 £82.411m and £82.411m). The County Council contributed £72.347m to the pooled budget (2013/14 £69.908m)
- The County Council has a pooled budget arrangement with the Oxford Health Trust for the provision of mental health services. The NHS Trust is the lead in this arrangement. In 2014/15 the gross income and expenditure were £10.737m and £10.737m respectively (2013/14 £10.737m and £10.737m). The County Council contributed £2.390m to the pooled budget (£1.802m of which via the mental health commissioning

pooled budget) (2013/14 contribution of £2.387m, £1.847m of which was via the mental health commissioning pooled budget).

- The County Council and the Oxfordshire Clinical Commissioning Group have a joint commissioning and pooled budget arrangement to streamline mental health commissioning. The Oxfordshire Clinical Commissioning Group is the lead in this arrangement. In 2014/15 the gross income and expenditure were £49.016m and £49.162m respectively (2013/14 £49.978m and £50.033m). The County Council contributed £9.436m to this pool, of which £1.802m was paid to the mental health provision pooled budget. (The County Councils' contribution in 2013/14 was £9.224m, which included £1.847m relating to the mental health provision pooled budget).

## **10. Agency Services**

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

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

- |      |   |   |
|------|---|---|
| (i)  | All District Councils (except Oxford City Council see (ii) below) | Verge maintenance – within town boundaries. Charged to the Surplus or Deficit on the Provision of Services: £237,386 (£291,854 in 2013/14)  |
| (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: £852,547 (£699,496 in 2013/14)<br>Charged to capital : £835,445 (£641,439 in 2013/14) |

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

In 2014/15 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 2014/15 was £1,128,357 (£1,204,707 for 2013/14). This was matched by income for 2014/15 of £1,128,357 (£1,204,707 for 2013/14). As in 2013/14, there was no capital expenditure under the agreement. The cost of the capital expenditure has been fully repaid by the City Council, with a final payment of £343,663 in 2013/14.

### 11. Members' Allowances

<b>Allowances &amp; expenses</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Allowances	755	726
Travel & Subsistence	37	40
<b>Total</b>	<b>792</b>	<b>766</b>

The number of councillors was unchanged at 63 in 2014/15. The basic allowance remained unchanged in 2014/15 but Special Responsibility Allowances were amended to better reflect the responsibilities of the relevant roles.

### 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. Other costs include the Oxfordshire Strategic Financial Case for a Unitary Council (published January 2015).

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Code of Practice Work	146	146
Code of Practice Work - prior year rebates	-20	-15
Statutory Inspection	0	0
Certification of Grant Claims and Returns	1	7
Other Related Costs	1	40
<b>Total</b>	<b>128</b>	<b>178</b>

There was no statutory inspection work in 2013/14 or 2014/15.

### 13. Senior Officers' Remuneration

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Band (£)	Number of Employees					
	School	Non-School	Total	School	Non-School	Total
	2013/14	2013/14	2013/14	2014/15	2014/15	2014/15
50,000-54,999	77	77	154	75	76	151
55,000-59,999	64	62	126	54	49	103
60,000-64,999	33	23	56	34	32	66
65,000-69,999	16	17	33	14	14	28
70,000-74,999	9	8	17	11	17	28
75,000-79,999	8	16	24	1	14	15
80,000-84,999	6	4	10	5	4	9
85,000-89,999	2	3	5	4	2	6
90,000-94,999	2	2	4	1	1	2
95,000-99,999	1	2	3	0	3	3
100,000-104,999	1	0	1	1	2	3
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	1	0	1	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**

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

(\*) Joint with Oxfordshire Clinical Commissioning Group (OCCG). Since 1 September 2014 the Director for Social & Community Services has also been Director of Strategy & Transformation for OCCG. Half of the salary and other employee costs shown in the table are paid by OCCG.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2013/14</b>	<b>Salary (Including Fees &amp; Allowances)</b>	<b>Expense Allowances</b>	<b>Compensation for Loss of Employment</b>	<b>Other Emoluments</b>	<b>Total Remuneration Excluding Pension Contributions 2013/14</b>	<b>Employers Pension Contribution</b>	<b>Total Remuneration Including Pension Contributions 2013/14</b>
<b>Post Holder Information</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive - Joanna Simons	184,255				184,255	35,561	219,816
Assistant Chief Executive and Chief Finance Officer to September 2013	53,673				53,673	10,359	64,032
Chief Finance Officer - from October 2013	47,536				47,536	9,174	56,710
Monitoring Officer and Head of Law & Governance	98,152			2,532	100,684	19,432	120,116
Head of Human Resources	98,152				98,152	18,943	117,095
Deputy Chief Finance Officer to September 2013	43,304				43,304	8,358	51,662
Head of Policy	53,304				53,304	10,288	63,592
Director for Children, Education & Families	138,875				138,875	26,803	165,678
Deputy Director Education & Early Intervention	98,152				98,152	18,943	117,095
Deputy Director Children's Social Care from October 2013	53,298				53,298	10,286	63,584
Director for Environment & Economy	129,476				129,476	24,989	154,465
Director for Environment & Economy (designate) from October 2013	71,066				71,066	13,716	84,782
Deputy Director for Commercial & Delivery	98,152				98,152	18,943	117,095
Deputy Director for Strategy & Infrastructure Planning to February 2014	90,500				90,500	17,467	107,967
Deputy Director - Oxfordshire Customer Services	95,072				95,072	18,349	113,421
Director for Social & Community Services	129,476				129,476	24,989	154,465
Deputy Director Joint Commissioning	98,152				98,152	18,943	117,095
Deputy Director for Adult Social Care to October 2013	44,854				44,854	8,657	53,511
Chief Fire Officer	120,645			531	121,176	25,697	146,873
Director of Public Health - Jonathan McWilliam	179,972				179,972	21,362	201,334
Deputy Director of Public Health	103,376				103,376	14,473	117,849
<b>Total</b>	<b>2,029,442</b>	<b>0</b>	<b>0</b>	<b>3,063</b>	<b>2,032,505</b>	<b>375,732</b>	<b>2,408,237</b>

**14. Exit Packages**

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

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

Band (£)	Exit packages 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
<b>Total</b>	<b>122</b>	<b>2,625</b>	<b>71</b>	<b>923</b>	<b>193</b>	<b>3,548</b>
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
<b>Total cost of exit packages in the Comprehensive Income and Expenditure Statement</b>						<b>3,524</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

Band (£)	Exit packages 2013/14					
	Compulsory		Other		Total	
	No.	£'000	No.	£'000	No.	£'000
0 - 19,999	28	169	48	328	76	497
20,000 - 39,999	5	141	9	241	14	382
40,000 - 59,999	1	44	6	275	7	319
60,000 - 79,999	0	0	0	0	0	0
80,000 - 99,999	1	87	2	184	3	271
100,000 - 149,999	0	0	0	0	0	0
150,000 - 199,999	0	0	0	0	0	0
<b>Total</b>	<b>35</b>	<b>441</b>	<b>65</b>	<b>1,028</b>	<b>100</b>	<b>1,469</b>
Add new provisions created						0
Less amounts provided for in previous year						-292
Add unused amount of previous year's provision						0
Adjust for differences between payments and accruals						-526
<b>Total cost of exit packages in the Comprehensive Income and Expenditure Statement</b>						<b>651</b>

## 15. Operating Leases

From time to time, the County Council acquires assets under operating leases. The minimum lease payments and contingent rents charged, and sublease payments received for the year, together with future commitments and future sublease payments receivable are set out below, together with comparative figures for 2013/14.

	2013/14		2014/15	
	Plant, vehicles & equipment	Land and buildings	Plant, vehicles & equipment	Land and buildings
	£'000	£'000	£'000	£'000
Minimum lease payments charged in year	1,267	3,278	967	2,162
Contingent rents charged in year	388	125	458	111
Sublease payments received in year	0	-61	0	-57
Future minimum lease payments:				
Within 1 year	907	2,406	828	1,823
Within 2nd - 5th years	1,715	5,590	1,407	4,367
6th year and beyond	106	5,925	20	1,907
Total commitments	2,728	13,921	2,255	8,097
Total future sublease payments receivable	0	-143	0	-137

The County Council also leases out premises. The minimum lease payments and contingent rents receivable for the year, together with total future minimum lease payments receivable are set out below, together with comparative figures for 2013/14. The County Council leases out property under operating leases for the provision of accommodation for services, such as Children's Centres, Homes for Older People, pre-schools and waste re-cycling centres.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14		2014/15	
	Plant, vehicles & equipment £'000	Land and buildings £'000	Plant, vehicles & equipment £'000	Land and buildings £'000
Minimum lease payments receivable in year	0	1,302	0	1,229
Contingent rents receivable in year	0	879	0	671
Future minimum lease payments receivable:				
Within 1 year	0	935	0	911
Within 2nd - 5th years	0	2,380	0	2,268
6th year and beyond	0	19,465	0	18,924
<b>Total receivable</b>	<b>0</b>	<b>22,780</b>	<b>0</b>	<b>22,103</b>

Contingent rents for 2013/14 and 2014/15 included backdated rent increases.

### 16. Other Operating Expenditure

Other Operating Expenditure as shown in the Comprehensive Income and Expenditure Statement 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.

	2013/14 £'000	2014/15 £'000
Capital receipts	-3,056	-1,852
Disposal costs charged against capital receipts	95	52
Net capital receipts	-2,961	-1,800
Other receipts	-53	-65
	-3,014	-1,865
Carrying value of non-current assets derecognised	74,848	110,788
Disposal costs charged to the County Fund	105	26
	74,953	110,814
<b>Other Operating Expenditure</b>	<b>71,939</b>	<b>108,949</b>
Adjustments between accounting basis and funding basis	-71,887	-108,991
<b>Net charge to County Fund</b>	<b>52</b>	<b>-42</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**17. Financing and Investment Income and Expenditure**

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

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Surplus/deficit on trading operations	655	612
Interest payable and similar charges	20,858	20,801
Interest receivable and similar income	-3,312	-2,730
Income and expenditure in relation to investment properties and changes in their fair value	-1,133	-547
Net pensions interest expense	24,811	27,810
Net fire-fighters Pension Fund Top-Up Grant	-2,313	-2,564
<b>Total Financing and Investment Income &amp; Expenditure</b>	<b>39,566</b>	<b>43,382</b>

**18. Trading Operations**

The County Council operates trading accounts for a number of services supplied to directorates and schools within the authority. Details of their financial performance during 2014/15 are as follows:

<b>2013/14</b>		<b>2014/15</b>		
<b>Surplus (-) / Deficit  £'000</b>	<b>Trading Unit</b>	<b>Turnover  £'000</b>	<b>Expenditure  £'000</b>	<b>Surplus (-) / Deficit (+) £'000</b>
-88	<b>Central Support Services</b> Provision of financial, legal, personnel, IT, printing and other support to services within the authority	52,539	52,539	0
243	<b>Property &amp; Facilities</b> Corporate landlord, property support services and facilities management for Council establishments	25,029	25,029	0
500	<b>Integrated Transport Unit</b> Provision of transport for adult social care clients and home to school transport	23,393	24,005	612
<b>655</b>	<b>Total</b>	<b>100,961</b>	<b>101,573</b>	<b>612</b>

**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**

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative figures for 2013/14 are as follows:

	2013/14				
	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	20,538				20,538
Reductions in fair value		1			1
Impairment losses		319			319
Fee expense		11	25		36
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>20,538</b>	<b>331</b>	<b>25</b>	<b>0</b>	<b>20,894</b>
Interest income		-3,011			-3,011
Gains on derecognition		-35	-266		-301
Fee income					0
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>-3,046</b>	<b>-266</b>	<b>0</b>	<b>-3,312</b>
Gains/losses on revaluation			-315		-315
Amounts recycled to the Surplus or Deficit on the Provision of Services			266		266
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>			<b>-49</b>		<b>-49</b>
<b>Net gain(-)/loss for the year</b>	<b>20,538</b>	<b>-2,715</b>	<b>-290</b>	<b>0</b>	<b>17,533</b>

**20. Retirement Benefits**

As part of the terms and conditions of employment of its employees, the County Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the County Council has a commitment to make the payments that 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 2007/08, is contracted out of the State Second Pension and currently provides benefits based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

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 132 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 2015/16 are £29.681m for funded benefits (£28.932m in 2014/15). £1.451m of LGPS unfunded benefits are expected to be paid to beneficiaries in 2015/16 (£1.418m in 2014/15). For 2014/15 the estimated duration of the County Council's liabilities is 18 years for funded benefits and 10 years for unfunded benefits (18 years and 9 years respectively for 2013/14).

The County Council currently participates in the Oxfordshire County Council pool with 29 other employers, including academy schools and other councils, 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 £0.411m for 2014/15 (£0.547m for 2013/14). 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 £7.441m.

### **The fire-fighters Pension Schemes**

There are three separate schemes relating to fire-fighters pensions – the 1992 scheme, the 2006 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 Fire Pension Orders 1992 and 2006, are contracted out of the State Second Pension and currently provide benefits based on final salary and length of service on retirement. The Firefighter's Pension Scheme 2015 came into effect from 1 April 2015 and any benefits accrued from this date will be based on career average revalued salaries. Exceptions will be for those members that have transitional protection in their existing scheme until retirement or until their transitional protection ends, whichever is earlier.

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 and 2006 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 128 to 131. 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.

Most of the fire-fighters defined benefit liabilities relate to the 1992 scheme. For ease of presentation the figures for all three schemes have been combined within the tables in this note.

The total contributions (including government top-up grant) expected to be made by the

County Council to the fire-fighters 1992 and 2006 schemes in 2015/16 are £4.180m (£3.823m in 2014/15). £0.353m of injury/ill health retirement benefits are expected to be paid to beneficiaries in 2015/16 (£0.336m in 2014/15). The estimated duration of the County Council's combined liabilities for the fire-fighters' scheme for 2014/15 is 22 years (22 years for 2013/14).

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 2010, contracted out of the State Second Pension and currently provides benefits based on final salary and length of service. Changes to the scheme came into effect from 1 April 2015. Any benefits accrued from this date are based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

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 2014/15 the County Council paid £14.373m in employer contributions to the Teachers' Pension Scheme (2013/14 £16.454m) – 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 2014/15 was 14.1% (14.1% in 2013/14). As at 31 March 2015 there was £1.931m owed to the Teachers' Pension Scheme in respect of accrued pensions contributions (£2.102m in 2013/14). The total contributions expected to be made by the County Council to the Teachers' Pension Scheme in 2015/16 are £14.470m (£14.574m in 2014/15). The employers' contribution rate is set to rise to 16.48% from September 2015.

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 £3.791m in 2015/16 (£3.785m in 2014/15). The estimated duration of the County Council's liabilities for teachers added years benefits for 2014/15 is 9 years (11 years for 2013/14).

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

**The NHS Pension Scheme**

This is a contracted out, 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 pensions, based on final salary, for employees of participating employers, and a career average arrangement for GPs and General Dental Practitioners. Changes to the scheme are due to come into effect 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 2014/15 the County Council paid £0.108m to the NHS Pension Scheme. This represents about 0.002% of the total contributions to the NHS Pension Scheme by all participating employers. The employer contribution rate for 2014/15 was 14.0%. As at 31 March 2015 there was £0.019m owed to the NHS Pension Scheme in respect of accrued pensions contributions. The total contributions expected to be made by the County Council to the NHS Pension Scheme in 2015/16 are £0.181m.

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

	Local Government Pension Scheme		Fire Fighters' Pension Schemes		Teacher's Added Years		Total	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>								
<u>Cost of Services</u>								
Current service cost	39,280	35,768	4,150	4,822	0	0	43,430	40,590
Past service costs	547	370	0	0	0	0	547	370
(Gain)/loss from settlements	-5,821	-7,441	0	0	0	0	-5,821	-7,441
Administration Expenses	413	836	0	0	0	0	413	836
	34,419	29,533	4,150	4,822	0	0	38,569	34,355
<u>Financing and Investment Income &amp; Expenditure</u>								
Net Interest expense	16,994	18,355	6,705	7,440	1,112	2,015	24,811	27,810
Government Top-Up Grant/Surplus payable to Government	0	0	-2,313	-2,564	0	0	-2,313	-2,564
<u>Surplus/Deficit on the Provision of Services</u>	51,413	47,888	8,542	9,698	1,112	2,015	61,067	59,601
<u>Other Comprehensive Income and Expenditure</u>								
Return on plan assets	-4,027	-60,302	0	0	0	0	-4,027	-60,302
Actuarial gains (-) and losses (+) from demographic assumptions	42,860	0	0	0	5,433	0	48,293	0
Actuarial gains (-) and losses (+) from financial assumptions	64,574	163,808	10,207	28,314	-7,262	3,810	67,519	195,932
Experience gains (-) and losses (+)	-52,716	3,196	0	0	9,811	-5,409	-42,905	-2,213
Other actuarial gains (-) and losses (+)	-26,260	0	0	0	0	0	-26,260	0
<b>Total retirement benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>75,844</b>	<b>154,590</b>	<b>18,749</b>	<b>38,012</b>	<b>9,094</b>	<b>416</b>	<b>103,687</b>	<b>193,018</b>
<b>Movement in Reserves Statement</b>								
Reversal of net charges made to the Surplus/Deficit on the Provision of Services for retirement benefits in accordance with the Code	-19,399	-15,840	-6,207	-7,443	2,397	1,510	-23,209	-21,773
<b>Actual amount charged against the County Fund Balance for pensions in the year:</b>								
Employer's contributions payable to the scheme	32,014	32,048	2,002	1,910	0	0	34,016	33,958
Retirement benefits payable to pensioners	0	0	333	345	3,509	3,525	3,842	3,870

## 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.

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
<b>Present value liabilities:</b>		
Local Government Pension Scheme (funded benefits)	1,240,802	1,452,291
Local Government Pension Scheme (unfunded benefits)	17,587	21,095
Fire-fighters' 1992 Pension Scheme	151,443	180,344
Fire-fighters' 2006 Pension Scheme	9,930	15,572
Fire-fighters' Injury Pensions	6,142	7,355
Teachers' Added Years	55,608	52,500
<b>Total present value liabilities</b>	<b>1,481,512</b>	<b>1,729,157</b>
<b>Fair value of assets in the Local Government Pension Scheme</b>	<b>814,700</b>	<b>907,154</b>
<b>Net liabilities in the scheme:</b>		
Local Government Pension Scheme (funded)	426,102	545,137
Local Government Pension Scheme (unfunded)	17,587	21,095
Fire-fighters' 1992 Pension Scheme	151,443	180,344
Fire-fighters' 2006 Pension Scheme	9,930	15,572
Fire-fighters' Injury Pensions	6,142	7,355
Teachers' Added Years	55,608	52,500
<b>Total Net Liabilities</b>	<b>666,812</b>	<b>822,003</b>

The total net liability of £822,003m (2013/14 £666,812m) 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 90% (2013/14 71%). However, the statutory arrangements for funding the deficit ensure that:

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

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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	1,130,076	1,240,802	20,843	17,587	151,101	167,515	50,023	55,608	1,352,043	1,481,512
Current service cost	39,280	35,768	0	0	4,150	4,822	0	0	43,430	40,590
Interest expense	51,043	53,499	483	608	6,705	7,440	1,112	2,015	59,343	63,562
Contributions by scheme participants	9,562	9,868	0	0	1,320	1,393	0	0	10,882	11,261
Actuarial gains and losses - demographic assumptions	41,126	0	1,734	0	0	0	5,433	0	48,293	0
Actuarial gains and losses - financial assumptions	66,218	162,670	-1,644	1,138	10,207	28,314	-7,262	3,810	67,519	195,932
Experience gains and losses	-50,305	0	-2,411	3,196	0	0	9,811	-5,409	-42,905	-2,213
Other actuarial gains and losses	0	0	0	0	0	0	0	0	0	0
Benefits paid	-35,961	-38,245	-1,418	-1,434	-3,655	-3,649	-3,509	-3,524	-44,543	-46,852
Past service costs	547	370	0	0	0	0	0	0	547	370
(Gain)/loss from settlements	-10,784	-12,441	0	0	0	0	0	0	-10,784	-12,441
Fire-fighters pension scheme top-up grant	0	0	0	0	-2,313	-2,564	0	0	-2,313	-2,564
<b>Closing balance at 31 March</b>	<b>1,240,802</b>	<b>1,452,291</b>	<b>17,587</b>	<b>21,095</b>	<b>167,515</b>	<b>203,271</b>	<b>55,608</b>	<b>52,500</b>	<b>1,481,512</b>	<b>1,729,157</b>

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The schemes have been assessed by Barnett Waddingham Public Sector Consulting, an independent firm of actuaries using estimates based on the latest full valuation of the scheme at 31 March 2013.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Fire-fighters' Pension Scheme 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:

<b>Assets</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Opening balance at 1 April	751,060	814,700
Interest income	34,532	35,752
Return on plan assets	4,027	60,302
Other actuarial gains and losses	26,260	0
Administration expenses	-413	-836
Employer contributions	30,596	30,613
Contributions by scheme participants	9,562	9,868
Benefits paid	-35,961	-38,245
Settlements received/(paid)	-4,963	-5,000
<b>Closing balance at 31 March</b>	<b>814,700</b>	<b>907,154</b>

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

<b>Assets</b>	<b>At 31 March 2014</b>			<b>At 31 March 2015</b>		
	<b>£'000</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Equities*						
UK investments	249,644		31%	300,446		33%
Overseas investments	255,191		31%	312,709		34%
Private equities of unspecified origin	49,929		6%	0		0%
		554,764			613,155	
Gilts						
UK fixed interest government securities	38,181		5%	88,682		10%
Overseas fixed interest government securities	16,643		2%	19,467		2%
UK index-linked government securities	43,075		5%	0		0%
		97,899			108,149	
Other bonds						
UK corporate bonds	26,106		3%	27,001		3%
Overseas corporate bonds	6,527		1%	6,333		1%
		32,633			33,334	
Property		40,791	5%		56,058	6%
Cash		40,791	5%		24,733	3%
Limited Liability Partnerships		32,633	4%		30,652	3%
Hedge Funds		16,317	2%		258	0%
Diversified Growth Fund		0	0%		42,093	5%
<b>Total</b>		<b>815,828</b>	<b>100%</b>		<b>908,432</b>	<b>100%</b>

**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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Longevity assumptions:								
Base Table*	S1PA with a 95% multiplier	S1PA with a 95% multiplier	S1PA with a 95% multiplier	S1PA with a 95% multiplier	S1PA Heavy with allowance for medium cohort projection	S1PA Heavy with allowance for medium cohort projection	S1PA with a 95% multiplier	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)	23.2	23.3	23.2	23.3	19.3	19.4	23.2	23.3
Longevity from 65 (currently aged 45) (yrs)	25.4	25.5	25.4	25.5	21.2	21.3	25.4	25.5
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)	25.5	25.7	25.5	25.7	23.3	23.4	25.5	25.7
Longevity from 65 (currently aged 45) (yrs)	27.9	28.0	27.9	28.0	25.2	25.2	27.9	28.0
Financial Assumptions:								
Retail Price Index (RPI) increases	3.6%	3.2%	3.2%	2.7%	3.7%	3.3%	3.3%	2.7%
Consumer Price Index (CPI) increases	2.8%	2.4%	2.4%	1.9%	2.9%	2.5%	2.5%	1.9%
Rate of increase in salaries	4.6%	4.2%	4.2%	n/a	5.1%	4.7%	4.7%	n/a
Rate of increase in pensions and deferred pensions	2.8%	2.4%	2.4%	1.9%	2.9%	2.5%	2.5%	1.9%
Rate for discounting scheme liabilities	4.4%	3.3%	3.6%	2.5%	4.5%	3.4%	3.9%	2.4%

\*Explanations of abbreviations are given in the glossary

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.
- 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	-24,602	25,050	-196	199	-4,285	4,381	-444	448
Change in Projected Service Cost	-925	947	-	-	-	-	-	-
0.1% adjustment to pension increase:								
Change in Present Value of Scheme Liabilities	22,877	-22,479	200	-198	2,412	-2,367	450	-447
Change in Projected Service Cost	933	-914	-	-	-	-	-	-
0.1% adjustment to long term salary increase:								
Change in Present Value of Scheme Liabilities	2,370	-2,361	0	0	2,003	-1,959	0	0
Change in Projected Service Cost	21	-21	-	-	-	-	-	-
1 year adjustment to mortality age rating assumption:								
Change in Present Value of Scheme Liabilities	-50,011	50,447	-753	760	-7,788	7,890	-1,790	1,806
Change in Projected Service Cost	-1,441	1,454	-	-	-	-	-	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Balance as at 1 April	-600,983	-666,812
Net charge made for retirement benefits in accordance with IAS19	-23,209	-21,774
Remeasurements of the net defined liability	-42,620	-133,417
<b>Balance as at 31 March</b>	<b>-666,812</b>	<b>-822,003</b>

### 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:

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Council Tax income	275,384	284,813
Non-domestic rates	26,227	26,802
Non-ringfenced government grants	150,076	133,818
Capital grants and contributions	59,534	83,680
<b>Total Taxation and Non-Specific Grant Income</b>	<b>511,221</b>	<b>529,113</b>

The Business Rates Retention Scheme was introduced in April 2013. The County Council now 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. Locally determined council tax support schemes were also introduced in 2013/14, whereby support is provided by way of a council tax discount rather than council tax benefit. This reduced the income from council tax and is broadly compensated by general government grant.

### 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:

	2013/14 £'000	2014/15 £'000
Revenue Support Grant	94,561	80,623
Business Rates Top-Up Grant	35,694	36,390
Education Services Grant	8,045	7,028
Severe Weather Recovery Grant	3,027	0
New Homes Bonus	1,662	2,387
Adoption Reform Grant	1,612	597
Troubled Families Grant	1,224	1,126
Other revenue grants	4,251	5,667
Capital grants	53,305	74,023
Developer contributions	6,018	9,360
Other capital contributions	211	297
Donated assets	0	0
<b>Total</b>	<b>209,610</b>	<b>217,498</b>

### **Credited to Services:**

Severe Weather Recovery Grant was a one – off grant received in March 2014 to help repair damage to highways arising from the severe weather and flooding in Oxfordshire in late 2013 and early 2014.

### Credited to Services:

	2013/14 £'000	2014/15 £'000
Dedicated Schools Grant	291,223	266,754
Public Health Grant	25,264	26,086
Pupil Premium Grant	9,382	11,350
Sixth Form Funding	7,241	5,124
Adult Learning	4,091	3,165
Local Sustainable Transport Fund Resource Grant	1,145	784
PE & Sports Grant	1,169	1,721
Asylum Seekers	797	1,053
Section 31 Grant - Business Rates and Other Reliefs		1,551
Regional Growth Fund (Local Enterprise Partnership)		1,553
Universal Infant Free School Meals		4,052
Other grants (Asylum Seekers disclosed separately above)	4,016	9,148
<b>Total</b>	<b>344,328</b>	<b>332,341</b>

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

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

Central government is responsible for the statutory framework within which all local authorities operate and provides the majority of the County Council’s funding in the form of general and specific grants. Note 58 on Cash Flow Statement – Operating Activities summarises the main transactions with central government and details of revenue government grant receipts are provided in Note 61.

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 has links with Donnington Doorstep and Rose Hill & Donnington Advice Centre, which received payments of £0.99m and £0.015m respectively in 2014/15. The councillor took no part in any decisions to award funding or make payments to these bodies. There are no other related party transactions to disclose between the County Council and members, directors, deputy directors or other second tier officers.

The County Council administers the Oxfordshire Pension Fund and this is a related party. During the year ended 31 March 2015, the County Council made employer contributions totalling £30.816m to the Fund (£30.690m in 2013/14). The County Council charged the Fund £1.042m (£0.960m in 2013/14) for expenses incurred in administering the Fund. As at 31 March 2015 £3.282m was due to the Pension Fund and £0.066m by the Pension Fund (£2.378m and £0.058m respectively as at 31 March 2014).

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 2014/15 are as follows (this includes members who retired or who were not re-elected at the May 2014 District Council elections):

<u>Oxford City</u>	<u>South Oxfordshire</u>	<u>West Oxfordshire</u>
Jean Fooks	Mark Gray	Louise Chapman
Mark Lygo	Steve Harrod	Pete Handley
Susanna Pressel	Neville Harris	Hilary Hibbert-Biles
Gill Sanders	Anne Purse	Simon Hoare
Val Smith (deceased)		Richard Langridge
John Tanner		Neil Owen
David Williams		

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Cherwell

Maurice Billington  
 Mark Cherry  
 Surinder Dhesi  
 Timothy Hallchurch MBE  
 Kieron Mallon  
 George Reynolds  
 Les Sibley  
 Lawrie Stratford

### Vale of White Horse

Yvonne Constance  
 Jenny Hannaby  
 Bob Johnston  
 Sandy Lovatt  
 Melinda Tilley  
 Richard Webber

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

2014/15 District Council	Collection Fund Transactions			Other Transactions	
	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
<b>Total</b>	<b>6,394</b>	<b>-28,589</b>	<b>-284,661</b>	<b>11,269</b>	<b>-2,104</b>

2013/14 District Council	Collection Fund Transactions			Other Transactions	
	Rates £'000	Rates Receipts £'000	Precepts £'000	Payments £'000	Receipts £'000
Cherwell	1,543	-6,767	-56,522	2,577	-2,221
Oxford City	1,691	-8,076	-49,243	5,200	-1,746
South Oxfordshire	1,149	-4,083	-63,650	1,715	-467
Vale of White Horse	1,210	-5,443	-55,444	1,341	-232
West Oxfordshire	1,108	-2,887	-48,354	1,714	-357
<b>Total</b>	<b>6,701</b>	<b>-27,256</b>	<b>-273,213</b>	<b>12,547</b>	<b>-5,023</b>

No other related parties have been identified.



**NOTES TO THE CORE FINANCIAL STATEMENTS**

**24. Movement of Property, Plant and Equipment**

<b>2014/15</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>	<b>Service Concession assets included in PPE £'000</b>
<b>Cost or valuation as at 1 April</b>	<b>696,263</b>	<b>116,698</b>	<b>445,453</b>	<b>4,642</b>	<b>12,585</b>	<b>1,275,641</b>	<b>17,520</b>
Additions	14,812	1,576	31,893	204	25,073	73,558	769
Donations							
Revaluation increases recognised in the Revaluation Reserve	30,458			529		30,987	41
Revaluation decreases recognised in the Revaluation Reserve	-3,067					-3,067	
Revaluation increases recognised in the Surplus/Deficit on Provision of Services	8,806			5		8,811	9
Revaluation decreases recognised in the Surplus/Deficit on Provision of Services	-11,949					-11,949	
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	
Assets reclassified to / from Intangible Assets							
Transfers	-23,931	27,453	2,562		-6,084		
Other movements in cost or valuation							
<b>Cost or Valuation as at 31 March</b>	<b>620,856</b>	<b>114,850</b>	<b>479,908</b>	<b>2,704</b>	<b>31,574</b>	<b>1,249,892</b>	<b>17,570</b>
<b>Depreciation as at 1 April</b>	<b>-1,793</b>	<b>-30,742</b>	<b>-109,696</b>	<b>-1</b>		<b>-142,232</b>	<b>-1</b>
Depreciation charge	-8,482	-6,885	-12,811	-47		-28,225	-219
Depreciation written out to the Revaluation Reserve	7,215			18		7,233	
Depreciation written out to the Surplus/Deficit on Provision of Services	2,419			30		2,449	
Derecognition – disposals		1,010				1,010	
Derecognition – other	1,319	11,091				12,410	1

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2014/15 Continued</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>	<b>Service Concession assets included in PPE £'000</b>
Assets reclassified to / from Held for Sale							
Assets reclassified to / from Investment Properties							
Assets reclassified to / from Intangible Assets							
Depreciation on transfer	-2,212	2,212					
Other movements in depreciation							
<b>Depreciation as at 31 March</b>	<b>-1,534</b>	<b>-23,314</b>	<b>-122,507</b>			<b>-147,355</b>	<b>-219</b>
<b>Impairment as at 1 April</b>	<b>-222</b>	<b>-140</b>				<b>-362</b>	
Impairment losses recognised in the Revaluation Reserve	-2,606			-122		-2,728	
Impairment loss reversals recognised in the Revaluation Reserve							
Impairment losses recognised in the Surplus/Deficit on Provision of Services	-2,835	-453		-82		-3,370	
Impairment loss reversals recognised in the Surplus/Deficit on Provision of Services							
Impairment written out to the Revaluation Reserve	3,651			184		3,835	
Impairment written out to the Surplus/Deficit on Provision of Services	1,821			20		1,841	
Derecognition – disposals							
Derecognition – other							
Assets reclassified to / from Held for Sale							
Impairment on transfer	-3	3					
Other movements in impairment							
<b>Impairment as at 31 March</b>	<b>-194</b>	<b>-590</b>				<b>-784</b>	
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**

<b>2013/14</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>	<b>Service Concession assets included in PPE £'000</b>
<b>Cost or valuation as at 1 April</b>	<b>750,902</b>	<b>108,797</b>	<b>424,317</b>	<b>5,034</b>	<b>9,084</b>	<b>1,298,134</b>	<b>18,326</b>
Additions	16,994	4,454	19,420	1,372	10,236	52,476	772
Donations							
Revaluation increases recognised in the Revaluation Reserve	13,814			1,181		14,995	136
Revaluation decreases recognised in the Revaluation Reserve	-3,756			-468		-4,224	-9
Revaluation increases recognised in the Surplus/Deficit on Provision of Services	5,922			317		6,239	12
Revaluation decreases recognised in the Surplus/Deficit on Provision of Services	-3,026			-617		-3,643	-3
Derecognition – disposals	-8	-260				-268	
Derecognition – other	-67,501	-16,728			-184	-84,413	-1,408
Assets reclassified to / from Held for Sale	-893			-1,781		-2,674	-306
Assets reclassified to / from Investment Properties	-360			-621		-981	
Assets reclassified to / from Intangible Assets							
Transfers	-15,825	20,435	1,716	225	-6,551		
Other movements in cost or valuation							
<b>Cost or Valuation as at 31 March</b>	<b>696,263</b>	<b>116,698</b>	<b>445,453</b>	<b>4,642</b>	<b>12,585</b>	<b>1,275,641</b>	<b>17,520</b>
<b>Depreciation as at 1 April</b>	<b>-1,226</b>	<b>-29,386</b>	<b>-97,522</b>	<b>-16</b>		<b>-128,150</b>	<b>-20</b>
Depreciation charge	-10,166	-7,606	-12,174	-87		-30,033	-226
Depreciation written out to the Revaluation Reserve	5,262			30		5,292	168
Depreciation written out to the Surplus/Deficit on Provision of Services	2,975			72		3,047	69
Derecognition – disposals		230				230	
Derecognition – other	1,723	5,659				7,382	8

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2013/14 Continued</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>	<b>Service Concession assets included in PPE £'000</b>
Assets reclassified to / from Held for Sale							
Assets reclassified to / from Investment Properties							
Assets reclassified to / from Intangible Assets							
Depreciation on transfer	-361	361					
Other movements in depreciation							
<b>Depreciation as at 31 March</b>	<b>-1,793</b>	<b>-30,742</b>	<b>-109,696</b>	<b>-1</b>		<b>-142,232</b>	<b>-1</b>
<b>Impairment as at 1 April</b>	<b>-268</b>	<b>-140</b>				<b>-408</b>	
Impairment losses recognised in the Revaluation Reserve	-2,634			-347		<b>-2,981</b>	
Impairment loss reversals recognised in the Revaluation Reserve							
Impairment losses recognised in the Surplus/Deficit on Provision of Services	-1,273	-3,903		-598		<b>-5,774</b>	
Impairment loss reversals recognised in the Surplus/Deficit on Prov'n of Services							
Impairment written out to the Revaluation Reserve	2,447			354		<b>2,801</b>	
Impairment written out to the Surplus/Deficit on Provision of Services	1,506			591		<b>2,097</b>	
Derecognition – disposals							
Derecognition – other		3,903				<b>3,903</b>	
Assets reclassified to / from Held for Sale							
Impairment on transfer							
Other movements in impairment							
<b>Impairment as at 31 March</b>	<b>-222</b>	<b>-140</b>				<b>-362</b>	
Net Book Value at 31 March 2013	749,408	79,271	326,795	5,018	9,084	1,169,576	18,306
Net Book Value at 31 March 2014	694,248	85,816	335,757	4,641	12,585	1,133,047	17,519

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**25. Movement in the Fair Value of Investment Properties**

	2013/14		2014/15	
	Non-Current	Current	Non-Current	Current
	£'000	£'000	£'000	£'000
Balance at 1 April	5,151	535	7,190	0
Derecognition		-555	-277	
Net gains (+)/losses (-) from fair value adjustments	1058	20	508	
Assets reclassified to / from Investment Properties	981		148	
<b>Balance at 31 March</b>	<b>7,190</b>	<b>0</b>	<b>7,569</b>	<b>0</b>

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

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

2013/14 £'000		2014/15 £'000
0	Balance at 1 April	76
	Assets newly classified as held for sale:	
2674	- Property, Plant and Equipment	1,300
-1,473	Revaluation losses	3
	Impairment losses	
	Assets declassified as held for sale:	
	- Property, Plant and Equipment	
-1,125	Assets derecognised	-1,300
	Additions	
<b>76</b>	<b>Balance at 31 March</b>	<b>79</b>

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

**27. Movement in the value of Intangible Assets**

The County Council did not capitalise any purchased software licenses in 2014/15 (nil in 2013/14). The movement in the carrying value of intangible assets for the year was as follows:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14 £'000	2014/15 £'000
Gross Carrying Value at 1 April	5,661	3,810
Additions		
Assets reclassified to/from Intangible Assets		
Derecognition	-1,851	0
<b>Gross Carrying Value at 31 March</b>	<b>3,810</b>	<b>3,810</b>
Amortisation at 1 April	-4,061	-3,098
Amortisation for the year	-718	-294
Depreciation on reclassification to/from Intangible Assets		0
Amortisation on derecognition	1,681	0
<b>Amortisation at 31 March</b>	<b>-3,098</b>	<b>-3,392</b>
Impairment at 1 April	0	0
Impairment for the year	-168	0
Impairment on reclassification to/from Intangible Assets		
Impairment on Derecognition	168	0
<b>Impairment at 31 March</b>	<b>0</b>	<b>0</b>
Net Book at 1 April	1,600	712
<b>Net Book Value at 31 March</b>	<b>712</b>	<b>418</b>

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

Service line	2013/14 £'000	2014/15 £'000
Children's and Education Services	311	109
Adult Social Care	177	89
Highways and Transport Services	82	52
Fire and Rescue Services	28	10
Environmental and Regulatory Services	33	1
Public Health	0	1
Cultural and Related Services	61	22
Planning Services	5	0
Central Services to the Public	12	7
Other Corporate Services	9	3
<b>Total</b>	<b>718</b>	<b>294</b>

### 28. Heritage Assets

Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. This category of assets excludes assets with heritage characteristics that are used by the County Council in the

provision of services - these are accounted for as operational assets within Property, Plant and Equipment.

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 £2.5m 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**

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 secondary and special schools were revalued as at 1 April 2014.

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

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

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

Provision of residential care services originally in 19 homes across Oxfordshire under a 25 year contract with Oxfordshire Care Partnership which came into operation in 2001. The County Council had an average of 70% of the beds in these homes. Under this arrangement, nine of the homes are subject to long term leases and these assets had previously been excluded from the County Council's Balance Sheet. A further ten homes

## NOTES TO THE CORE FINANCIAL STATEMENTS

were transferred to the contractor but with short term leases as the homes did not meet current property standards, These have now all been reprovided through a redevelopment programme.

The operator has built 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 (OCP) will end in 2026/27. However, in 2014/15 it was agreed that Oxfordshire Care Partnership would continue to operate the homes until the end of 2031/32 (the end of the financing arrangements for the new homes).

While the "partnership agreement" will continue there is no requirement for the County Council to purchase a set number / value of beds during the years 2027/28 to 2031/32 other than the obligation of both parties to maintain existing placements as at 31 March 2027. After 2026/27 all services will be purchased as spot contracts and numbers will vary, so there will be no further payments under this service concession arrangement.

The 2013/14 accounts included assumed expenditure for the year 2027/28, but because the service concession arrangement ceases at the end of 2027 as a result of the new agreement this has now been removed from the Total Cost shown in the 2014/15 table below.

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

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

	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	27,868	27,181
Increase in liability in the year		
Liability repaid in the year	-687	-739
<b>Balance at 31 March</b>	<b>27,181</b>	<b>26,442</b>

Details of payments due to be made under the service concession arrangement are as follows, with comparative figures for 2013/14 provided below.



**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2014/15</b>	<b>Service Costs</b>	<b>Principal Repayments</b>	<b>Interest Costs</b>	<b>Lifecycle Replacement Payments</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within 1 Year	13,498	795	2,014	702	17,009
2 -5 Years	58,999	3,834	7,403	3,102	73,338
6 - 10 Years	87,510	6,679	7,367	4,628	106,184
11 -15 Years	39,950	3,438	2,181	2,121	47,690
<b>Total</b>	<b>199,957</b>	<b>14,746</b>	<b>18,965</b>	<b>10,553</b>	<b>244,221</b>

<b>2013/14</b>	<b>Service Costs</b>	<b>Principal Repayments</b>	<b>Interest Costs</b>	<b>Lifecycle Replacement Payments</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within 1 Year	13,355	739	2,070	676	16,840
2 -5 Years	58,555	3,563	7,674	2,983	72,775
6 - 10 Years	86,572	6,207	7,839	4,450	105,068
11 -15 Years	72,360	16,672	4,344	4,245	97,621
<b>Total</b>	<b>230,842</b>	<b>27,181</b>	<b>21,927</b>	<b>12,354</b>	<b>292,304</b>

### 31. Finance Leases

The County Council has acquired some equipment under finance leases.

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

	<b>At 31 March 2014</b>	<b>At 31 March 2015</b>
	<b>£'000</b>	<b>£'000</b>
Vehicles, plant and equipment	145	57

Contingent rents recognised as an expense in 2014/15 totalled £0.018m (£0.005m in 2013/14).

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

	<b>At 31 March 2014</b>	<b>At 31 March 2015</b>
	<b>£'000</b>	<b>£'000</b>
Finance lease liabilities	147	51
Finance costs payable in future years	6	0
<b>Total future minimum lease payments</b>	<b>153</b>	<b>51</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The minimum lease payments are payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	At 31 March 2014	At 31 March 2015	At 31 March 2014	At 31 March 2015
	£'000	£'000	£'000	£'000
Within 1 year	93	20	89	20
Within 2nd - 5th years	59	31	58	31
6th year and beyond	0	0	0	0
<b>Total</b>	<b>152</b>	<b>51</b>	<b>147</b>	<b>51</b>

The Council has granted 12 finance leases for nil rentals to schools which have obtained Academy status this year. The value of assets derecognised totals £105m 2014/15 (£68.2m 2013/14). No residual values are held in respect of these assets.

### **32. Capital Spending 2014/15**

The County Council's total capital spend for 2014/15 was £95.409m, which included £4.269m of structural repairs and maintenance of buildings, structural highways maintenance, purchase of vehicles/equipment and ICT and £17.830m of work in progress as at 31 March 2015.

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>Capital Spending</b>	<b>£'000</b>	<b>£'000</b>
<b>Children, Education &amp; Families</b>		
Oxford Bayards Hill Primary School	3,666	
SEN Provision - Residential School (Endeavour Academy)	4,120	
Oxford St Christopher's Primary School	1,814	
Wolvercote Primary School	660	
Botley Primary School	766	
Henley Badgemore Primary School	1,325	
Oxford, Cutteslowe Primary School	665	
Oxford, St Ebbe's Primary School	1,061	
Oxford, St Joseph's Primary School	1,067	
Wantage, Charlton Primary School	616	
Oxford, St Gregory the Great	2,931	
Bicester, South West Primary School	2,922	
Didcot University Technical College	502	
Witney Wood Green Primary Roof Replacement	788	
Devolved Formula Capital	3,097	
Retentions	281	
Schemes under £500,000	10,820	
<b>Total Children, Education &amp; Families</b>		37,100
<b>Social &amp; Community Services</b>		
Schemes under £500,000	1,824	
<b>Total Social &amp; Community Services</b>		1,824
<b>Environment &amp; Economy Transport</b>		
Didcot, Milton Interchange Improvement	2,721	
A34 Chilton Interchange Improvements	887	
Kennington Roundabout Improvement	5,866	
Didcot Parkway Station Interchange	692	
Carriageway Programme (Non-Principal Roads)	4,270	
Footways Programme	1,069	
Routine Surface Dressing	1,865	
Combined Safety Schemes	919	
Routine pre-patching	820	
Oxford, Frideswide Square	1,937	
A4130 Bix Dual Carriageway	3,735	
A420 Shrivenham Bypass	2,793	
Street Lighting Column Replacement	517	
Department for Transport Funded Schemes	1,160	
Edge Strengthening	892	
Oxford, London Road Bus Lane	967	
Harwell Link Road Section 1 B4493 to A417	805	
Harwell Link Road Section 2 Hagbourne Hill	1,357	
Featherbed Lane and Steventon Lights	1,317	
Oxford, The Plain, cycle improvement	897	
Witney Ducklington Lane/Station Lane Junction	2,053	
Schemes under £500,000	5,546	
<b>Total Environment &amp; Economy Transport</b>		43,084

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>Capital Spending</b>	<b>£'000</b>	<b>£'000</b>
<b>Environment &amp; Economy Other</b>		
Better Broadband	6,143	
Asset Strategy Implementation, County Hall	605	
Asset Strategy Implementation, Abbey House	1,501	
Schemes under £500,000	634	
<b>Total Environment &amp; Economy Other</b>		8,883
<b>Chief Executive's Office</b>		
Schemes under £500,000	248	
<b>Total Chief Executive's Office</b>		248
<b>Sub Total Capital Programme</b>		<b>91,140</b>
Capitalised Structural Repairs & Maintenance of Buildings		1,060
Capitalised Purchase of Vehicles / Equipment		373
Capitalised Structural Maintenance of Highways		2,479
Capitalised ICT		357
<b>Sub Total</b>		<b>4,269</b>
<b>Total</b>		<b>95,409</b>

**Summary of capital expenditure**

Capital expenditure by asset class is as follows:

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Property, Plant and Equipment	52,476	73,558
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute	15,516	22,618
Capital loans	32	1
Repayment of capital grants and contributions	68,024	96,177
Less assets acquired under service concession arrangements	0	0
Less assets transferred from capital prepayment account	-771	-768
Less assets acquired under finance leases	-52	0
<b>Total capital expenditure</b>	<b>67,201</b>	<b>95,409</b>

### 33. Capital Financing

The capital expenditure of £95.409m has been financed from the following sources:

	<b>2013/14</b> <b>£'000</b>	<b>2014/15</b> <b>£'000</b>
Prudential and other unsupported borrowing	1,221	373
Grants & Contributions	58,771	88,428
Revenue	7,209	6,607
<b>Total</b>	<b>67,201</b>	<b>95,409</b>

### 34. 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:

	<b>2013/14</b> <b>£'000</b>	<b>2014/15</b> <b>£'000</b>
Capital Financing Requirement as at 1 April	438,761	422,896
New supported borrowing	1	0
New unsupported borrowing	1,221	373
Assets acquired under service concession arrangements	0	0
Assets acquired under finance leases	52	0
Service concession arrangements - lifecycle prepayments	482	676
Residual interest - asset accumulation prepayments	43	43
Loan repayments and fair value adjustments	382	12
Reduction in underlying need to borrow arising from derecognition of finance leases	0	-8
Minimum Revenue Provision for the year	-18,046	-17,694
Increase (+)/decrease (-) in Capital Financing Requirement	-15,865	-16,598
<b>Capital Financing Requirement as at 31 March</b>	<b>422,896</b>	<b>406,298</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 35. Capital Commitments

As at 31 March 2015 the Council was contractually committed to £40.645m (£31.933m as at 31 March 2014) on the following schemes:

	<b>2014/15</b>	
	<b>£'000</b>	
<b>Children, Education &amp; Families</b>		
Banbury, Frank Wise School	1,611	
Oxford, Wolvercote Primary School	1,923	
Wantage, Charlton Primary School	972	
Oxford, Windmill First School	1,578	
Henley, Badgemore Common	743	
Bicester, South West Primary School	3,964	
Bletchingdon Relocation & Expansion	695	
Didcot University Technical College	1,500	
Oxford, Bayards Hill Primary School	657	
Schemes under £500,000	2,129	
		15,772
<b>Social &amp; Community Services</b>		
Schemes under £500,000	0	
		0
<b>Environment &amp; Economy</b>		
Bicester Park & Ride	863	
Didcot, Milton Interchange Improvement	5,805	
Surface Patching	850	
Edge Strengthening	609	
Oxford, Frideswide Square	3,108	
Footway HAMP Scheme	705	
Structural Patching	1,450	
Better Broadband	7,325	
Schemes under £500,000	4,145	
		24,860
<b>Chief Executive's Office</b>		
Schemes under £500,000	13	
		13
<b>TOTAL</b>		<b>40,645</b>

As at 31 March 2015 there were no commitments relating to investment property or intangible assets.

### 36. Financial Instrument Carrying Values

Financial assets comprise long-term and short-term investments, long-term and short-term debtors (excluding statutory debtors and capital prepayments) and cash & cash equivalents. Financial liabilities comprise long-term and short-term borrowing, creditors (excluding statutory creditors), finance leases and the finance liability element of service

## NOTES TO THE CORE FINANCIAL STATEMENTS

concession arrangements. The Code specifies the categorisation of these assets (see pages 30 – 32 of Note 1 Summary of Significant Accounting Policies). For each category, the financial instruments disclosed in the Balance Sheet are carried at the following values:

	Long-Term		Current	
	At 31 March 2014	At 31 March 2015	At 31 March 2014	At 31 March 2015
	£'000	£'000	£'000	£'000
Loans and receivables	88,985	49,836	227,074	250,000
Available-for-sale financial assets	0	0	47,015	98,409
Financial assets at fair value through profit and loss	0	0	0	0
<b>Total Financial Assets</b>	<b>88,985</b>	<b>49,836</b>	<b>274,089</b>	<b>348,409</b>
Financial liabilities at amortised cost	410,883	394,061	91,692	116,550
<b>Total Financial Liabilities</b>	<b>410,883</b>	<b>394,061</b>	<b>91,692</b>	<b>116,550</b>

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

The County Council has £8.671m of loans and receivables as at 31 March 2015 secured on property (£8.018m at 31 March 2014). Of this, £1.393m was new in 2014/15 (£2.364m in 2013/14). 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 2015, 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:

	2013/14 £'000	2014/15 £'000
Balance as at 1 April	4,728	4,722
Nominal value of new loans granted	448	337
Fair value adjustment on initial recognition	-2	-9
Loans repaid during the year	-601	-166
Impairment losses recognised	0	-3
Interest credited to the Surplus/Deficit on Provision of Services	80	60
Other changes	69	2
<b>Balance as at 31 March</b>	<b>4,722</b>	<b>4,943</b>

The soft loans comprise key worker loans for assistance with the purchase of housing, loans under the Children's Act relating to foster care accommodation, loans under the Chronically Sick and Disabled Persons Act for adaptations to homes and deferred

## NOTES TO THE CORE FINANCIAL STATEMENTS

payment agreements for clients' care costs. The nominal value of the soft loans as at 31 March 2015 was £4.968m (£4.794m at 31 March 2014).

### 37. Financial Instrument Fair Values

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

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

The fair values calculated are as follows:

	<b>At 31 March 2014</b>		<b>At 31 March 2015</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loans and receivables	316,059	316,579	299,836	300,326

As at 31 March 2015 the fair value is higher than the carrying value amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of the loans.

	<b>At 31 March 2014</b>		<b>At 31 March 2015</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial Liabilities	502,575	521,203	510,611	614,523

As at 31 March 2015 the fair value is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans. Similarly the discount rate implied in the service concession arrangement and



## NOTES TO THE CORE FINANCIAL STATEMENTS

finance leases is higher than the rates available for new borrowing at the Balance Sheet date.

### 38. Long Term Debtors

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

	<b>At 31 March 2014 £'000</b>	<b>At 31 March 2015 £'000</b>
Key Worker Loans	357	271
Car Loans to Employees	39	19
Chronically Sick & Disabled Persons Act – loans	2,009	1,950
Children’s Act: loans to foster carers	547	573
Other	33	22
	2,985	2,835
Capital Prepayment Account	2,584	2,534
<b>Total</b>	<b>5,569</b>	<b>5,369</b>

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

The Capital Prepayment Account holds prepayments for lifecycle replacement costs relating to the service concession arrangement. As lifecycle replacements actually take place the value of the works is transferred to Property, Plant and Equipment (£0.769m was transferred in 2014/15). For one property that the County Council has control over the residual interest but not control over the services (and therefore does not meet the tests of a service concession arrangement), the account also holds an amount for the excess of the expected fair value of the property at the end of the arrangement over the amount the County Council is required to pay upon reversion. This is built up from payments made by the County Council over the life of the arrangement.

### 39. Debtors

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

	<b>At 31 March 2014 £'000</b>	<b>At 31 March 2015 £'000</b>
Government Departments	7,496	13,855
Other Local Authorities	9,768	10,473
Health Authorities	2,327	2,179
Public Corporations and Trading funds	20	0
Payments in Advance	4,449	5,763
Sundry	32,327	33,638
	<b>56,387</b>	<b>65,908</b>
Less Impairment Allowance Account	-8,578	-8,740
	<b>47,809</b>	<b>57,168</b>

## 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 and investments within the loans and receivables category. The Code permits the reduction in the carrying amount of financial assets to be held within an allowance account rather than adjusting the value of the financial asset directly. The movement in the debtor impairment allowance account is as follows:

2013/14 £'000		2014/15 £'000
-7,406	Balance at 1 April	-8,578
4	Decrease in allowance	507
-1176	Increase in allowance	-669
<b>-8,578</b>	<b>Balance at 31 March</b>	<b>-8,740</b>

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

### 40. 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 2014 £'000	At 31 March 2015 £'000
Cash at bank and in hand	-4,146	-8,462
Call Accounts	19,880	0
Money Market Funds	614	30,780
<b>Total</b>	<b>16,348</b>	<b>22,318</b>

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

Longer-term deposits of 1 year or more are restricted to the higher rated institutions with a minimum short-term FITCH rating of F1+, long-term rating AA-, viability rating bbb and support rating 2, or other Government bodies (e.g. other Local Authorities).

The following table summarises the nominal value of the Council's investment portfolio at 31 March 2015, and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

**NOTES TO THE CORE FINANCIAL STATEMENTS**

Counterparty	Credit rating criteria met when investment placed?	Credit rating criteria met on 31 March 2015?	Balance invested as at 31 March 2015						Total
			Up to 1 month	1-3 months	3 - 6 months	6 – 12 months	1 – 2 years	2 – 3 years	
			£'000	£'000	£'000	£'000	£'000	£'000	
Banks UK	Yes	Yes	5,000	15,000	5,000	-	-	-	25,000
Banks non-UK: Singapore	Yes	Yes	10,000	20,000	20,000	10,000	-	-	60,000
Canada	Yes	Yes	-	-	-	-	-	-	-
Sweden	Yes	Yes	-	5,000	20,000	-	-	-	25,000
Australia	Yes	Yes	-	5,000	-	-	-	-	5,000
<b>Total Banks</b>			<b>15,000</b>	<b>45,000</b>	<b>45,000</b>	<b>10,000</b>	-	-	<b>115,000</b>
Local Authorities and Police Authorities	Yes	Yes	20,000	15,000	41,000	15,000	35,000	12,000	138,000
Building Societies – UK	Yes	Yes	5,000	10,000	-	-	-	-	15,000
Short dated Bond Funds	Yes	Yes	36,558	-	-	-	-	-	36,558
Bond Funds	Yes	Yes	21,231	-	-	-	-	-	21,231
Property Funds	Yes	Yes	9,840	-	-	-	-	-	9,840
Money Market Funds	Yes	Yes	30,779	-	-	-	-	-	30,779
Call Accounts	Yes	Yes	-	-	-	-	-	-	-
<b>Total</b>			<b>138,408</b>	<b>70,000</b>	<b>86,000</b>	<b>25,000</b>	<b>35,000</b>	<b>12,000</b>	<b>366,408</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The above analysis shows that all deposits outstanding as at 31 March 2015 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 £35.963m short-term debtors included in loans and receivables, £20.478m were past due at 31 March 2015 (£20.851m at 31 March 2014). The past due amount can be analysed by age as follows:

	<b>At 31 March 2014 £'000</b>	<b>At 31 March 2015 £'000</b>
Less than 1 month	12,051	8,831
Between 1 and 3 months	2,410	4,668
Between 3 and 6 months	1,826	1,896
Between 6 months and 1 year	1,212	1,627
Between 1 and 3 years	2,381	2,598
Over 3 years	971	858
<b>Total</b>	<b>20,851</b>	<b>20,478</b>

None of these past-due short-term debtors have been individually impaired. An impairment allowance of £1.503m has been provided for past due debtors that are financial instruments based on past experience (£1.218m at 31 March 2014). This is the County Council's estimate of maximum exposure to uncollectability. £1.361m 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 (£0.142m). There have been improvements in the collection of debts in recent years, hence the current estimate of uncollectability is lower than the average for the previous 5 years. The past due debtors analysis and impairment allowance quoted above exclude those for statutory debtors as these are not considered to be financial instruments.

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

### **Liquidity Risk**

As the County Council has access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the County Council may be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. 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 2014 £'000		At 31 March 2015			
		Fixed Rate Borrowing £'000	Variable Rate Borrowing £'000	Other Finance Liabilities £'000	Total £'000
22,239	Less than 1 year	9,479	25,829	759	36,068
16,818	Between 1 and 2 years	8,000	5,000	812	13,812
72,803	Between 2 and 5 years	44,000	20,000	3,849	67,849
50,207	Between 5 and 10 years	40,000	0	6,679	46,679
271,055	More than 10 years	251,383	0	15,133	266,516
<b>433,122</b>		<b>352,862</b>	<b>50,829</b>	<b>27,232</b>	<b>430,923</b>

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

**Market Risk**

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

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

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

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

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

	2013/14 £'000	2014/15 £'000
Increase in interest payable on new borrowings	0	0
Increase in interest receivable on variable and structured investments	-100	0
Increase in interest receivable on fixed rate investments	-1,201	-1,397
Increase in the gain arising from the revaluation of available for sale assets	-359	-612
<b>Impact on Comprehensive Income &amp; Expenditure Statement</b>	<b>-1,660</b>	<b>-2,009</b>

## 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:

	2013/14 £'000	2014/15 £'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	775	881
Decrease in the gain arising from the revaluation of available for sale assets	221	385
<b>Impact on Comprehensive Income &amp; Expenditure Statement</b>	<b>996</b>	<b>1,267</b>

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

### Price Risk

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

## 42. Creditors

Analysis of items within the creditors category on the Balance Sheet is provided below.

	At 31 March 2014 £'000	At 31 March 2015 £'000
<b>Receipts in Advance</b>		
Government Departments	1,054	1,690
Other Local Authorities	19	94
Health Authorities	15	3,379
Public Corporations and Trading Funds	0	0
Sundry	4,423	2,758
	<b>5,511</b>	<b>7,921</b>
<b>Creditors</b>		
Government Departments	10,128	9,323
Other Local Authorities	3,723	4,298
Health Authorities	3,456	2,784
Public Corporations and Trading Funds	7	9
Sundry	62,615	73,927
	<b>79,929</b>	<b>90,341</b>
<b>Long Term Receipts in Advance</b>	<b>2,606</b>	<b>3,273</b>
	<b>88,046</b>	<b>101,535</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### 43. 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 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
<b>Provision due within 1 year</b>						
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
	<b>4,237</b>	<b>570</b>	<b>3,461</b>	<b>-2,969</b>	<b>-643</b>	<b>4,656</b>
<b>Provision due after 1 year</b>						
Insurance	6,879	-570	3,426	24	-2,289	7,470
<b>Total</b>	<b>11,116</b>	<b>0</b>	<b>6,887</b>	<b>-2,945</b>	<b>-2,932</b>	<b>12,126</b>

	Balance at 31 March 2013	Reclass- ification between short and long term	Additional provisions made in 2013/14	Amounts used in 2013/14	Unused amounts reversed in 2013/14	Balance at 31 March 2014
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Provision due within 1 year</b>						
Insurance	324	478	1,790	-1,688	-537	367
Pooled Budgets	1,763		698	-1,498		963
Redundancy	292			-202		90
Fairer Charging Refunds	445			-445		0
Carbon Commitment Levy	658		630	-659		629
MMI Scheme of Arrangement	466		3	-449		20
Highways Schemes	0		433			433
Business Rates	0		1,735			1,735
	<b>3,948</b>	<b>478</b>	<b>5,289</b>	<b>-4,941</b>	<b>-537</b>	<b>4,237</b>
<b>Provision due after 1 year</b>						
Insurance	4,626	-478	5,458	-718	-2,009	6,879
<b>Total</b>	<b>7,706</b>	<b>0</b>	<b>10,747</b>	<b>-5,659</b>	<b>-2,546</b>	<b>11,116</b>



Details of the provisions held at 31 March 2015 are as follows:

- Further information about the insurance provision is provided in Note 45 below
- The Pooled Budgets provision reflects the County Council's share of the estimated liability to pay claims in respect of continuing care assessments (under both the old and new frameworks) in its capacity as host of the Older People's and Physical Disabilities Pooled Budgets arrangement.
- The redundancy provision reflects the estimated liability for redundancy costs within Children, Education & Families and Cultural Services.
- The Fairer Charging Refunds provision reflected the estimated reimbursement to clients to take account of variations in care costs. This was fully utilised in 2014/15.
- The Carbon Commitment Levy provision reflected the County Council's estimated liability for purchasing carbon allowances under the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The County Council was required to purchase and surrender allowances retrospectively, on the basis of carbon dioxide produced as energy is used. The final liability relating to 2013/14 was discharged in 2014/15. The County Council fell out of the CRC Scheme in 2014/15 so no further provision is required.
- 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. The initial 15% levy was paid in 2013/14 and a provision of £0.020m has been made for the self-insured element of the latest scheme of arrangement.
- The highways schemes provision relates to an estimated liability for the settlement of disputed contract costs.
- 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.

#### **44. Insurance Provision**

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.

**45. Deferred Income**

The deferred income balance of £3.796m at 31 March 2015 (£4.130m at 31 March 2014) 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.

**46. 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 2014/15, split between short term and long term is as follows:

<b>2014/15</b>	<b>Capital Grants</b>	<b>Developer Contributions</b>	<b>Other Contributions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Short term:</b>				
Balance as at 1 April 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
Transfer between short and long term	0	14,752		14,752
<b>Balance at 31 March 2015</b>	<b>17,417</b>	<b>14,343</b>	<b>0</b>	<b>31,760</b>
<b>Long term:</b>				
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
Transfer between short and long term		-14,752		-14,752
<b>Balance at 31 March 2015</b>	<b>2,080</b>	<b>37,484</b>	<b>65</b>	<b>39,629</b>
<b>Total at 31 March 2015</b>	<b>19,497</b>	<b>51,827</b>	<b>65</b>	<b>71,389</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

The comparative amounts for 2013/14 are provided in the following table:

2013/14	Capital Grants	Developer Contributions	Other Contributions	Total
	£'000	£'000	£'000	£'000
<b>Short term:</b>				
Balance as at 1 April 2013	4,518	1,397	0	5,915
Received/refunded during the year	4,871	684		5,555
Transferred to the Comprehensive Income and Expenditure Statement during the year	-2,089	-2,938		-5,027
Reclassification between short and long term	4,812	5,398		10,210
<b>Balance at 31 March 2014</b>	<b>12,112</b>	<b>4,541</b>	<b>0</b>	<b>16,653</b>
<b>Long term:</b>				
Balance as at 1 April 2013	6,892	23,199	65	30,156
Received/refunded during the year		10,507		10,507
Transferred to the Comprehensive Income and Expenditure Statement during the year		171		171
Reclassification between short and long term	-4,812	-5,398		-10,210
<b>Balance at 31 March 2014</b>	<b>2,080</b>	<b>28,479</b>	<b>65</b>	<b>30,624</b>
<b>Total at 31 March 2014</b>	<b>14,192</b>	<b>33,020</b>	<b>65</b>	<b>47,277</b>

### 47. County Fund Balance

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**48. Earmarked Reserves**

<b>Balance at 1 April 2013</b>	<b>Contribution from Reserve</b>	<b>Contribution to Reserve</b>	<b>Balance at 31 March 2014</b>		<b>Balance at 1 April 2014</b>	<b>Contribution from Reserve</b>	<b>Contribution to Reserve</b>	<b>Balance at 31 March 2015</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
26,246	-14,314	12,222	24,154	Local Management of Schools	24,154	-17,474	15,302	21,982
989	-195	496	1,290	Other Schools Reserves	1,290	-1,445	92	-63
2,780	-727	346	2,399	Vehicle and Equipment Reserve	2,399	-662	638	2,375
11,873	-8,124	16,847	20,596	Grants and Contribution Reserve	20,596	-10,003	8,132	18,725
2,134	-1,241	531	1,424	ICT Projects	1,424	-1,021	231	634
0	0	0	0	Government Initiatives	0	0	1,085	1,085
1,027	-552	514	989	CE&F Commercial Services	989	-641	153	501
779	-590	83	272	CE&F Joint working with Police	272	-272	0	0
1,418	-1,448	1,146	1,116	CE&F School Intervention Fund	1,116	-906	240	450
225	-44	20	201	CE&F Foster Carer Loans	201	-138	157	220
600	-600	619	619	CE&F Academies Conversion Support	619	-474	325	470
140	-140		0	CE&F School Amalgamations	0	0	0	0
253	-181	30	102	CE&F Staff Training and Development	102	-102	0	0
850	-532	45	363	CE&F Early Intervention Service Reserve	363	-342	7	28
800		945	1,745	CE&F Thriving Families	1,745	-1,010	1,026	1,761
195	-175		20	CE&F Children's Social Care	20	0	706	726
325	-51	8	282	CE&F Pay Protection Costs	282	-282	0	0
7,469	-5,461	870	2,878	S&CS Older People Pooled Budget Reserve	2,878	-1,178	1,166	2,866
1,311	-267		1,044	S&CS Physical Disabilities Pooled Budget Reserve	1,044	-500	0	544

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>Balance at 1 April 2013 £'000</b>	<b>Contribution from Reserve £'000</b>	<b>Contribution to Reserve £'000</b>	<b>Balance at 31 March 2014 £'000</b>		<b>Balance at 1 April 2014 £'000</b>	<b>Contribution from Reserve £'000</b>	<b>Contribution to Reserve £'000</b>	<b>Balance at 31 March 2015 £'000</b>
204	-204	95	95	S&CS Learning Disabilities Pooled Budget Reserve	95	0	0	95
803	-407	13	409	S&CS Fire Control	409	-369	0	40
161	-32		129	S&CS Fire & Rescue & Emergency Planning Reserve	129	0	0	129
89	-34	101	156	S&CS Community Safety Reserve	156	0	0	156
385			385	EE Highways and Transport Reserve	385	-348	0	37
862	-862	137	137	EE Area Stewardship	137	-137	0	0
2,232	-1,461	1,315	2,086	EE On Street Car Parking	2,086	-1,883	1,242	1,445
20		1	21	EE Countryside Ascott Park - Historical Trail	21	0	0	21
60			60	EE Carbon Reduction	60	-60	0	0
20		277	297	EE SALIX Repayments	297	0	79	376
133	-76		57	EE Oxfordshire Waste Partnership Joint Reserve	57	-57	12	12
704	-32	167	839	EE Dix Pit Engineering Works & WRC Development	839	-109	0	730
3,249	-2,721		528	EE Waste Management	528	-148	0	380
227	-26		201	EE Property Disposal Costs	201	-35	69	235
0		102	102	EE Skills Reward	102	-102	7	7
305	-63	168	410	EE Developer Funding (Revenue)	410	-82	147	475
86	-30		56	EE West End Partnership	56	0	0	56
552		525	1,077	EE Joint Use	1,077	-430	167	814
1,231		363	1,594	EE Catering Investment Fund	1,594	-679	203	1,118
765	-128		637	EE Asset Rationalisation	637	-423	23	237

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>Balance at 1 April 2013 £'000</b>	<b>Contribution from Reserve £'000</b>	<b>Contribution to Reserve £'000</b>	<b>Balance at 31 March 2014 £'000</b>		<b>Balance at 1 April 2014 £'000</b>	<b>Contribution from Reserve £'000</b>	<b>Contribution to Reserve £'000</b>	<b>Balance at 31 March 2015 £'000</b>
191	-80		111	EE Minerals and Waste Project	111	-65	0	46
2,228	-1,285	120	1,063	EE OCS Development Reserves	1,063	-801	0	262
150			150	EE Money Management Reserve	150	-150	0	0
241	-49	6	198	EE Oxfordshire - Buckinghamshire partnership	198	-198	398	398
315	-37		278	EE LABGI Reserve	278	-80	0	198
				EE Oxford Western Conveyance		0	350	350
90	-90	16	16	CEO Big Society Fund	16	-16	0	0
58	-58	58	58	CEO CIPFA Trainees	58	-58	0	0
135	-135		0	CEO Change Management & New Ways of Working	0	0	0	0
133			133	CEO Coroner's Service	133	-93	0	40
536	-536		0	CEO Council Elections	0	0	232	232
553		122	675	CEO Registration Service	675	-271	0	404
1,391	-96	211	1,506	Cultural Services Reserve	1,506	-624	147	1,029
4,736	-1,307	53	3,482	Insurance Reserve	3,482	0	1,034	4,516
3,168	-3,168	1,085	1,085	Carry Forward Reserve	1,085	-1,791	902	196
18,419	-147	1,170	19,442	Capital Reserve	19,442	-106	3,999	23,335
1,559		491	2,050	Rolling Fund Reserve	2,050	0	491	2,541
0	-177	177	0	Financing Capital	0	0	0	0
3,341	-3,341		0	Budget Reserve - 2009/10 to 2013/14	0	0	0	0
17,211		2,182	19,393	Budget Reserve	19,393	-13,960	3,373	8,806
3,384	-1,530	2,399	4,253	Efficiency Reserve	4,253	-2,659	154	1,748
6,326	-96	1,300	7,530	Prudential Borrowing Reserve	7,530	-93	1,461	8,898
<b>135,667</b>	<b>-52,850</b>	<b>47,376</b>	<b>130,193</b>	<b>Total Earmarked Reserves</b>	<b>130,193</b>	<b>-62,277</b>	<b>43,750</b>	<b>111,666</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The purposes of the earmarked reserves are as follows:-

### Local Management of Schools

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

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

	Balance at 31 March 2014		Balance at 31 March 2015	
	No. of schools	Balance £'000	No. of schools	Balance £'000
<b>Primary Schools</b>				
Schools in surplus	199	13,186	180	12,632
Schools in deficit	9	-326	13	-225
<b>Secondary Schools</b>				
Schools in surplus	11	4,042	7	1,354
Schools in deficit	1	-31	2	-525
<b>Special Schools</b>				
Schools in surplus	10	1,533	9	1,134
Schools in deficit	0	0	0	0
<b>Sub-Total Revenue</b>	<b>230</b>	<b>18,404</b>	<b>211</b>	<b>14,370</b>
Closed Schools Schools Contingency & Schools Forum		5,750		7,613
<b>Total</b>		<b>24,154</b>		<b>21,982</b>

### 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. £11.136m of the balance at 31 March 2015 relates to the Dedicated Schools Grant. £3.435m of unspent Public Health grant is also held in the reserve.

### ICT Projects Reserve

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

**Government Initiatives Reserve**

The Government Initiatives Reserve was created in 2014/15. It will be 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. The Governor Services reserve, holds any surpluses arising on the service to help the service move towards a self-financing basis in future years.

**CE&F Joint Working with Police Reserve**

This reserve has been used to fund a two-year project to and 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 Foster Carer Loans Reserve**

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

**CE&F Academies Conversion Support Reserve**

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

**CE&F School Amalgamations Reserve**

This reserve was set up to meet costs associated with school amalgamations. The balance in was transferred into the Academies Conversion Support Reserve in 2013/14.

**CE&F Staff Training & Development Reserve**

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

**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 as agreed in the 2015/16 budget.

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

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

**S&CS Fire Control Reserve**

This reserve has been created to hold funding for the Fire Control project (Oxfordshire/Berkshire/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 being used for improvements to play areas at the Gypsy & Traveller sites at Redbridge Hollow and Wheatley. The other reserves are to be used for costs of complex investigations, e.g. expert witnesses.

**EE Highways and Transport Reserve**

Used to support 2014/15 expenditure.

**EE Area Stewardship Reserve**

Remaining Area Stewardship Scheme funding that has been 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 Countryside, Ascott Park - Historical Trail Reserve**

This reserve has been set up to help fund the maintenance of the historical train as Ascott Park.

**EE Carbon Reduction Reserve**

This reserve was held to support any unforeseen costs associated with the Carbon Reduction Commitment scheme. That has now finished so the balance has been used to support the Medium Term Financial Plan.

**EE SALIX Energy Schemes Reserve**

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

**EE Oxfordshire Waste Partnership Joint Reserve**

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

The OWP has now ceased so the remaining balance will be used to support waste management projects.

**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 set up to provide funding for job clubs in 2014/15.

**EE Developer Funding (Revenue) Reserve**

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

**EE West End Partnership Reserve**

Funding relating to the development of Oxforde's West End.

**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 develop the Customer Service Centre and the Transforming Oxfordshire Customer Services Project.

**EE MM Money Management Reserve**

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

**EE Oxfordshire - Buckinghamshire Partnership Reserve**

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

**EE LABGI Reserve**

This reserve contains funding that has been allocated to support the Local Enterprise Partnership.

**CEO Big Society Fund Reserve**

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

**CEO 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.

**CEO Coroner's Service**

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

**CEO Elections Reserve**

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

**CEO Registration Service**

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

**Cultural Services Reserves**

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

**Insurance Reserve**

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

An independent actuary, Gallagher Heath, carries out a full valuation of the County Council's employers and public liability, motor, property and personal accident liability every three years using generally accepted actuarial methods. Interim valuations take place annually in between. The last full valuation was completed as at 31 March 2015.

The actuaries projected the standard claims arising in future years in respect of the period up to 31 March 2015 at £0.578m. 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 £1.913m. £1.177m has been included in the reserve to cover MMI clawback noted as a contingent liability in Note 62. A £0.435m contribution from balances to reflect actuarial advice was agreed in July 2014. £0.413m is being held for risk management initiatives.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<b>At 31 March 2014 £'000</b>	<b>At 31 March 2015 £'000</b>
Standard claims likely to be received as at 31 March	1,694	578
Additional IBNR/Latent claims as assessed by Actuarial review	1,382	1,913
MMI Clawback as assessed by actuarial review	406	1,177
Risk management initiatives	0	413
Contribution from balances agreed by Cabinet in July 2014 - reflects actuarial advice		435
<b>Total</b>	<b>3,482</b>	<b>4,516</b>

### **Carry Forward Reserve**

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

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

<b>Directorate</b>	<b>At 31 March 2014 £'000</b>	<b>At 31 March 2015 £'000</b>
Children, Education & Families	-72	0
Social & Community Services	-513	0
Environment & Economy	997	0
Chief Executive's Office	673	0
Public Health	0	0
Strategic Measures	0	196
<b>Total</b>	<b>1,085</b>	<b>196</b>

### **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 in 2015/16.

### **Financing Capital Reserve**

This reserve is used for facilitating capital financing adjustments.

### **Budget Reserves**

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.

#### 49. Useable Capital Receipts

	2013/14 £'000	2014/15 £'000
Balance as at 1 April	10,617	14,148
Net receipts from sale of assets	2,961	1,800
Net receipts from repayment of loans	570	130
Receipts applied to finance capital expenditure	0	0
<b>Balance as at 31 March</b>	<b>14,148</b>	<b>16,078</b>

This reserve has been established for the purpose of financing capital expenditure in future years. Unutilised capital receipts at 31 March 2015 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
Other receipts from sale of assets under £500,000	552
<b>Total</b>	<b>552</b>

#### 50. 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.

	2013/14 £'000	2014/15 £'000
Balance as at 1 April	54,130	54,540
Applied during the year	-7,697	-28,133
Recognised as income but not applied during the year	8,107	23,213
<b>Balance as at 31 March</b>	<b>54,540</b>	<b>49,620</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 51. Unusable Reserves

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

	<b>Balance at 31 March 2014 £'000</b>	<b>Balance at 31 March 2015 £'000</b>
Revaluation Reserve	81,836	97,020
Available-for-Sale Financial Instruments Reserve	452	1,681
Pensions Reserve	-666,812	-822,003
Capital Adjustment Account	641,790	611,832
Financial Instruments Adjustment Account	-317	-262
Collection Fund Adjustment Account	6,228	4,593
Accumulated Absences Account	-5,745	-4,314
<b>Total</b>	<b>57,432</b>	<b>-111,453</b>

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

### 52. 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**

2013/14 £'000			2014/15 £'000	
	67,179	Balance as at 1st April		81,836
14,995		Upward revaluation of assets	30,987	
-4,224		Downward revaluation of assets	-3,067	
-2,981		Impairment of assets	-2,728	
5,292		Write back of accumulated depreciation on revaluations	7,233	
2,801		Write back of accumulated impairment on revaluations	3,834	
	15,883	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		36,259
2,317		Difference between fair value depreciation and historical cost depreciation	1,261	
-3,543		Accumulated gains on assets sold or scrapped	-22,336	
	-1,226	Amounts written off to the Capital Adjustment Account		-21,075
	<b>81,836</b>	<b>Balance as at 31st March</b>		<b>97,020</b>

### 53. 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**

2013/14 £'000			2014/15 £'000	
	676,820	Balance as at 1st April		641,790
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
-30,033		Charges for depreciation for non-current assets	-28,226	
-5,942		Charges for impairment for non-current assets	-3,370	
-2,335		Revaluation losses on Property, Plant and Equipment	-11,771	
10,075		Reversal of revaluation losses on Property, Plant and Equipment	12,924	
-718		Amortisation of Intangible Assets	-294	
-15,516		Revenue expenditure funded from capital under statute	-22,618	
-73,168		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on derecognition	-109,212	
		Removal of finance liability on derecognition of assets held under finance leases	1	
	-117,637	Adjusting amounts written out of the Revaluation Reserve:		-162,566
-2,317		Difference between fair value depreciation and historical cost depreciation	-1,261	
3,105		Accumulated gains on assets sold or scrapped	21,286	
	788			20,025
	559,971	Net written out amount of the cost of non-current assets consumed in the year		499,249
		Capital financing applied in the year:		
51,515		Capital grants and contributions credited to the CIES that have been applied to capital financing	60,625	
7,256		Application of grants to capital financing from the Capital Grants Unapplied account	27,804	
		Reversal of grants and contributions applied in previous years	0	
18,046		Statutory provision for the financing of capital investment charged against the County Fund balance	17,694	
7,209		Capital expenditure charged against the County Fund balance	6,607	
		Reversal of revenue applied to capital financing in previous years	0	
	84,026			112,730
	1,078	Movements in the market value of Investment Properties debited or credited to the CIES		508
-555		Amounts of Investment Properties written off on disposal or sale as part of the gain/loss on derecognition		-277
		Movement in the Donated Asset Account credited to the CIES		0
-1,473		Revaluation losses on Assets held for Sale		0
		Revaluation gains on Assets held for Sale		3
		Impairment losses on Assets held for Sale		0
438		Accumulated gains on Assets held for Sale sold or scrapped		1,050
-1,125		Amounts of Assets held for Sale written off on disposal or sale as part of the gain/loss on derecognition		-1,300
-570		Repayment of loans treated as capital receipts		-131
	<b>641,790</b>	<b>Balance as at 31 March</b>		<b>611,832</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 54. 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.

2013/14 £'000		2014/15 £'000
-389	Balance as at 1 April	-317
-9	Write-down/write-ups to fair value	-11
81	Effective interest rate adjustments	66
72	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	55
<b>-317</b>	<b>Balance at 31 March</b>	<b>-262</b>

### 55. 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:

2013/14 £'000		2014/15 £'000
5,087	Balance as at 1 April	6,228
-238	Decrease in Council Tax and Business Rate surpluses/increases in deficits	-2,042
1,379	Increases in Council Tax and Business Rate surpluses/reductions in deficits	408
1,141	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	-1,635
<b>6,228</b>	<b>Balance at 31 March</b>	<b>4,593</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 56. Accumulated Absences Account

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

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

2013/14 £'000		2014/15 £'000	
-6,831	Balance at 1 April		-5,745
6,831	Settlement or cancellation of previous year's accrual	5,745	
-5,745	Amount accrued at the end of the current year	-4,314	
1,086	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute		1,431
<b>-5,745</b>	<b>Balance at 31 March</b>		<b>-4,314</b>

### 57. 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:

	2013/14 £'000	2014/15 £'000
Depreciation/amortisation of fixed assets	-30,751	-28,519
Impairment charges/revaluation losses	325	-2,214
Retirement benefit adjustments	-23,209	-21,773
Impairment allowance for doubtful debts	-58	-285
Other financial instrument adjustments	76	-207
Provisions set aside in the year	-1,256	-1,555
Deferred income released	993	334
Movement in value of investment properties	1,078	508
Carrying amount of non-current asset sold	-74,848	-110,790
Transfers from Capital Grants Receipts in Advance	4,856	10,035
Previous years' capitalised spend written-off	0	0
Increase/decrease(-) in inventories	-23	-132
Increase/decrease(-) in debtors	8,188	9,944
Increase(-)/decrease in creditors	5,314	-10,133
<b>Total adjustments for non-cash movements</b>	<b>-109,315</b>	<b>-154,787</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**58. Cash Flow Statement – Operating Activities**

The cash flows for operating activities are as follows:

<b>2013/14 £'000</b>		<b>2014/15 £'000</b>	
	<b>Cash outflows</b>		
393,557	Cash paid to and on behalf of employees	380,210	
481,033	Other operating costs	484,136	
874,590			864,346
	<b>Cash inflows</b>		
-273,213	Council Tax receipts	-284,663	
-27,256	Non-domestic rate income	-28,588	
-94,561	Revenue Support Grant	-80,623	
-35,694	Business Rates Top-Up Grant	-36,390	
-392,248	Other government grants and contributions	-379,354	
-67,294	Other cash received for goods and services	-66,321	
-890,266			-875,939
	<b>Cash outflows</b>		
19,847	Interest paid	18,126	
2,134	Interest element of finance lease rental payments	2,134	
21,981			20,260
	<b>Cash Inflows</b>		
-3,148	Interest received		-2,630
<b>3,157</b>	<b>Total operating activities</b>		<b>6,037</b>

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

**59. Cash Flow Statement – Investing Activities**

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

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Purchase of property, plant and equipment, investment property and intangible assets	47,403	69,438
Purchase of short-term and long-term investments	350,399	338,970
Other payments for investing activities	558	719
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-2,961	-1,799
Capital grants	-67,123	-100,958
Proceeds from short-term and long-term investments	-345,950	-321,000
Other receipts from investing activities	-631	-205
<b>Total investing activities</b>	<b>-18,305</b>	<b>-14,835</b>

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

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

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Cash receipts of short- and long-term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet service concession arrangements	818	825
Repayments of short- and long-term borrowing	11,003	2,002
Other payments for financing activities	0	0
<b>Total financing activities</b>	<b>11,821</b>	<b>2,827</b>

**61. Analysis of Government Grants**

The total cash received for revenue government grants (other than Revenue Support Grant and Business Rates Top-Up Grant) is £346.254m. An analysis is set out in the table on the next page.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>Government Grants</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
<b>Department for Education</b>		
Dedicated Schools Grant	289,509	269,026
Adoption Reform Grant	1,612	597
Pupil Premium Grant	9,408	11,324
Education Services Grant	7,673	7,401
PE & Sports Grant	1,169	1,721
Universal Infant Free School Meals		4,052
<b>Department of Health</b>		
Public Health Grant	25,264	26,086
<b>Education Funding Agency</b>		
Sixth Form Funding	7,242	5,124
<b>Skills Funding Agency</b>		
Adult Learning	3,627	3,671
<b>Department for Transport</b>		
Severe Weather Recovery Grant - Highways	3,027	0
Local Sustainable Transport Fund Resource Grant	1,338	566
<b>Department for Communities &amp; Local Government</b>		
New Homes Bonus	1,662	2,387
Troubled Families Grant	1,224	1,126
Section 31 Grant - Business Rates and Other Reliefs (Autumn 2013 Statement)		1,551
<b>Home Office</b>		
Asylum Seekers	764	991
<b>Regional Growth Fund</b>		
Regional Growth Fund		1,195
Other grants less than £1m	8,225	9,436
<b>Total</b>	<b>361,744</b>	<b>346,254</b>

Dedicated Schools Grant and Sixth Form Funding have both reduced with the conversion of schools to academies. The universal infant free school meals grant enables schools to provide free school meals to all pupils in reception, year one and year two. £4.052m received by the council has been passed to local education authority maintained schools in accordance with the grant conditions. The Regional Growth Fund (RGF) supports eligible projects and programmes that are raising private sector investment to create economic growth and lasting employment. £1.195m was received by the council on behalf of the Local Enterprise Partnership.

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

The County Council is providing 27 permanent residential and nursing places, based in Banbury and Faringdon, in conjunction with a Housing Association. The schemes involve the use of County Council land with the Association raising loans to finance development costs. To offer further assistance the County Council has agreed to underwrite the development costs and will become liable for outstanding liabilities previously approved by the County Council should the association cease to operate. In the event of an Association ceasing to operate the County Council would seek to find an alternative Association to take on and operate the scheme and to include outstanding liabilities. The schemes came into operation between 1991 and 1995 and are still with the original Housing Association. The County Council agreed to underwrite around £2.3 million of schemes costing £3.25 million. The total liability outstanding for the year ending 31 March 2015 is £0.386million.

**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. A provision of £0.020 million was included in the 2013/14 accounts and represents 6.5% of the £0.308m claims outstanding. A further £1.177 million is held in the Insurance Reserve for MMI clawback in accordance with advice from the scheme's actuaries in March 2015.

**The Independent Insurance Company**

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

**Child Sexual Exploitation**

The County Council has received a number of potential claims relating to child sexual exploitation cases following the recent Bullfinch Trial. These are matters currently with the Council's Insurers and liability has not been admitted. It is not therefore possible to estimate the value of these potential claims nor the timing of any potential payouts at this time.

**Employment Contractual Terms**

The County Council may receive claims for compensation relating to employment contractual terms, although no claims have yet been received. It is not possible to estimate the total value of potential claims given uncertainties over the size and relevant time period for individual claims.

**63. Material Post Balance Sheet Events**

Events after the balance sheet date have been considered up to 22 September 2015, when the accounts were authorised for issue.

Eight schools are expected to convert to academy status in July and August 2015. The value of Property, Plant and Equipment that is expected to transfer to academy trusts during 2015/16 relating to these schools is £42.139m. £0.634m of revenue and capital reserves/balances is also expected to transfer to the academy trusts for seven of these schools. The remaining school is expected to have a small deficit that will need to be met by the council on conversion.

For 2015/16 onwards group accounts will be required to show expenditure and income relating to the Local Enterprise Partnership which was incorporated as a company limited by guarantee on 1 April 2015. The council remains the accountable body.

The Chief Executive of the council will be stepping down in September 2015 ahead of a review of senior management arrangements. Pending a decision about the longer term, the interim arrangements will involve responsibilities being shared amongst the management team with Peter Clark, currently Chief Legal Officer, subject to Council approval becoming the statutory Head of Paid Service, and the other directors taking on additional duties in support. Proposals for the new arrangements will form part of the budget for 2016/17. A severance payment of £0.259m was agreed in June 2015.

Since July 2015 the council's transactional human resources, finance and procurement activities have been delivered using self – service tools provided by the Integrated Business Centre (IBC) in partnership with Hampshire County Council.

**64. 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 2015/16 (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 (2014/15).

The 2015/16 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 2015 or which will need to be considered during 2015/16 for adoption in 2016/17 with a restatement of 2015/16. The new or revised financial standards adopted are:

**IFRS 13 Fair Value Measurement**

IFRS 13 defines Fair Value (FV) 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 standard requires prospective application from 2015/16 (no prior year restatements are required). Operational Property, Plant & Equipment will continue to be measured at Service Potential (Current Value) with no change in measurement requirements. Surplus Assets will need to be measured for their economic benefits at fair value. Investment Properties will need to be measured at their highest and best use.

Liabilities will need to be measured at the best transfer price. Further guidance will be required on how to measure the value of liabilities that cannot be sold, such as Public Works Loans Board loans. Additional disclosure notes will be required in the 2015/16 Statement of Accounts to set out the valuation techniques and inputs used.

### Code of Practice on Transport Infrastructure Assets

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. CIPFA/LASAAC has therefore decided that the measurement requirements of the Transport Code will be adopted in the Accounting Code from 2016/17. Transport infrastructure assets will therefore be required to be measured on a depreciated replacement cost basis from 2016/17. This will require retrospective restatement of the 2015/16 statements of account. The value of infrastructure assets will increase significantly when the code is adopted.

### Accounts and Audit Regulations 2015

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and apply to 2015/16. This brings forward the local government reporting timetable for published accounts to 31 July 2017/18. Accounting Policies will need to be reviewed to ensure that the Council is able to produce its statutory accounts to meet this earlier deadline.

The annual improvements to IFRS are minor in nature and are not considered to have any impact on the financial statements.

### **65. Authorisation of the Accounts**

The Statement of Accounts was authorised for issue by Lorna Baxter, Chief Finance Officer on 22 September 2015.



**FIRE-FIGHTERS' PENSION FUND ACCOUNTS: FUND ACCOUNT**

**Fund Account for the year ended 31 March**

Fund Account	2013/14 £'000	2014/15 £'000
<b>Contributions Receivable</b>		
From employer		
- normal	-1,902	-1,836
- early retirements	0	0
Other (ill health retirement contribution)	-101	-73
From members	-1,313	-1,415
	-3,316	-3,324
<b>Transfers in</b>	0	-34
<b>Benefits Payable</b>		
Pensions	4,408	4,546
Commutations and lump sum retirement benefits	979	930
Lump sum death benefits	0	0
Other (ill health lump sums)	0	52
	5,387	5,528
<b>Payments to and on account of leavers</b>		
Individual transfers out to other schemes	210	394
	210	394
<b>Miscellaneous</b>		
Annual Allowance Charge	32	0
<b>Net amount payable/receivable for the year before top-up grant receivable/amount payable to sponsoring department</b>	<b>2,313</b>	<b>2,564</b>
<b>Top-up grant receivable</b>	<b>-2,313</b>	<b>-2,564</b>
<b>Net amount payable/receivable for the year</b>	<b>0</b>	<b>0</b>

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

<b>Net Assets Statement</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
<b>Net Current Assets and Liabilities</b>		
Contributions due from employer	14	14
Pension top-up grant receivable from sponsoring department	510	780
Other Current Assets	10	11
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)	-274	-104
Cash balance	-260	-701
<b>Total</b>	<b>0</b>	<b>0</b>

### **1. Basis of Preparation**

The fund, which reflects the financial arrangements relating to both the 1992 and the 1996 Firefighter Pension schemes, came into being on 1 April 2006.

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

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

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

Fire & rescue authorities are required to make an employer contribution, as a percentage of pensionable pay, towards the future pension liability for all serving members, i.e. all Fire-fighters but not pension credit members, of the 1992 and 2006 Fire-fighters' Pension Schemes, into their pension fund.

Fire & rescue authorities are required to pay employees' contributions, the percentage of pensionable pay paid by all serving members, i.e. all Fire-fighters but not pension credit members of the 1992 and 2006 Fire-fighters' Pension Schemes towards their future pension liability into their pension funds.

### **3. Ill health early retirements**

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

As the number of firefighters who retire on grounds of ill health varies from year to year and will cause financial volatility authorities are required to spread the charges over a period of 3 years. Oxfordshire Fire & Rescue Service had no ill health retirements in 2014/15.

### **4. Central government top-up grant**

The fund is operated on the principle that employer and employee contributions together meet the full cost of pension liabilities accrued from future employment and central government (Department of Communities and Local Government) meet the costs of paying pensions to retired Fire-fighters, net of the employee and employer contributions, by means of a top-up grant.

There are no investment assets held by the fund and where employer and employee contributions paid into the pension fund are not sufficient to meet pension payments for that year, the deficit will be met by Central Government top-up grant. Any surplus in the pension fund is paid back to Central Government.

### **5. Administration and Management**

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

## NOTES TO THE FIRE-FIGHTERS' PENSION FUND ACCOUNTS

### 6. Benefits

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

### 7. Membership

The following summarises the membership of the fund as at 31 March 2015.

	1992 Scheme	2006 Scheme
Contributors	165	419
Pensioners	292	10
Preserved Pensions	27	211

### 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. Material Post Balance Sheet Events

The 2014/15 accounts noted that complaints had been made to the Pensions Ombudsman regarding the lack of a review by the Government Actuary of the Firefighters' Pension Scheme 1992 commutation factors between 1998 and 2006.

In May 2015, the Pensions Ombudsman (Ombudsman) published their Final Determination in the case of Milne v Government Actuaries Department (GAD). This case centred on whether GAD had a proactive responsibility to review the commutation factors used in the calculation of the lump sum payments made to pensioners when they opt to take an increased amount of their pension benefit in that form.

The Ombudsman found in favour of the plaintiff, which means 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 needs to take place based upon revised commutation factors issued by GAD. Payment of any additional amounts and simple interest identified as due will need to be made.

Revised lump sums are being calculated and the necessary payments will be made in early 2016. There has therefore been no impact on the financial statements for 2014/15. The additional expenditure and equivalent top - up grant due from DCLG will be included in the 2015/16 accounts.

### 10. Fire Fighters' Pension Scheme 2015

From 1 April 2015 a new pension scheme was introduced for firefighters. Any benefits accrued from this date will be based on career average rather than a final salary basis. These changes will have implications for pensions administration arrangements and accounts disclosures in 2015/16.

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

Fund Account for the Year Ended 31 March 2015		Reclassification	
	Notes	2014 £'000	2015 £'000
<b>Contributions and Benefits</b>			
Contributions Receivable	6	-80,620	-86,556
Transfers from Other Schemes	7	-5,211	-3,113
Other Income	8	-476	-423
<b>Income Sub Total</b>		<b>-86,307</b>	<b>-90,092</b>
Benefits Payable	9	70,139	72,230
Payments to and on Account of Leavers	10	4,384	4,011
Management Expenses	11	5,080	5,434
Other Expenses	8	0	337
<b>Expenditure Sub Total</b>		<b>79,603</b>	<b>82,012</b>
<b>Net Additions from dealings with members</b>		<b>-6,704</b>	<b>-8,080</b>
<b>Returns on Investments</b>			
Investment Income	12	-23,288	-23,564
Commission Recapture		-1	-2
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments Less Taxes on Income	16a  12	-77,626  156	-182,703  81
<b>Net returns on Investments</b>		<b>-100,759</b>	<b>-206,188</b>
<b>Net Increase in the Net Assets Available for Benefits During the Year</b>		<b>-107,463</b>	<b>-214,268</b>
Opening Net Assets of the Scheme		1,523,748	1,631,211
<b>Closing Net Assets of the Scheme</b>		<b>1,631,211</b>	<b>1,845,479</b>

The latest guidance on the presentation of management costs has been adopted; as such Investment Management Expenses of £3.611m and Administrative Expenses Borne by the Scheme of £1.469m have been combined under the new line of Management Expenses for the year ended 31 March 2014. Further details are included in Note 3.

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

Net Assets as at 31 March 2015	Reclassification		
	Notes	2014 £'000	2015 £'000
<b>Investment Assets</b>			
Fixed Interest Securities	16b	74,957	87,748
Index Linked Securities	16b	80,201	92,133
Equities	16b	590,179	643,335
Pooled Investments	16b	703,652	839,010
Pooled Property Investments	16b	97,287	111,462
Derivative Contracts	16c	100	1,598
Cash Deposits	16d	10,285	7,332
Other Investment Balances	16d	5,593	7,008
<b>Investment Liabilities</b>			
Derivative Contracts	16c	-111	-393
Other Investment Balances	16d	-2,288	-4,249
<b>Total Investments</b>		<b>1,559,855</b>	<b>1,784,984</b>
<b>Assets and Liabilities</b>			
Current Assets	17	58,816	50,191
Current Liabilities	18	-1,701	-2,005
<b>Net Current Assets</b>		<b>57,115</b>	<b>48,186</b>
Long-Term Assets	19	14,241	12,309
<b>Net Assets of the scheme available to fund benefits at year end</b>		<b>1,631,211</b>	<b>1,845,479</b>

Following a review of the classification of investments it was decided that the Fund's holdings in listed private equity companies should be classified under equities rather than private equity. The £91.435m listed under private equity for the financial year ended 31 March 2014 consisted entirely of listed private equity holdings and has been included within the equities category. Further details are included in Note 3.

### Note 1 – Description of the fund

This description of the fund is a summary only. Further details are available in the Fund's 2014/15 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 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:

	<b>As at 31 March 2014</b>	<b>As at 31 March 2015</b>
<b>Number of Contributory Employees in Scheme</b>		
Oxfordshire County Council	11,434	10,801
Other Scheduled Bodies	7,956	9,527
Admitted Bodies	1,193	1,061
	<b>20,583</b>	<b>21,389</b>
<b>Number of Pensioners and Dependants</b>		
Oxfordshire County Council	7,556	7,874
Other Scheduled Bodies	4,635	4,833
Admitted Bodies	713	758
	<b>12,904</b>	<b>13,465</b>
<b>Deferred Pensioners</b>		
Oxfordshire County Council	13,076	14,002
Other Scheduled Bodies	6,164	6,914
Admitted Bodies	871	942
	<b>20,111</b>	<b>21,858</b>

Six Scheduled Bodies, all of which are Academies, plus eight Admitted Bodies joined the scheme in 2014/15. 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.

### **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 2015 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 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.

	<b>Service Pre 1 April 2008</b>	<b>Service Post 31 March 2008</b>
Pension	Each full-time year worked is worth $1/80 \times$ final pensionable salary.	Each full-time year worked is worth $1/60 \times$ final pensionable salary.
Lump Sum	Automatic lump sum of $3 \times$ 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  $1/49^{\text{th}}$ . 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 2014/15.

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 35.

**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 2015.
  - (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 2015.
  - (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 same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions. Employer deficit funding

## NOTES TO THE THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 2015.

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

**Changes in Accounting Policy**

9. The fund holds a number of investments in listed private equity companies. These holdings have previously been classified under investments as private equity. However, it has been determined that it would be more appropriate to include these holdings 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. In addition, 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.

In June 2014 the Chartered Institute of Public Finance & Accountancy issued a document titled Accounting for Local Government Pension Scheme Management Costs. This document aims to establish best practice in the disclosure of scheme management costs in the LGPS. Although the document is not statutory or required to be complied with by the Code, the fund has adopted the presentation of management costs in line with the guidance.

**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 2015 was £64.433m (£51.602m at 31 March 2014). All of the unquoted private equity investments at 31 March 2015 are included within the pooled investments category in the net assets statement, as was the case at 31 March 2014.

**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 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 £2,941m. 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 £64.433m. There is a risk these investments are under, or overstated in the accounts.
Fund of Funds Hedge Funds	Fund of Funds Hedge Fund investments are valued based on the sum of the fair values provided by the administrators of the underlying funds, plus adjustments that directors of the fund of funds deem appropriate. As these investments are not publicly listed there is a degree of estimation involved in the valuation.	The total value for Fund of Funds Hedge Funds included in the financial statements is £0.503m. There is a risk that these investments could be under, or overstated in the accounts.

### Note 6 – Contributions

	2013/14 £'000	2014/15 £'000
<b>Employers</b>		
Normal	-43,131	-45,611
Augmentation	-18	0
Deficit Funding	-17,216	-19,446
Costs of Early Retirement	-825	-451
	-61,190	-65,508
<b>Members</b>		
Normal	-19,047	-20,692
Additional *	-383	-356
	-19,430	-21,048
<b>Total</b>	<b>-80,620</b>	<b>-86,556</b>

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 THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS**

	Employer Contributions		Members Contributions	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
Oxfordshire County Council	-30,690	-30,817	-9,552	-9,837
Scheduled Bodies	-26,016	-30,859	-8,521	-9,909
Resolution Bodies	-595	-756	-211	-231
Community Admission Bodies	-2,334	-1,752	-695	-635
Transferee Admission Bodies	-1,555	-1,324	-451	-436
<b>Total</b>	<b>-61,190</b>	<b>-65,508</b>	<b>-19,430</b>	<b>-21,048</b>

**Note 7 – Transfers In**

	2013/14 £'000	2014/15 £'000
Individual Transfers In from other schemes	-5,211	-3,113
<b>Total</b>	<b>-5,211</b>	<b>-3,113</b>

**Note 8 – Other Income and Expenses**

Other Income for 2014/15 of £0.423m reflects 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.

Other Expenses for 2014/15 of £0.337m consists of a debt write-off where a scheme employer went into administration.

**Note 9 – Benefits**

	2013/14 £'000	2014/15 £'000
Pensions Payable	55,992	59,484
Lump Sums – Retirement Grants	13,124	11,088
Lump Sums – Death Grants	1,023	1,658
<b>Total</b>	<b>70,139</b>	<b>72,230</b>

	Pensions Payable		Lump Sums	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
Oxfordshire County Council	27,833	29,578	6,685	6,247
Scheduled Bodies	24,900	26,342	5,779	5,441
Resolution Bodies	474	488	199	50
Community Admission Bodies	1,988	2,736	880	797
Transferee Admission Bodies	797	340	604	211
<b>Total</b>	<b>55,992</b>	<b>59,484</b>	<b>14,147</b>	<b>12,746</b>

## NOTES TO THE THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### Note 10 – Payment to and on account of leavers

	2013/14 £'000	2014/15 £'000
Refunds of Contributions	5	117
Payments for members joining state scheme	-4	0
Individual Transfers Out to other schemes	4,383	3,894
<b>Total</b>	<b>4,384</b>	<b>4,011</b>

### Note 11 – Management Expenses

	2013/14 £'000	2014/15 £'000
Administrative Costs	1,096	1,292
Investment Management Expenses	3,562	3,744
Oversight & Governance Costs	422	398
<b>Total</b>	<b>5,080</b>	<b>5,434</b>

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

### Note 12 – Investment Income

	2013/14 £'000 Reclassification	2014/15 £'000
Fixed Interest Securities	-2,194	-2,371
Index Linked Securities	-1,473	-782
Equity Dividends	-16,007	-16,859
Pooled Property Investments	-2,767	-3,162
Pooled Investments – Unit Trusts & Other Managed Funds	-613	-113
Interest on Cash Deposits	-219	-254
Other – Securities Lending	-15	-23
	<b>-23,288</b>	<b>-23,564</b>
Irrecoverable Withholding Tax - Equities	<b>156</b>	<b>81</b>
<b>Total</b>	<b>-23,132</b>	<b>-23,483</b>

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity income of £1.333m is now included under the equities line.

### Note 13 – Investment Management Expenses

	2013/14 £'000	2014/15 £'000
Management Fees	3,485	3,675
Custody Fees	77	69
<b>Total</b>	<b>3,562</b>	<b>3,744</b>

Investment Manager & Custody Fees are generally calculated on a fixed scale basis with applicable rates applied to the market value of the assets managed.

**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 £0.023m in 2014/15 (2013/14 £0.015m). This is included within investment income in the Pension Fund Accounts. At 31 March 2015 £3.911m of stock was on loan, for which the fund held £3.995m 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 2014/15, 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 £0.060m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Short Term Benefits	48*	51*
Long Term/Post Retirement Benefits	9	9
<b>Total</b>	<b>57</b>	<b>60</b>

\* 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 administrating the Oxfordshire Pension Fund, it is a related party.

For the 12 months ended 31 March 2015, employer contributions to the Pension Fund from the County Council were £30.816m (2013/14 £30.690m). At 31 March 2015 there were receivables in respect of contributions due from the County Council of £3.282m (2013/14 £2.378m) and payables due to the County Council of £0.066m (2013/14 £0.058m) for support services.

The County Council was reimbursed £ 1.042m (2013/14 £0.960m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.



## NOTES TO THE THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### Note 16 – Investments

During 2014/15 the fund sold the majority of its investments in hedge funds and used the resulting funds to make a new investment in a diversified growth fund. The decision to disinvest from hedge funds and move in to a diversified growth fund was made as part the fundamental review looking at the fund's asset allocation which was considered by the Pension Fund Committee in March 2014.

As noted in the fund accounts listed private equity has been moved to the equities category and as such 2013/14 figures have been adjusted accordingly.

	Value at 31 March 2014 £'000 Reclassification	Value at 31 March 2015 £'000
<b>Investment Assets</b>		
Fixed Interest Securities	74,957	87,748
Index Linked Securities	80,201	92,133
Equities	590,179	643,335
Pooled Investments	703,652	839,010
Pooled Property Investments	97,287	111,462
Derivatives:		
- Forward Currency Contracts	100	1,598
Cash Deposits	10,285	7,332
Investment Income Due	3,233	3,918
Amounts Receivable for Sales	2,360	3,090
<b>Total Investment Assets</b>	<b>1,562,254</b>	<b>1,789,626</b>
<b>Investment Liabilities</b>		
Derivatives:		
- Forward Currency Contracts	-111	-393
Management Expenses Due	-1,143	-930
Amounts Payable for Purchases	-1,145	-3,319
<b>Total Investment Liabilities</b>	<b>-2,399</b>	<b>-4,642</b>
<b>Net Investment Assets</b>	<b>1,559,855</b>	<b>1,784,984</b>

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets of £91.435m are now included under the equities line.

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

**Note 16a – Reconciliation of Movements in Investments and Derivatives**

	Value at 1 April 2014 Reclassification	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
<b>Total</b>	<b>1,559,855</b>	<b>632,612</b>	<b>-590,969</b>	<b>182,703</b>	<b>1,329</b>	<b>-546</b>	<b>1,784,984</b>

Included within the above purchases and sales figures are transaction costs of £0.328m. 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.

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets of £91.435m are now included under the equities line.

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

	Value at 1 April 2013 Reclassification	Purchases at Cost & Derivative Payments Reclassification	Sales Proceeds & Derivative Receipts Reclassification	Change in Market Value Reclassification	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2014 Reclassification
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	65,628	90,327	-76,142	-4,856			74,957
Index Linked Securities	77,416	19,715	-12,189	-4,741			80,201
Equities	546,370	120,406	-106,970	30,373			590,179
Pooled Investments	676,896	19,036	-39,046	46,766			703,652
Pooled Property Investments	86,589	9,370	-6,068	7,396			97,287
<u>Derivative Contracts</u>							
FX	758	178,181	-183,149	4,199			-11
<u>Other Investment Balances</u>							
Cash Deposits	8,995	34,889	-41,793	-1,510	9,704		10,285
Amounts Receivable for Sales of Investments	1,286					1,074	2,360
Investment Income Due	2,961					272	3,233
Amounts Payable for Purchases of Investments	-5,742					3,454	-2,288
<b>Total</b>	<b>1,461,157</b>	<b>471,924</b>	<b>-465,357</b>	<b>77,627</b>	<b>9,704</b>	<b>4,800</b>	<b>1,559,855</b>

As a result of the decision to reclassify listed private equity under the equities category the 2012/13 private equity assets of £90.881, purchases of £0.043m, sales of £5.199m, and change in market value of £4.199m are all now included under the equities line.

## NOTES TO THE THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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

#### Fixed Interest Securities

	2013/14 £'000	2014/15 £'000
UK Public Sector	39,387	46,394
UK Other	3,731	4,420
Overseas Public Sector	31,839	36,934
<b>Total</b>	<b>74,957</b>	<b>87,748</b>

#### Index Linked Securities

	2013/14 £'000	2014/15 £'000
UK Public Sector Index Linked	80,201	92,133
<b>Total</b>	<b>80,201</b>	<b>92,133</b>

#### Equity Investments

	2013/14 £'000 Reclassification	2014/15 £'000
UK listed equities	421,026	436,277
Overseas Listed Equities:		
North America	95,587	126,281
Japan	19,035	23,702
Europe	32,732	43,193
Pacific Basin	0	749
Emerging Markets	21,799	13,133
<b>Total</b>	<b>590,179</b>	<b>643,335</b>

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 figure for UK Listed Equities has been increased by £86.442m, North American Equities have been increased by £3.013m and European Equities have been increased by £1.980m.

#### Pooled Investment Vehicles

	2013/14 £'000	2014/15 £'000
UK Registered Managed Funds – Property	20,045	23,207
Non UK Registered Managed Funds – Property	23,867	14,742
UK Registered Managed Funds – Other	393,933	433,063
Non UK Registered Managed Funds – Other	104,364	149,158
UK Registered Property Unit Trusts	48,269	64,070
Non UK Registered Property Unit Trusts	5,107	9,443
Non UK Registered Unit Linked Insurance Fund	205,354	256,789
<b>Total</b>	<b>800,939</b>	<b>950,472</b>

**Total Investments (excluding derivative contracts)**

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
	1,546,276	1,773,688

**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.

**Hedge Funds**

IFRS accounting requires that the Fund discloses information on fair value hedges, cash flow hedges and hedges of net investments in foreign operations. The Fund has exposure to such hedges through its £0.503m investment in a Fund of Funds Hedge Fund. As the Fund has no direct ownership in these hedge arrangements, with all decisions made by the Fund Managers rather than the Oxfordshire Pension Fund, the hedge disclosure requirements are deemed not to apply.

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

**Forward Foreign Exchange (FX)**

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

<b>Contract</b>	<b>Settlement Date</b>	<b>Currency Bought</b>	<b>Currency Sold</b>	<b>Asset value At year end £'000</b>	<b>Liability value at year end £'000</b>	<b>Net Forward currency Contracts £'000</b>
		<b>'000</b>	<b>'000</b>			
Forward OTC	1 month	13,946 GBP	21,100 USD		-269	
Forward OTC	1 month	130 GBP	1,240 DKK	10		
Forward OTC	1 month	498 GBP	929 AUD	20		
Forward OTC	1 month	17,410 GBP	22,300 EUR	1,272		
Forward OTC	1 month	7,831 GBP	1,404,000 JPY		-57	
Forward OTC	1 month	383 GBP	693 CAD	14		
Forward OTC	1 month	78 GBP	960 SEK	4		
Forward OTC	1 month	275 EUR	207 GBP		-8	
Forward OTC	1 month	604 USD	397 GBP	10		
Forward OTC	1 month	443 GBP	591 EUR	16		
Forward OTC	1 month	812 GBP	1,238 USD		-22	
Forward OTC	1 month	789 GBP	1,060 EUR	22		
Forward OTC	1 month	195 GBP	298 USD		-5	
Forward OTC	1 month	317 GBP	431 EUR	5		
Forward OTC	1 month	260 GBP	356 EUR	2		
Forward OTC	1 month	22,620 JPY	170 EUR	4		
Forward OTC	1 month	432 USD	282 GBP	9		
Forward OTC	6 months	9,356 GBP	12,870 EUR	11		
Forward OTC	1 month	546 GBP	755 EUR			
Forward OTC	3 months	5,186 EUR	3,710 EUR	47		
Forward OTC	1 month	66 GBP	92 EUR			
Forward OTC	1 month	4,950 USD	6,323 AUD	83		
Forward OTC	1 month	1,886 EUR	1,389 GBP		-24	
Forward OTC	1 month	472 GBP	703 EUR		-2	
Forward OTC	1 month	2,489 USD	3,165 AUD	49		
Forward OTC	1 month	946 GBP	1,292 EUR	11		
Forward OTC	1 month	3,810 AUD	2,904 USD	9	-6	
<b>Forward Currency Contracts at 31 March 2015</b>				<b>1,598</b>	<b>-393</b>	<b>1,205</b>
<b>Prior Year Comparative</b>						
<b>Forward Currency contracts at 31 March 2014</b>				<b>100</b>	<b>-111</b>	<b>-11</b>

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

**Note 16d – Other Investment Balances**

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
<b><u>Receivables</u></b>		
Sale of Investments	2,360	3,090
Dividend & Interest Accrued	3,182	3,895
Inland Revenue	51	19
Other	0	4
	<b>5,593</b>	<b>7,008</b>
<b><u>Payables</u></b>		
Purchase of Investments	-1,146	-3,318
Management Fees	-1,104	-921
Custodian Fees	-38	-10
	<b>-2,288</b>	<b>-4,249</b>
<b>Total</b>	<b>3,305</b>	<b>2,759</b>

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

**Cash Deposits**

	2013/14 £'000	2014/15 £'000
Non-Sterling Cash Deposits	10,285	7,332
<b>Total</b>	<b>10,285</b>	<b>7,332</b>

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

	2013/14 £'000	% of Total Fund	2014/15 £'000	% of Total Fund
UBS Life Global Equities All Countries Fund	0	0.00	256,789	13.91
UBS Global Optimal Thirds	205,354	12.59	0	0.00
L&G UK FTSE100 Equity Index	145,112	8.90	154,479	8.37
L&G World (ex-UK) Equity Index	137,950	8.46	154,278	8.36
L&G Core Plus Bond Fund	96,388	5.91	109,953	5.96

**Note 17 – Current Assets**

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
<b>Total</b>	<b>3,151</b>	<b>5,953</b>	<b>54</b>	<b>3</b>	<b>41,030</b>	<b>50,191</b>



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

<b>2013/14</b>	<b>Central Gov't Bodies</b>	<b>Local Authorities</b>	<b>NHS Bodies</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Receivables:						
Employer Contributions	2,695	3,435	19	0	1,440	<b>7,589</b>
Employee Contributions	161	1,119	6	0	333	<b>1,619</b>
Transferred Benefits	0	94	0	0	74	<b>168</b>
Costs of Early Retirement	11	515	0	2	287	<b>815</b>
Inland Revenue	146	0	0	0	0	<b>146</b>
Other	41	100	0	12	42	<b>195</b>
Cash Balances	0	0	0	0	48,284	<b>48,284</b>
<b>Total</b>	<b>3,054</b>	<b>5,263</b>	<b>25</b>	<b>14</b>	<b>50,460</b>	<b>58,816</b>

**Note 18 – Current Liabilities**

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

<b>2013/14</b>	<b>Central Government Bodies</b>	<b>Local Authorities</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Transferred Benefits	-7	-166	0	0	<b>-173</b>
Benefits Payable	-11	-169	0	-20	<b>-200</b>
Inland Revenue	-829	0	0	0	<b>-829</b>
Costs of Early Retirement	-391	0	0	0	<b>-391</b>
Staff Costs	0	-58	0	0	<b>-58</b>
Consultancy	0	0	0	-25	<b>-25</b>
Other	-3	-6	0	-16	<b>-25</b>
<b>Total</b>	<b>-1,241</b>	<b>-399</b>	<b>0</b>	<b>-61</b>	<b>-1,701</b>

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

**Note 19 – Long-Term Assets**

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

<b>2013/14</b>	<b>Central Government Bodies</b>	<b>Local Authorities</b>	<b>NHS Bodies</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employer Contributions	13,558	0	0	0	31	<b>13,589</b>
Costs of Early Retirement	31	335	0	0	286	<b>652</b>
<b>Total</b>	<b>13,589</b>	<b>335</b>	<b>0</b>	<b>0</b>	<b>317</b>	<b>14,241</b>

Long-Term assets for 2014/15 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 £1,697.975m as at 31 March 2015. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager:

<b>Fund Manager</b>	<b>31/03/2014</b>		<b>31/03/2015</b>	
	<b>Market Value £'000</b>	<b>%</b>	<b>Market Value £'000</b>	<b>%</b>
Baillie Gifford	337,925	22.89	349,700	20.59
Legal & General	538,938	36.51	602,093	35.46
UBS	345,989	23.44	359,077	21.15
Wellington	190,821	12.93	226,635	13.35
Insight	0	0.00	84,221	4.96
Adams Street Partners	21,496	1.46	30,918	1.82
Partners Group	40,856	2.77	45,331	2.67
<b>Total</b>	<b>1,476,025</b>	<b>100.00</b>	<b>1,697,975</b>	<b>100.00</b>

**Note 21 – Top 5 Holdings**

<b>Value of the Fund's Top Five Holdings at 31 March 2015</b>	<b>£'000</b>	<b>% of Fund</b>
Electra Investment Trust	30,057	1.63
HG Capital Trust	21,893	1.19
British American Tobacco	16,284	0.88
Ashtead Group Plc	13,881	0.75
Prudential Plc	12,904	0.70

**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**

	<b>Market Value 31 March 2014 £'000</b>	<b>Market Value 31 March 2015 £'000</b>
Prudential	14,077	14,387

AVC contributions of £1.460m were paid directly to Prudential during the year. (2013/14 - £1.554m).

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. 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 nine years, though the maximum payment has been calculated as approximately £0.160m plus pensions increase.

## NOTES TO THE THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

As at 31 March 2015 the fund had outstanding capital commitments (investments) totalling £46.511m (31 March 2014 - £57.783m). 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

	2014 £'000	2015 £'000
Present Value of Funded Obligation	2,478,689	2,940,743

Present Value of Funded Obligation consists of £2,848.943m (2014 – £2,202.628m) in respect of Vested Obligation and £91.800m (2014 – £276.061m) in respect of Non-Vested Obligation. The movement from March 2014 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 £121.930m (2014 - £126.304m).

There has been a further increase in the present value of the Funded Obligation of £340.124m (2014 - £47.419m) 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 2.8% to 2.4% (net effect a decrease in Present Value of Funded Obligation)
- A reduction in the assumed level of pay increases from 4.6% to 4.2% (net effect a reduction in Present Value of Funded Obligations)
- A reduction in the discount factor from 4.4% to 3.3% (net effect an increase in Present Value of Funded Obligations).

### 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 THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS**

	2013/14			2014/15		
	Fair Value through Profit & Loss £'000 Reclassification	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000
<b>Financial Assets</b>						
Fixed Interest Securities	74,957			87,748		
Index Linked Securities	80,201			92,133		
Equities	590,179			643,335		
Pooled Investments	703,652			839,010		
Pooled Property Investments	97,287			111,462		
Derivatives	100			1,598		
Cash		58,569			46,363	
Other Investment Balances	5,542			6,990		
Receivables		30			90	
	<b>1,551,918</b>	<b>58,599</b>	<b>0</b>	<b>1,782,276</b>	<b>46,453</b>	<b>0</b>
<b>Financial Liabilities</b>						
Derivatives	-111			-393		
Other Investment Balances	-2,288			-4,249		
Payables			-101			-219
	<b>-2,399</b>	<b>0</b>	<b>-101</b>	<b>-4,642</b>	<b>0</b>	<b>-219</b>
<b>Total</b>	<b>1,549,519</b>	<b>58,599</b>	<b>-101</b>	<b>1,777,634</b>	<b>46,453</b>	<b>-219</b>

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets of £91.435m are now included under the equities line.

## NOTES TO THE THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### Note 27b – Fair Value of Financial Instruments and Liabilities

The carrying values of the financial assets and liabilities compared with their fair values are summarised below by instrument class.

	2014		2015	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
<b>Financial Assets - Current</b>				
Loans & Receivables	58,599	58,599	46,453	46,453
Financial Assets at fair value through profit or loss	1,486,804	1,486,804	1,703,100	1,703,100
	1,545,403	1,545,403	1,749,553	1,749,553
<b>Financial Assets – Long Term</b>				
Financial Assets at fair value through profit or loss	65,114	65,114	79,176	79,176
<b>Financial Liabilities – Current</b>				
Amortised Cost	-101	-101	-219	-219
Financial Liabilities at fair value through profit or loss	-2,399	-2,399	-4,642	-4,642
	-2,500	-2,500	-4,861	-4,861
<b>Total</b>	<b>1,608,017</b>	<b>1,608,017</b>	<b>1,823,868</b>	<b>1,823,868</b>

The Fair Value of operational debtors and creditors, cash and short-term deposits, is assumed to be equal to the carrying value.

### Note 27c – Net Gains and Losses on Financial Instruments

	31 March 2014 £'000	31 March 2015 £'000
<b>Financial Assets</b>		
Fair Value through Profit and Loss	74,938	179,655
Loans and Receivables	-1,510	39
<b>Financial Liabilities</b>		
Fair Value through Profit and Loss	4,199	3,009
Financial Liabilities Measured at Amortised Cost	0	0
<b>Total</b>	<b>77,627</b>	<b>182,703</b>

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

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

**Level 1**

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

**Level 2**

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

**Level 3**

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

Included within Level 3 are pooled private equity investments made in Limited Liability Partnerships where fair value is determined using valuation techniques which involve significant judgements by fund managers due to the unquoted nature of the fund investments. Fund of funds hedge fund investments are included within Level 3 of the hierarchy as the fair value is based on the sum of the fair values of the underlying funds, which are unlisted, as provided by the fund administrators and is subject to adjustments by the Directors of the fund of funds as deemed appropriate. Some listed private equity investments have been included within Level 3 of the hierarchy where it has been determined that the market for the fund is inactive.

Categorisation of financial instruments within the levels is based on the lowest level input that is significant to the fair value measurement of the instrument.

The following table presents the Fund's financial assets and liabilities within the fair value hierarchy.

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

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

<b>Value at 31 March 2014</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	670,974	772,132	108,812	1,551,918
Loans and Receivables	58,599	0	0	58,599
<b>Total Financial Assets</b>	<b>729,573</b>	<b>772,132</b>	<b>108,812</b>	<b>1,610,517</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit and Loss	-2,288	-111	0	-2,399
Financial Liabilities at Amortised Cost	-101	0	0	-101
<b>Total Financial Liabilities</b>	<b>-2,389</b>	<b>-111</b>	<b>0</b>	<b>-2,500</b>
<b>Net Financial Assets</b>	<b>727,184</b>	<b>772,021</b>	<b>108,812</b>	<b>1,608,017</b>

**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.
- 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).



## NOTES TO THE THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

- 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:

- 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.

## NOTES TO THE THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

At 31 March 2015 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2014	31 March 2015
	£'000	£'000
UK Government Gilts	39,388	46,394
UK Corporate Bonds	100,119	114,373
UK Index Linked Gilts	80,201	92,133
Overseas Government Bonds	31,839	36,934
Non-Sterling Cash Deposits	10,285	7,332
Cash Balances	48,284	39,031
<b>Total</b>	<b>310,116</b>	<b>336,197</b>

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates, whilst limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be invested in sub-investment grade bonds. Cash held in sterling at 31 March 2015 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2014	Rating	Balance as at 31 March 2015
		£'000		£'000
<b>Money Market Funds</b>				
Ignis Asset Management	AAA	12,450	AAA	5,504
<b>Bank Deposit Accounts</b>				
Royal Bank of Scotland Plc	A	3		0
Santander UK Plc	A	4		0
<b>Bank Current Accounts</b>				
Lloyds TSB Plc	A	6,098	A	5,126
BNP Paribas	A+	29,729	A+	28,401
<b>Total</b>		<b>48,284</b>		<b>39,031</b>

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

### Liquidity Risk

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

During 2014/15 the Pension Fund received/accrued income related to dealings with members of £90.1m (2013/14 - £86.3m) and incurred expenditure related to dealings with members of £82.0m (2013/14 - £79.6m). There were further receipts/accruals of £23.6m

(2013/14 - £23.3m) in respect of investment income, against which need to be set taxes of £0.1m (2013/14 - £0.2m). The net inflow was therefore £31.6m (2013/14 - £29.8m).

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 in the region of 50% or an increase in benefits payable in the region of 70%. Movements of this scale are deemed highly unlikely. The Pension Fund will seek to mitigate these risks through advice to the Government on the impact of any proposals for change, as well as clear communication to current scheme members of the on-going benefits of scheme membership and the personal risks to their future financial prospects of opting out at this time.

### **Market Risk**

The whole of the Pension Fund's investment asset base is subject to financial loss through market risk, which includes the impact of changes in interest rates, movements in market prices and movements in foreign currency rates. However, as noted above under the liquidity risk, these financial losses are not automatically realised, as all assets held by the Pension Fund are done so on a long term basis. Subject to the liquidity risk above, it is 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 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
<b>Total Change in Assets Available</b>	<b>336,197</b>	<b>3,361</b>	<b>-3,361</b>

Asset Type	Carrying Amount as at 31 March 2014	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	10,285	103	-103
Cash Balances	48,284	483	-483
Fixed Interest Securities	251,546	2,515	-2,515
<b>Total Change in Assets Available</b>	<b>310,115</b>	<b>3,101</b>	<b>-3,101</b>

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

### Currency Risk

Currency risk concerns the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to foreign exchange risk on financial instruments that are denominated in currencies other than the Fund's functional currency (£GBP). Risks around foreign currency rates are mitigated in part by allowing the Fund Managers to put in place currency hedging arrangements up to the value of the stock held in a foreign currency (also see note 16c).

Based on the Fund's exposure to various currencies at 31 March 2015 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 10.8%. 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.

## NOTES TO THE THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

The table below shows the impact a 10.8% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits:

Currency Exposure - Asset Type	Asset Values as at 31 March 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
<b>Total Change in Assets Available</b>	<b>711,149</b>	<b>76,662</b>	<b>-76,662</b>

Currency Exposure - Asset Type	Asset Values as at 31 March 2014 Reclassification	Change in Year in the Net Assets Available to Pay Benefits			
		+7.6%		-7.6%	
	£'000	£'000 Reclassification	£'000 Restated	£'000 Reclassification	£'000 Restated
Overseas Equities	169,153	181,941	12,788	156,364	-12,788
Pooled Overseas Equities	360,670	387,938	27,268	333,403	-27,268
Pooled Private Equity (LLPs)	48,840	52,533	3,693	45,148	-3,693
Pooled Property	28,974	31,164	2,190	26,783	-2,190
Cash	10,285	11,062	777	9,507	-777
<b>Total Change in Assets Available</b>	<b>617,922</b>	<b>664,638</b>	<b>46,716</b>	<b>571,205</b>	<b>-46,716</b>

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets subject to currency risk of £4.993m are now included under the equities line.

The change in year in net assets available to pay benefits figures for 2013/14 have been restated as in the published 2013/14 accounts they incorrectly showed the total value of assets after applying the percentage change rather than the change in value after applying the percentage change.

### 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 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 2015 £'000	Percentage Change  %	Value Increase  £'000	Value 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
<b>Total Assets Available to Pay Benefits</b>	<b>1,820,054</b>	<b>8.8</b>	<b>1,979,926</b>	<b>1,660,182</b>

Asset Type	Value as at 31 March 2014 £'000 Reclassificat'n	Percentage Change  % Reclassificat'n	Value Increase  £'000 Reclassific'n	Value Decrease  £'000 Reclassific'n
UK Equities	542,935	11.6	605,645	480,226
Pooled UK Equities (Small Cap)	14,483	8.3	15,680	13,285
Global Equities	192,355	9.7	210,937	173,773
Emerging Markets Equities	17,365	13	19,626	15,104
Pooled Overseas Equities	205,354	11.4	228,847	181,862
Pooled World Equities	137,951	9.4	150,918	124,983
UK Bonds	43,119	5.1	45,331	40,907
Overseas Bonds	31,839	6.0	33,746	29,932
UK Index Linked Bonds	80,201	9.3	87,620	72,782
Pooled Corporate Bonds	96,388	4.6	100,816	91,960
Pooled Hedge Funds	35,397	2.8	36,381	34,413
Pooled Private Equity (LLPs)	51,602	8.3	55,870	47,335
Pooled Property	97,287	2.5	99,720	94,855
Cash	58,569	0.0	58,569	58,569
<b>Total Assets Available to Pay Benefits</b>	<b>1,604,845</b>	<b>9.0</b>	<b>1,749,706</b>	<b>1,459,986</b>

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets of £91.435m are now included under the equities line.

## LOCAL GOVERNMENT PENSION FUND ACTUARIAL VALUATION

### Actuarial Valuation

The contribution rates within the 2014/15 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 2015 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	693
West Oxfordshire District Council	14.4	1,363
Cherwell District Council	13.7	1,459
Oxford City Council	20.6	-
Vale of White Horse District Council	13.1	648
Oxford Brookes University	14.1	1,492

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 value<sup>1</sup> 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:

## 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.

<sup>1</sup>The smoothed market value is the six month average of the market value straddling the valuation date.



# 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 Oxfordshire County Council 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 2015 under the Audit Commission Act 1998 (as transitionally saved). The Oxfordshire County Council financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 65 and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 10.

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 2014/15.

This report is made solely to the members of Oxfordshire County Council as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Oxfordshire County Council and the Oxfordshire County Council 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 13, 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 2014/15, 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 and the firefighters pension 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

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

read all the financial and non-financial information in the Statement of Accounts 2014/15 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 2015 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 2014/15.

### **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2014/15 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 does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

### **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Respective responsibilities of the Authority and auditor**

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and

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

effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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 criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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 Authority 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 on the specified criteria published by the Audit Commission in October 2014, 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 2015.

### **Pension Fund financial statements**

On 18 September 2015 we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2015 included within the Statement of Accounts.

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

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the submission in respect of the authority's Whole of Government Accounts consolidation pack. We are currently completing the work on this and are satisfied that this does not have a material effect on the financial statements or on our value for money conclusion.

Maria Grindley  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Reading  
22 September 2015

## 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 2015 under the Audit Commission Act 1998 (as transitionally saved). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 28. 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 2014/15.

This report is made solely to the members of Oxfordshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 13, 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 2014/15, 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 of the financial and non-financial information in Statement of Accounts 2014/15 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 pension fund financial statements:

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

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

**Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

*Baldeep Singh*

*For and on behalf of Ernst & Young LLP, Appointed Auditor*

*Reading*

*18 September 2015*

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

### INDEPENDENT AUDITOR'S REPORT TO OXFORDSHIRE COUNTY COUNCIL

#### Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2015 issued on 22 September 2015 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Oxfordshire County Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

#### Issue of audit opinion on the pension fund financial statements

In our audit report for the year ended 31 March 2015 issued on 18 September 2015 we reported that, in our opinion the pension fund's financial statements:

- gave a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

#### Issue of value for money conclusion

In our audit report for the year ended 31 March 2015 issued on 22 September 2015 we reported that, in our opinion, in all significant respects, Oxfordshire County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

#### Certificate

In our report dated 22 September 2015, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We have now completed this work.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

We certify that we have completed the audit of the accounts of the Oxfordshire County Council in accordance with the requirements of the Audit Commission Act 1998 (as transitionally saved) and the Code of Audit Practice issued by the Audit Commission.

Maria Grindley  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Reading, 24 September 2015

## Annual Governance Statement 2014/15

### 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 2014/15 and up to the date of approval of the Statement of Accounts. It also shows how systems have been reviewed and will be improved. This Annual Governance Statement is required by Regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

3. The Council is subject to other complex legal requirements in this area. We:

- Are responsible for ensuring that our business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and that it is used economically, efficiently and effectively;
- Have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which our functions are exercised, having regard to a combination of economy, efficiency and effectiveness; and
- Are responsible for putting in place proper arrangements for the governance of 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/SOLACE<sup>1</sup> Framework 'Delivering Good Governance in Local Government'. A copy of our 'Code' is on our public website<sup>2</sup>.

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

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



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 2014/15 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 2014/15
- Review of effectiveness
- Action Plans for 2015/16

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 our 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 our most vulnerable residents, focusing on those we have a duty to consider such as older people, disabled adults, and children. We must ensure they 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. Our Corporate Plan is supported by Directorate Business Strategies which set out how the work will be delivered. The Directorate Business Strategies for 2015/16 to 2017/18 were updated through the 2015/16 Service & Resource Planning process and approved by Council in February 2015.

### 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 channels for communicating with residents and staff which include:
  - The Council website with information on services and policies;
  - A Press office to respond to media enquiries and run targeted media campaigns;
  - Marketing channels to reach residents directly, including poster sites, email newsletters and social media channels (for example Twitter and Facebook).

Council staff are kept informed about important workplace developments via the Intranet and regularly cascaded manager briefings. The Council holds an annual staff conference and a series of staff road shows led by the Chief Executive, Directors and senior managers, to directly engage with staff and communicate possible changes.

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

17. Our website includes our 'Transparency' information, as required by the Local Government Transparency Code. This code was revised in 2014, increasing the amount of information required.
18. 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>.

19. Oxfordshire County Council uses a wide range of evidence and information to inform strategy, policy development and service planning and delivery. Examples of this include feedback from consultation and involvement activities and the use of data about the lifestyle types and needs of people in different parts of Oxfordshire to inform decisions on locating services. A key aspect is to consider the impact of budget decisions on vulnerable groups. We manage this through the production of Service and Community Impact Assessments as part of our budget and service change process.
20. 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 ensure that our approach to decision making is evidence based. We also attach great importance to engaging with communities that wish to develop their own plans. Community-led planning allows us to respond to local issues and concerns raised by Oxfordshire's communities whilst encouraging self-help solutions.
21. The Health and Wellbeing Board oversees the production of the Joint Strategic Needs Assessment (JSNA) – a shared evidence base required by the Health and Social Care Act. This identifies the health needs of the local community and other factors affecting health outcomes, with trends over time and by local area. The JSNA drives the priority setting of the Health and Wellbeing Board, in particular providing the foundation for the Oxfordshire Health and Wellbeing Strategy. 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 take by the County Council and other partners.

### **Decision making structures**

22. 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.
23. 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.
24. 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.

25. The Constitution is reviewed annually by the Monitoring Officer with recommendations of changes being made to Full Council for consideration and adoption.
26. 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.
27. 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.
28. Oxfordshire County Council has an Audit & Governance Committee which 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. We are reviewing and updating our arrangements in response to the 2013 version of the CIPFA guidance<sup>3</sup>.
29. The County Solicitor monitors and reviews the operation of the Constitution to ensure that its aims, principles and requirements are given full effect and makes recommendations on any necessary amendments to it to 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 County Solicitor.

### Senior Management

30. Oxfordshire has a Chief Executive who is responsible for the head of paid service function. Her role, in summary, includes co-ordinating the different functions of the council, staff appointment, organisation, management, numbers and grades. Additional responsibilities 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.
31. 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"<sup>4</sup>. This outlines five principles that define the core activities and behaviours that belong to the role of Chief Financial Officer and the governance requirements needed to support them. A self-assessment confirms that the Council's

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<sup>3</sup> Audit Committees, Practical Guidance for Local Authorities and Police, 2013 Edition, CIPFA,

<sup>4</sup> See: [http://www.cipfa.org/Policy-and-Guidance/Reports/-/media/Files/Publications/Reports/role\\_of\\_CFO\\_in\\_LG\\_2010\\_WR.pdf](http://www.cipfa.org/Policy-and-Guidance/Reports/-/media/Files/Publications/Reports/role_of_CFO_in_LG_2010_WR.pdf)

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. She can make sure that immediate and longer term implications, opportunities and risks are fully considered and aligned with the Medium Term Financial Plan.
  3. Our Chief Finance Officer leads the promotion and delivery by the County Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
  4. Our Chief Finance Officer leads and directs a finance function that is adequately resourced and is fit for purpose.
  5. Our Chief Finance Officer is professionally qualified and suitably experienced.
32. 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.
33. These financial documents are supported by a Treasury Management Manual, a Capital Manual, an Accounting Manual and information for use by non-finance specialists which are published on Oxfordshire County Council's Intranet.
34. There are teams of professionally qualified staff in the Chief Executive's Office and within Oxfordshire Customer Services. Part of their role is to support managers throughout the County Council in fulfilling their financial responsibilities and in providing regular review, scrutiny and challenge where appropriate. They also provide assurance that financial management is carried out across the organisation in accordance with the requirements of the CIPFA "Role of the Chief Financial Officer" Statement.
35. Oxfordshire has a County Solicitor who is the Monitoring Officer. His role, in summary, includes meeting all legal requirements, ensuring effective administration and 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**

36. 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.

37. 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 regularly reported to DLTs, the Chief Executive and also to the Audit Working Group (via the Directorate's Strategic Risk Registers).
38. Our ICT Service Manager has overall responsibility for the strategic development and delivery of all aspects of ICT for Oxfordshire County Council. The Deputy Head of Law and Culture 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**

39. 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.
40. 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**

41. 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.
42. Development needs for senior managers are identified and followed up through our appraisal process. Our in-house Senior Leadership Programme provides them with a platform for sharing best practice and the support needed to tackle the complex issues we face in local government.

## 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 Schools Finance 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. A helpline is also provided to schools to give them immediate SAP applications support and finance guidance where needed. The Schools Finance 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 an 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 to ensure that special educational needs are met 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 many different partnerships. Each partnership is governed by terms of reference. Overall accountability for partnership working is provided by Council. Council is responsible for examining formal and informal feedback mechanisms. To enable Council to carry out this responsibility each partnership presents an annual report.

49. The key partnerships that Oxfordshire County Council is part of are:

- **Oxfordshire Local Enterprise Partnership** - responsible for championing and developing the Oxfordshire economy. Working with businesses, academia and the public sector OxLEP drives economic development across the county. The LEP is responsible for bidding and securing funding for investment to promote growth in the county.
- **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 that fall to the councils, working collaboratively to deliver.
- **Oxfordshire Local Transport Board** – responsible for identifying and prioritising the delivery of local major transport schemes.
- **Oxfordshire Safeguarding Children Board** – makes arrangements to safeguard and promote the welfare of children, agreeing how local organisations will co-operate to achieve this.
- **Oxfordshire Safeguarding Adults Board** – responsible for working together to safeguard and promote the welfare of vulnerable adults.
- **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.
- **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.
- **Oxfordshire Safer Communities Partnership** – provides strategic direction and challenge on countywide community safety issues. Identifies and agrees shared community safety risks, opportunities and priorities.
- **The partnership with Hampshire** who will provide some of the Council's Finance and Human Resources support services from July 2015.

50. The partnership arrangements across Oxfordshire County Council are varied. There is a mixture of statutory and non-statutory bodies. The key statutory arrangements are in relation to health and wellbeing, safeguarding and community safety. There are also essential partnerships that allow for the bidding for, allocation and distribution of funding, especially those that operate in the economic growth arena and to manage pooled health budgets.

51. Further accountability is provided by the Oxfordshire Partnership. The Oxfordshire Partnership sets the objectives in the Oxfordshire 2030 strategy. The partnership meets twice a year to discuss shared priorities and key issues. Each partnership will present regular updates on the progress of their work to the Oxfordshire Partnership. The Oxfordshire Partnership currently has 37 members drawn 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)
- Education (including local universities) (3 members)

## REVIEWING OUR EFFECTIVENESS

### Measuring and Managing Service Performance

52. Oxfordshire County Council has a robust 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.

53. 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 eight times in 2014/15 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.

54. Performance is also discussed at regular meetings between each directorate leadership team and the chief executive. There is a detailed examination of a range of management information. This includes information about performance, people, risk, audits and inspections. In addition to the official reporting framework key issues are escalated to Directors and the Chief Executive on a need to know basis.

### Compliance, Risks and Complaints & Whistleblowing

#### Compliance

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

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- 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 Culture; 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.

56. 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.

57. 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.

58. 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 2014/15. 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

59. 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 2014/15.

60. 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.

61. 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. However the risk registers are now out of

date and a comprehensive review of them is needed. This will be an 'Action' for 2015/16.

62. Risk Management in projects is required in our Corporate Project Management Framework<sup>5</sup>. It includes the requirement for risk registers to be maintained as part of the project management process.

### Complaints & Whistleblowing

63. 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.

64. 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

65. 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.

66. In accordance with the requirements of the Accounts and Audit (England) Regulations 2011<sup>6</sup>, the Monitoring Officer has carried out a review of the effectiveness of the system of internal audit. The scope of the review covered compliance with proper practice (Public Sector Internal Audit Standards 2013), reporting on performance and outcomes to the Audit & Governance Committee, and a survey of Senior Management on the effectiveness of Internal Audit.

67. The Audit & Governance Committee has determined the process by which this review is undertaken. It includes continuous monitoring of the Internal Audit process by the Committee in conjunction with the Audit Working Group.

<sup>5</sup> <http://projectmanagement.oxfordshire.gov.uk/wps/wcm/connect/occ/project+management+framework/Home/>

<sup>6</sup> As set out in the sector specific note – \ local government application note, for the United Kingdom Public Sector Internal Audit Standards, CIPFA and CIIA, April 2013.

68. In the resulting report to the Audit & Governance Committee it was concluded that the Internal Audit Service overall continues to be effective and well received; however capacity to meet the planned and reactive work needs attention. The Chief Internal Auditor's self-assessment against the Public Sector Internal Audit Standards was considered as part of the review. The assessment identifies two key areas where the service does not currently conform to the standards - the Internal Audit terms of reference needs to be updated and incorporated within a new Internal Audit Charter - and a Quality and Improvement Plan needs to be produced for review and monitoring by the Audit & Governance Committee. These areas of non-conformance were also identified last year. In accordance with the requirements for reporting "non-conformance", these are detailed in the Chief Internal Auditor's annual report including actions being taken.
69. The Chief Internal Auditor has prepared an Annual Report on the work of Internal Audit which concludes that the system of internal control provides reasonable assurance regarding the effective, efficient and economic exercise of the County Council's functions. Where areas for improvement have been identified, management action plans are in place 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**

70. 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.
71. Full Council requested a review of effectiveness of the changes to the Committee and decision making processes of the Council, introduced in May 2013. The Monitoring Officer made some recommendations for improvements but overall regarded the changes as being effective (report back to Full Council in September 2014).
72. 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**

73. 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

74. Oxfordshire County Council has three scrutiny committees. They cover the following areas:

- Education;
- Performance;
- Joint Health Overview includes district council and co-opted lay members)

75. 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.

76. 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.

77. 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.

78. 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)

79. 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) relating to the 2013/14 Annual Governance Statement. The group now includes a representative from Human Resources.

### Key Deliverables

80. Key deliverables within Directorate Business Strategies are managed as projects as a part of our directorate business management process. Updates on projects are reported quarterly, with information reported through existing quarterly business management (performance/risk/projects) reporting procedures. The forecast financial position is reported monthly to Leadership Teams and through the regular Business Strategy Delivery Reports to Cabinet.
81. Further to these monitoring arrangements, the Chief Finance Officer and the Head of Policy meet monthly with all Deputy Directors. They review the delivery of business strategies, 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

82. 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. The following areas have been considered in 2014/15:

- In May 2013, seven men were found guilty of offences including rape, facilitating child prostitution and trafficking in Oxford from 2005-2011. The men received sentences totalling 95 years. Subsequently a serious case review was commissioned by the independent Oxfordshire Safeguarding Children Board. This review was published in March 2015. The Council fully accepted the findings of the report and is committed to acting on the recommendations that were made. Considerable action has already been taken by the Council since evidence of the abuse first emerged. Full details of action that has been taken to date and is planned in response to the review are in a report to Performance Scrutiny Committee on 26 March 2015 and Cabinet on 26 May 2015.
- On 30 June 2014, Oxfordshire's children's social care service was rated as "Good" by Ofsted.
- In March 2015, a Court of Protection visitor from the Office of the Public Guardian noted that our Money Management Team were experienced, knowledgeable and keen to ensure that arrangements for each client maximised their individual abilities and capacities.

## SIGNIFICANT GOVERNANCE ISSUES

### Progress in 2014/15

83. The Progress Report on Actions planned for 2014/15 follow. More details of the progress made are contained in a report to Audit & Governance Committee on 22 April 2015.

Action that were planned for 2014/15	Timescale, Responsible officer, Monitoring body	Progress	Status
<p><b>1. Data Transfers and Security (on-going from 2012/13)</b></p> <p>Ensuring that where appropriate, data is transmitted securely either using 'Government Connect', or Egress Switch email and file transfer software or another secure software system.</p>	<p>31 March 2015</p> <p>ICT Corporate Lead</p> <p>Information Governance Group</p>	<p>Appropriate secure systems are in place. Staff and schools have been informed, guided and trained. A new Acceptable Use Policy was launched in March 2015, with eLearning required for everyone. A consistent process for investigating and responding to Data Security Breaches is in place. Information Asset registers are being put in place. There is some evidence from third parties that we are using these systems appropriately.</p>	<p><b>COMPLETED</b></p>



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<b>Action that were planned for 2014/15</b>	<b>Timescale, Responsible officer, Monitoring body</b>	<b>Progress</b>	<b>Status</b>
<p><b>2. Data Quality (on-going from 2013/14)</b></p> <p>Agree, implement and report on the performance of a <b>Data Quality Strategy</b> within the organisation and with third parties</p>	<p>31 March 2015</p> <p>ICT Corporate Lead</p> <p>Information Governance Group</p>	<p>A revised Data Quality Strategy is in place. Actions include developing common operating standards, changing job descriptions, improving storage arrangements, sign-off, sharing practices, better use of the JSNA, improved contracts, ownership arrangements and developing a comprehensive communications plan.</p>	<p><b>CONTINUING</b> <b>With a focus on checking major and critical databases</b></p>
<p><b>3. Commercial Services Board (on-going from 2013/14)</b></p> <p>The Board's framework should be embedded and implemented effectively. This will provide an on-going robust overview of the adequacy of procurement and contract management arrangements across the organisation including contract performance and visibility of issues/risks.</p>	<p>31 March 2015</p> <p>Chief Finance Officer Interim Corporate Procurement Manager</p> <p>CGAG</p>	<p>The Board continues to monitor significant commercial activity, focusing on the most important contracts. Training of contract managers has started. Further work is needed to fix changes in place and reinforce the Boards work. In particular to develop a more consistent approach to commissioning. Recent developments suggest that work needs to continue in this area.</p>	<p><b>CONTINUING</b> <b>With revised Actions</b></p>

**ANNUAL GOVERNANCE STATEMENT**

<b>Action that were planned for 2014/15</b>	<b>Timescale, Responsible officer, Monitoring body</b>	<b>Progress</b>	<b>Status</b>
<p><b>4. Business Continuity</b></p> <p>a. Undertake a review of Business Continuity processes, guidance documents and templates to ensure that they reflect contracted services and rationalised process.</p> <p>b. Ensure that appropriate BC toolkits, training and testing information is available to staff and managers.</p> <p>c. Ensure that all necessary plans exist, can easily be accessed on a central database and are up to date and realistic.</p> <p>d. Ensure that plans are updated when there is organisational change, estate rationalisation or increasing flexible or agile working.</p> <p>e. Ensure that business continuity arrangements are reviewed and if necessary changed when commissioning or externalising services.</p> <p>f. Ensure that Tier 3 managers sign off the plans.</p>	<p>31 March 2015</p> <p>Business Continuity Corporate Lead</p> <p>CGAG</p>	<p>a. A review has been completed by the newly appointed Business Continuity and Resilience Officer.</p> <p>b. New guidance, training and a toolkit based on the Good Practice Guide is being rolled during 2015.</p> <p>c. Plans are in place and options for storing them have been explored. The search for a suitable system continues.</p> <p>d. Plans and priority registers have been updated and this work continues.</p> <p>e. Greater assurance and improved awareness have been achieved. More tangible objectives are replacing this in 2015/16.</p> <p>f. Plan sign off has been assured through the Business Continuity Steering Group.</p>	<p><b>CONTINUING With revised Actions</b></p>

**ANNUAL GOVERNANCE STATEMENT**

<b>Action that were planned for 2014/15</b>	<b>Timescale, Responsible officer, Monitoring body</b>	<b>Progress</b>	<b>Status</b>
<p><b>5. Externalisation of Human Resources and Finance Services</b></p> <p>Setting up, implementing and embedding our new operating model includes extensive working with another public body and other work. The following action is required as a result.</p> <p>Develop for the approval of CCMT and the Audit &amp; Governance Committee a robust assurance framework for the governance and systems of internal control for the planned externalisation of services including explicitly those where there may be a transfer in full or in part of key control processes.</p> <p>Risks arising as our partner's access our data and other information assets will need to be explicitly considered.</p> <p>The output of this process is to be reviewed by CGAG, approved by CCMT and Audit &amp; Governance Committee.</p>	<p>31 March 2015</p> <p>Chief Finance Officer Chief Internal Auditor Chief Human Resources Officer</p> <p>CGAG</p>	<p>An extensive programme of work to ensure the successful transfer of Human Resources and Finance Services to Hampshire County Council began in September 2014.</p> <p>A governance framework and project documentation was put in place. Operating differences and internal control issues were identified and dealt with. Detailed work continues and the handover is planned for late June and early July. Staffing issues have been identified and are being sorted out. Work continues as the handover is underway, until the project is completed. So this action continues.</p>	<p><b>CONTINUING Until December 2015 at least</b></p>

**ANNUAL GOVERNANCE STATEMENT**

<b>Action that were planned for 2014/15</b>	<b>Timescale, Responsible officer, Monitoring body</b>	<b>Progress</b>	<b>Status</b>
<p><b>6. Partnerships</b></p> <p>To undertake a review of governance arrangements in relation to key strategic partnerships where the council is a formal member.</p>	<p>31 March 2015</p> <p>Head of Law &amp; Governance Head of Policy</p> <p>CGAG</p>	<p>The Council is now necessarily involved in a complex system of Partnerships. Many steps have been taken to ensure that Councillors and staff are aware of and understand these new arrangements.</p> <p>These include briefings, reports and updates on changes.</p> <p>Additional Corporate Governance Leads will be put in place to cover:</p> <ul style="list-style-type: none"> <li>• Partnership and</li> <li>• Clinical Governance issues</li> </ul>	<p><b>COMPLETED</b></p>

### A Review of the effectiveness of our governance arrangements

84. We have reviewed our overall effectiveness. Key points are that:

- We have made good progress on implementing our Action Plan for 2014/15 as noted above;
- There was a full review of the Council's constitution in the summer of 2014;
- Our decision taking processes are clear;
- The council has effective financial management providing good value for money and operating within a budget that included a low council tax increases and continuing plans to make savings;
- 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 – Chief Executive, Chief Finance Officer, Monitoring Officer and Chief Internal Auditor;
- We have implemented the additional requirements of the Local Government Transparency Code that were announced in October 2014;
- We are implementing the Care Act 2014, changes to the Transparency Code and responding to change in the Deprivation of Liberty arrangements;
- We are setting up a 'Local Pensions Board' as required by the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014, to 'assist' the administering authority. The constitution of the board needs to be in place by 1 April 2015 and its first meeting must be within four months of that date;
- We are considering the government's Security Policy Framework as a benchmark for our Council;
- We are considering a 'Tri-county' alliance with Buckinghamshire and Northamptonshire, seeking additional powers from central government to set up a combined authority that will develop skills, transport, bus services, spatial planning and infrastructure across the area.
- Internal Audit's Annual Report concludes that the system of internal control provides reasonable assurance regarding the effective, efficient and economic exercise of Oxfordshire County Council's functions; and
- Through the governance assurance framework, issues and unacceptable risk exposures are being highlighted with action plans devised and implementation monitored on a timely basis. This will ensure that the level of risk is returned to acceptable levels as soon as possible.

Thus we consider that our governance arrangements are in reasonable shape given the pressures, scale of change and uncertainty about funding. We have continuing and new plans to improve our governance in 2015/16. They are listed below.

## ANNUAL GOVERNANCE STATEMENT

### Action Plans for 2015/16

85. For 2015/16, 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 2015/16 follows:

	<b>Action now planned for 2015/16</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
1	<p><b>Data Quality (ongoing from 2013/14)</b></p> <p>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>	31 March 2016	ICT Corporate Lead	CGAG

## ANNUAL GOVERNANCE STATEMENT

	<b>Action now planned for 2015/16</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>2</b>	<p><b>Commercial Services Board (ongoing from 2013/14)</b></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 mechanisms</p>	31 March 2016	<p>Chief Finance Officer</p> <p>Interim Corporate Procurement Manager</p>	CGAG

## ANNUAL GOVERNANCE STATEMENT

	<b>Action now planned for 2015/16</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>3</b>	<p><b>Business Continuity (BC) (ongoing from 2014/15)</b></p> <ol style="list-style-type: none"> <li>1. Increase awareness and scrutiny of BC when buying in or outsourcing activity</li> <li>2. Ensure that flexible and agile working takes account of the need for BC</li> <li>3. Improve links between Directorates and the BC Steering Group</li> <li>4. Improve the Priority 1 exercise programme</li> <li>5. Improve awareness of BC across the organisation</li> <li>6. Use the good practice guide to improve BC generally</li> <li>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.</li> </ol>	31 March 2016	Business Continuity and Resilience Officer	Business Continuity Steering Group  CGAG
<b>4</b>	<p><b>Externalisation of Human Resources and Finance Services (ongoing from 2014/15)</b></p> <p>Setting up, implementing and fixing in place our new operating model includes extensive working with another public body and other work. This work continues as Hampshire take on this role in July 2015.</p>	31 December 2015	Chief Finance Officer  Chief Internal Auditor  Chief Human Resources Officer	CGAG



## ANNUAL GOVERNANCE STATEMENT

	<b>Action now planned for 2015/16</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>5</b>	<p><b>Strategic Risk Register</b></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>	31 September 2015	Chief Internal Auditor	CCMT
<b>6</b>	<p><b>Supported Transport for Children</b></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>	30 September 2016	<p>Service Manager Business Development &amp; Fleet Management</p> <p>Interim Head of Service – Safeguarding</p>	Supported Transport Governance Group

**ANNUAL GOVERNANCE STATEMENT**

86. 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 <u>5/8/15</u>	.....	Date <u>4/8/15</u>
Joanna Simons Chief Executive		Lorna Baxter Chief Finance Officer	
.....	Date <u>4/8/15</u>	.....	Date <u>4/8/15</u>
Councillor Ian Hudspeth Leader of the Council		Peter Clark 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.

		2013/14	2014/15	
<b>Trust Funds where Oxfordshire County Council acts as sole trustee</b>		<b>Value of Fund £'000</b>	<b>No. of Funds</b>	<b>Value of Fund £'000</b>
Children, Education & Families	Funds for the Development of Hill End Residential Centre	108	1	117
	Oxford Boys	23	1	24
	Criminal Injuries Compensation Awards	21	4	21
	Other (under £10,000)	10	4	16
Chief Executive's Office	Bequest of Property at Watlington	87	1	88
<b>Total</b>		<b>249</b>	<b>11</b>	<b>266</b>

		2013/14	2014/15	
<b>Trust Funds where Oxfordshire County Council acts as joint trustees</b>		<b>Value of Fund £'000</b>	<b>No. of Funds</b>	<b>Value of Fund £'000</b>
Children, Education & Families Social & Community Services	Funds to be used for the benefit of Wallingford School	3,247	3	3,292
	Other (under £10,000)	1	1	1
	Junior Citizens Trust	6	1	9
<b>Total</b>		<b>3,254</b>	<b>5</b>	<b>3,302</b>

		2013/14	2014/15	
<b>Other Funds</b>		<b>Value of Fund £'000</b>	<b>No. of Funds</b>	<b>Value of Fund £'000</b>
Children, Education & Families Social & Community Services	Thomas Gifford Charity	353	1	355
	City Lectureship Scholarship	17	1	18
	Other (under £10,000)	31	11	31
	Other (under £10,000)	9	1	9
<b>Total</b>		<b>410</b>	<b>14</b>	<b>413</b>

### **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 generally the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. This definition is modified by the Code for certain categories of assets and liabilities e.g. Property, Plant and Equipment.

**Financial asset**

A right to future economic benefits controlled by the County Council that is represented by cash, an equity instrument of another entity, a contractual right to receive cash (or another financial asset) from another entity or a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the County Council.

**Financial liability**

An obligation to transfer economic benefits controlled by the County Council that is represented by a contractual obligation to deliver cash (or another financial asset) to another entity, or a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the County Council.

### **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial instruments include bank deposits, investments, debtors, long-term debtors, creditors, temporary loans and borrowings.

### **Financial Year**

The County Council's accounts cover the period from 1 April in one year to 31 March in the next year.

### **Fixed Asset**

A tangible asset that yields benefit to the County Council and the services it provides for a period of more than one year.

### **General Government Grants**

These are general grants paid by central government in aid of local authority services as opposed to specific grants which may only be used for a specific purpose. The main general grant is Revenue Support Grant.

### **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



## GLOSSARY

charges include the minimum revenue provision required and interest on outstanding debt, together with a general revenue contribution to finance capital spending.

### **Supported Capital Expenditure (Revenue) (SCE(R))**

Borrowing supported by the government through general grant.

### **Transfer Values**

An amount paid or received by the Pension Fund in respect of pension rights transferred from one pension scheme to another for employees joining the County Council from another job or leaving the County Council to move to another job.

### **Unusable Reserves**

Reserves that the County Council cannot use to provide services. These include reserves that hold unrealised gains and losses, e.g. the Revaluation Reserve, and reserves that hold timing differences between when items are recognised in the accounts in accordance with accounting policy and when they are recognised as a charge or credit to the County Fund, e.g. Financial Instruments Adjustment Account.

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