

# Statement of Accounts

## 2016/2017

## CONTENTS

	Page
Narrative Report by the Director of Finance	1
Statement of Responsibilities for the Statement of Accounts	17
Expenditure and Funding Analysis	18
Comprehensive Income and Expenditure Statement	19
Movement in Reserves Statement	20
Balance Sheet	21
Cash Flow Statement	22
Notes to the Core Financial Statements (see table on next page)	23
<u>The Fire-fighters' Pension Fund Accounts:</u>	
Fund Account	121
Net Assets Statement	122
Notes to the Fire-fighters' Pension Fund Accounts	123
<u>The Local Government Pension Fund Accounts:</u>	
Fund Account	125
Net Assets Statement	126
Notes to the Local Government Pension Fund Accounts	127
Local Government Pension Fund Actuarial Valuation	159
Independent Auditor's Report to the Members of Oxfordshire County Council – to follow on completion of the audit	161
Annual Governance Statement	167
Trust Funds	188
Glossary	189

## CONTENTS

### Notes to the Core Financial Statements

1. Summary of significant accounting policies
2. Critical judgements in applying accounting policies
3. Assumptions made about the future and other sources of estimation uncertainty
4. Adjustments in the Expenditure and Funding Analysis
5. Analysis of income and expenditure by nature
6. Adjustments between accounting basis and funding basis under regulations
7. Dedicated Schools Grant (DSG)
8. Partnership Schemes under section 75 of the National Health Service Act 2006
9. Members' Allowances
10. Audit and Inspection Fee
11. Senior Officers' Remuneration
12. Exit Packages
13. Operating Leases
14. Other operating expenditure
15. Financing and Investment Income and Expenditure
16. Trading Operations
17. Financial Instruments – Income, Expenses, Gains or Losses
18. Retirement Benefits
19. Taxation and Non – Specific Grant Income
20. Grant Income
21. Related Party Transactions
22. Movement in the value of Property, Plant & Equipment
23. Investment Properties
24. Movement in the value of assets held for sale
25. Movement in the value of intangible assets
26. Heritage Assets
27. Valuation of non – current assets
28. Private Finance Initiative (PFI) and similar contracts – Homes for Older People
29. Capital Spending
30. Capital Financing
31. Capital Financing Requirement
32. Capital Commitments
33. Financial Instrument Carrying Values
34. Financial Instrument Fair Values
35. Long Term Debtors
36. Debtors
37. Cash and Cash Equivalents
38. Risks arising from financial instruments
39. Creditors
40. Provisions
41. Deferred Income
42. Capital Grants Receipts in Advance
43. County Fund Balance
44. Earmarked Reserves
45. Usable Capital Receipts
46. Capital Grants and Contributions Unapplied
47. Unusable Reserves
48. Available for Sale Reserve
49. Revaluation Reserve
50. Capital Adjustment Account

## CONTENTS

### Notes to the Core Financial Statements

51. Collection Fund Adjustment Account
52. Accumulated Absences Account
53. Cash Flow Statement – Non – cash Movements
54. Cash Flow Statement – Operating Activities
55. Cash Flow Statement – Investing Activities
56. Cash Flow Statement – Financing Activities
57. Contingent Liabilities and Assets
58. Material Post Balance Sheet events
59. Changes in Accounting Policy
60. Authorisation of the Accounts

### Introduction

These accounts set out the financial results of Oxfordshire County Council's activities for the twelve months up to 31 March 2017. They have been compiled in accordance with the statutory requirements of the Accounts and Audit Regulations 2015 and in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code")(in conjunction with the Update to the 2016/17 Code issued in January 2017). To meet statutory requirements, the Director of Finance is required to sign the accounts no later than 30 June 2017 and certify that they give a true and fair view of the County Council's position. This was achieved on 31 May 2017 when the Director of Finance authorised the unaudited accounts for issue. The County Council is required to consider and approve the accounts no later than 30 September 2017. The Audit & Governance Committee is scheduled to meet on 6 September 2017 to fulfil this requirement.

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

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

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

### The Accounts

The financial and other statements/notes 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 Director of Finance for preparing the accounts.
- **Expenditure and Funding Analysis** note demonstrates to council tax payers how the funding available to the County Council (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the County Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the County Council's directorates. Directorate net expenditure chargeable to the County Fund for 2016/17 was £415.0m. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- **Comprehensive Income and Expenditure Statement** which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The County Council raises taxation to cover expenditure in accordance with statutory requirements; this is different from the accounting cost which takes into account, for example, charges for the use of assets. The taxation position is shown in both the Expenditure and Funding Analysis and

the Movement in Reserves Statement. The Deficit on the Provision of Services for 2016/17 was £24.1m.

- **Movement in Reserves Statement** which shows the movement from the start of the year to the end 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 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the County Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase/Decrease in Year line shows the statutory County Fund Balance movements in the year following those adjustments. For 2016/17 the net increase in the County Fund Balance was £1.0m, giving a closing County Fund Balance of £20.0m.
- **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 statutory provisions'. At 31 March 2017 the liabilities of the County Council were more than its assets, resulting in negative net assets of £82.6m. This negative position is a result of a large increase in the pension liability which is explained in more detail on page 7 (Pension Liability).
- **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 2016/17 was £34.8m.
- **The notes to the accounts** provide analysis of figures summarised in the financial statements and additional disclosures providing explanations for key items in the accounts.
- **Pension Fund Accounts** which set out the accounts of the Firefighters' Pension Scheme and the Oxfordshire Local Government Pension Scheme, both of which the County Council administer.
- **Annual Governance Statement** which describes the arrangements by which the County Council conducts its business. This statement does not form part of the statements on which the auditor's opinion is given, but has been included as part of this document for completeness.

The main changes to the Statement of Accounts for 2016/17 are new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, and the introduction of a new Expenditure and Funding Analysis note. The service analysis within the Comprehensive Income and Expenditure Statement is now on the basis of the organisational structure under which the County Council operates (i.e. directorates), rather than the grouping of services within the Service Reporting Code of Practice. The new Expenditure and Funding Analysis provides a direct reconciliation between the County Council's financial performance reported to Cabinet in the provisional outturn report and its financial performance under generally accepted accounting practice as shown in the Comprehensive Income and Expenditure Statement. The 2015/16 Comprehensive Income and Expenditure Statement has been restated to present the service analysis on a directorate basis, however there is no change to the total Cost of Services reported. Prior year figures are also presented in the Expenditure and Funding Analysis. There are consequential amendments to some of the disclosure notes. There are also minor changes to the format of the pension fund accounts.

In the 2015/16 Statement of Accounts, the note on upcoming changes to accounting policy referred to the adoption of the measurement requirements of the Code of Practice on Transport Infrastructure Assets (renamed the Highways Network Asset Code) in 2016/17. In the Update to the 2016/17 Code of Practice on Local Authority Accounting issued in January 2017, the CIPFA/LASAAC Code Board postponed the introduction of the new measurement requirements for the Highways Network Asset for 2016/17. This was followed by a decision of the CIPFA/LASAAC Code Board in March 2017 not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities, on the basis that the benefits are outweighed by the costs of implementation for local authorities.

### **Revenue Expenditure**

Following national budget announcements in March and July 2015, the County Council consulted in the autumn of 2015 on further savings options totalling just over £50m for the period 2016/17 to 2019/20, before knowing the total savings that would need to be made. Government grant figures for 2016/17 were not announced until mid-December 2015, and changes to the way grants were distributed led to an additional reduction in funding of £22m over the medium term to 2019/20 on top of the worse-case planning assumption of £47m over the same period. This took the total savings made or to be made over the period 2010 to 2020 to £361m. At the budget setting meeting in February 2016, the Council agreed a balanced budget for 2016/17, however with £15m of savings still to be identified in 2017/18 and 2018/19 to achieve a balanced position over the medium term. The Council approved a Council Tax requirement for 2016/17 of £305.9m, based on a Band D Council Tax of £1,281.64, an increase of 3.99% from the previous year. 2% of the increase related to the new Adult Social Care precept, introduced to raise additional funding for spending on social care services for adults.

The provisional revenue outturn position for 2016/17 to be reported to Cabinet on 20 June 2017 (summarised in the following table) shows expenditure and funding compared to the original and final budgets and the overall surplus for the year to be added to the County Fund. The Expenditure and Funding Analysis (page 18) summarises the adjustments required to arrive at the amounts reported in the Comprehensive Income and Expenditure Statement in accordance with generally accepted accounting practice, with further details provided in Note 4 (page 41).

## NARRATIVE REPORT BY THE DIRECTOR OF FINANCE

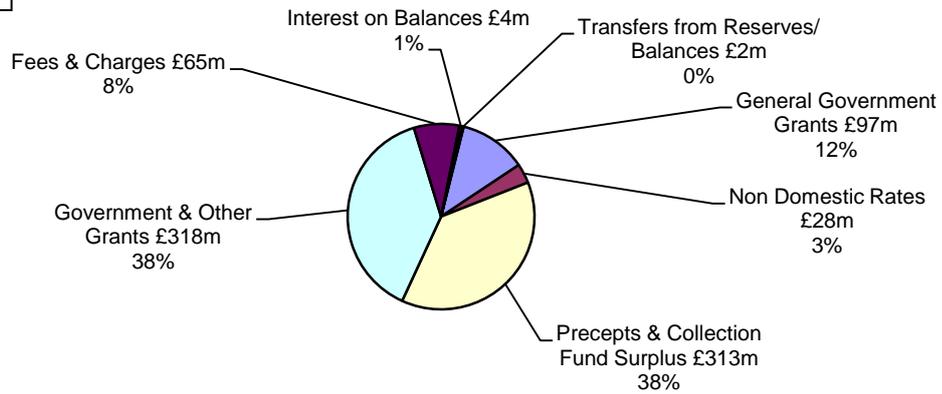
	Original budget	Final budget	Actual net expenditure	Variation against final budget
	£'000	£'000	£'000	£'000
<b>Directorates</b>				
Children, Education & Families	106,596	107,524	114,162	6,638
Social & Community Services	212,893	212,505	210,260	-2,245
Environment & Economy	62,421	70,462	67,439	-3,023
Public Health	0	0	0	0
Corporate Services	28,104	22,877	23,119	242
	<b>410,014</b>	<b>413,368</b>	<b>414,980</b>	<b>1,612</b>
<b>Strategic Measures</b>				
Capital Financing	33,095	33,145	32,564	-581
Interest on Balances	-5,818	-5,868	-6,010	-142
Unringfenced Government Grants	-20,149	-20,149	-20,335	-186
Contingency	4,625	1,292	400	-892
Public Health Saving Recharge	-1,250	-750	0	750
	<b>10,503</b>	<b>7,670</b>	<b>6,619</b>	<b>-1,051</b>
<b>Contributions to/from corporate reserves &amp; balances</b>				
Contributions to (+) / from (-) reserves	-5,057	-5,051	-5,046	5
Contributions to (+) / from (-) balances	2,000	1,473	0	-1,473
	<b>-3,057</b>	<b>-3,578</b>	<b>-5,046</b>	<b>-1,468</b>
<b>Funding</b>				
Revenue Support Grant	-39,331	-39,331	-39,331	0
Business Rates Top-Up Grant	-37,394	-37,394	-37,394	0
Business Rates	-27,823	-27,823	-28,063	-240
Council Tax Requirement	-305,897	-305,897	-305,897	0
Council Tax Surpluses	-7,015	-7,015	-6,854	161
	<b>-417,460</b>	<b>-417,460</b>	<b>-417,539</b>	<b>-79</b>
<b>Surplus (-) / Deficit (+)</b>	<b>0</b>	<b>0</b>	<b>-986</b>	<b>-986</b>

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

# NARRATIVE REPORT BY THE DIRECTOR OF FINANCE

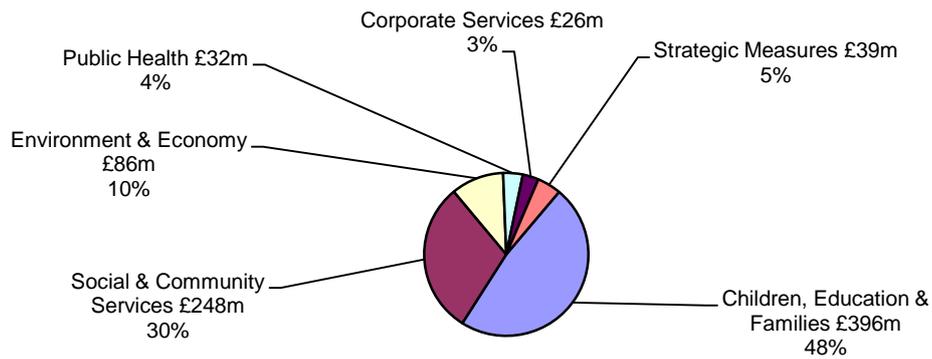
**Total  
£827m**

## Sources of income



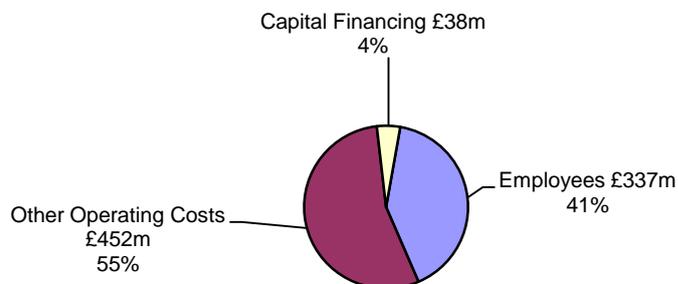
**Total  
£827m**

## Expenditure by directorate



**Total  
£827m**

## Expenditure by type



## NARRATIVE REPORT BY THE DIRECTOR OF FINANCE

Throughout the year the Financial Monitoring and Business Strategy Delivery Reports to Cabinet have highlighted expenditure pressures of which the most significant have been in Children's Social Care placements and Special Educational Needs (SEN) Home to School Transport. Recognising these pressures, directorates have worked to reduce the forecast overspend by management action which included a freeze on non-essential recruitment, together with one-off use of reserves and budgeted contingency. As funding levels continue to fall there is less flexibility to manage pressures as they arise. The on-going impact of the increased demand has been taken into consideration in the 2017/18 budget.

In the main, directorate business strategies were delivered as planned, with 87% of the £53m savings built into the budget for 2016/17 being achieved by the end of the year and a further 5% expected to be achieved in 2017/18. The on-going implications of the £4.4m savings not achievable were considered as part of the 2017/18 Service & Resource Planning process.

The overall surplus of £1.0m shown in the previous table compares to a deficit on the provision of services of £24.1m. The 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 funded from the County Fund under regulations. The Expenditure and Funding Analysis on page 18 provides a summary of the adjustments between the funding basis and the accounting basis, with further detail in Note 4 (page 41). As in recent years, the largest element of the deficit is from a loss on the disposal of assets of £67.9m, the majority of which relates to the transfer of school land and buildings to academy trusts for nil consideration.

### 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 2016	<b>17,517</b>	<b>18,984</b>
Additions to / calls on (-) balances	0	986
<b>County Fund balance 31 March 2017</b>	<b>17,517</b>	<b>19,970</b>

The £20.0m outturn position compares to anticipated balances at the end of the financial year of £15.1m as set out in the Medium Term Financial Plan (MTFP) approved by Council in February 2017. The improved position is as a result of the reduction in the anticipated overspend by directorates.

Earmarked reserves totalled £104.4m at the end of the year and comprise school reserves (£18.3m), directorate reserves (£37.6m), corporate reserves (£4.6m) and other reserves (£43.9m). Other reserves include insurance, capital and cash flow reserves. £7.5m of the budget reserve, used to help manage the cash flow implications of the Medium Term Financial Plan was used in 2016/17. The £1.2m balance at the end of the year will be used in line with the Medium Term Financial Plan agreed by Council in February 2017. Capital reserves total £34.5m and will be used to finance the Capital Programme agreed by Council.

### **Capital**

The £111.2m capital spend in 2016/17 was spent on schools, children's and other educational facilities (£48.1m), highways and transport schemes (£39.7m), a care home for adults (£8.4m), schemes on behalf of the Oxfordshire Local Enterprise Partnership (£7.9m) and the balance, £7.1m, on a range of other projects. Details of capital spending are provided in Note 29 (page 84). The capital spend was funded from grants and contributions (£101.7m), prudential borrowing (£8.7m) and the remainder from revenue (£0.8m) (Note 30, page 86).

### **Pension Liability**

The County Council's net liability for retirement benefits as at 31 March 2017 is £1,033.5m, an increase of £276.5m (36%) compared to last year. This significant increase in the net pension liability has resulted in the total liabilities reported on the balance sheet outweighing the assets at the reporting date. The increase in the pension liability is mainly as a result of a change to the discount rate used in calculating the liability. The discount rate used for accounting purposes is based on corporate bond yields that reflect the duration of the employer's liabilities. Corporate bond yields have reduced markedly over the year, leading to a significant increase in the deficit disclosed as at 31 March 2017. It should be noted however that the pension liability valuation in accordance with accounting requirements is only a snapshot in time and will likely fluctuate year on year. The employer contribution rate for the local government pension scheme is set through a triennial revaluation by the County Council's actuary, and not with reference to the liability reported in the accounts, with similar arrangements applying nationally for the fire-fighters pension schemes. Note 18 on retirement benefits (page 61) 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 £39.9m, comprising £24.9m for property built by Oxfordshire Care Partnership under a service concession arrangement and £15.0m relating to forward deals on long-term investments.

The County Council is the accountable body for the Growing Places Fund on behalf of the Oxfordshire Local Enterprise Partnership (OxLEP). The remaining £1.7m of the capital element of the grant received is held within Capital Grants Receipts in Advance pending allocation to projects in 2017/18.

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

### **Overview**

Oxfordshire County Council's ambition is for a 'thriving Oxfordshire'. This means a place where every community thrives, where everybody leads safe and healthy lives, and where a strong and thriving economy creates jobs and homes for the future.

At the start of 2016/17 we set out our plans to lead, support and enable activities to work towards these ambitions. During the year we made good progress on all fronts, delivering a wide range of high quality services to people, businesses and communities across the county. We also used our expertise and support to work in constructive partnerships with other Oxfordshire and regional bodies.

Throughout the year we monitored our performance across the breadth of the council's business. In particular, 24 high-level outcomes, aligned with our Corporate Plan priorities, have been under continuous assessment throughout the year, as set out in quarterly performance reports. By the end of March 2017 21 of the 24 high-level outcomes had been achieved in line with our 2016/17 targets. For all three of the outcomes where we have not fully achieved our stated ambitions for the year, plans are in hand to bring performance up to the desired level in the first part of 2017/18.

We achieved this despite reduced funding and rising demand for our services. Having already delivered £247m of savings between 2010/11 and 2015/16 we continued to progress towards all our ambitions in 2016/17 despite requiring an additional £53m of savings.

This strong record of living within our means, and even more effectively targeting our resources at the services we provide for Oxfordshire's people and businesses, has been at the heart of our work to begin a new transformation programme in the council this year. The organisation-wide "Fit for the Future" programme, along with other organisational change, will provide a robust and stable platform for the council over the medium term, ensuring we are well placed to effectively meet residents' and businesses' needs within our available budget.

The programme has already begun helping us to identify beneficial changes we can make to the way we operate. For example, the reform of our senior management structures during the year has created a more strategic, joined-up approach, making the council more readily able to adapt to the needs of the county and its residents.

Against this backdrop of reduced funding, rising demand and change initiatives, the council's many achievements in 2016/17 represent a proud record.

The council's 2016/17 performance is summarised by directorate below, reflecting the management structure reported on during the year. In future years performance reporting will be arranged under the three strategic themes – communities, people and resources – reflected in the new management structures adopted by the council following the senior management review.

### **Children, Education & Families**

Our vision for Oxfordshire includes the ambition to be the best place in England for children and young people to grow up. We focused our resources on this in 2016/17 by working to ensure that every child and young person can develop the skills, confidence and opportunities they need to achieve their full potential.

We worked with partners to improve the wellbeing of children and young people, and to reduce inequalities between them. As a result we have seen a rise in the proportion of children attending primary and secondary schools judged as good or outstanding, and have seen Oxfordshire pupils continue to perform above the national average at Key Stage 4.

However the number of permanent exclusions from Oxfordshire schools continues to increase. We have developed a Children Missing Out on Education Strategy with a number of initiatives to ensure children regularly attend school.

In 2016/17 we also saw greater increased demand for children's social care compared to elsewhere in the country. This meant that more looked after children were placed out of county than we had planned. We are addressing this by implementing a multi-agency strategy to improve early help and stop children being pulled into the looked after system, and are continuing to deliver a placement strategy to develop more places in the county. Next year two of our stated ambitions are to increase school attendance and safely reduce the numbers of looked after children.

All children the subject of a child protection plan and looked after by the council remain allocated. The performance of our adoption services remains amongst the best in the country, with more looked after children adopted, and in a more timely fashion, than elsewhere. The average time between a child entering care and moving in with its adoptive family in Oxfordshire is 450 days, compared to 647 days nationally, with 75% of children waiting less than 16 months between entering care and moving in with their adoptive family in the county compared to 55% nationally. We met our target of working with 1,549 troubled families by the end of 2016/17 and are turning their lives around.

### **Environment & Economy**

Through our leadership and actions in 2016/17 we continued to create the conditions to support investor confidence in Oxfordshire as the location of choice for the world's leading science and technology businesses. Our City Deal and Local Growth Fund allocations continued to help deliver growth through major infrastructure improvements and provided support in developing, employing and exporting profitable businesses and research and innovation.

In order to maximise value and to increase delivery capacity for growth the council seconded its economic development function to the Oxfordshire Local Enterprise Partnership (OxLEP) for a three year period commencing this year – further strengthening the council's support for a thriving Oxfordshire.

The team has since refreshed Oxfordshire's Strategic Economic Plan, its supporting skills, innovation, creative, cultural, heritage and tourism strategies and the strategic economic environmental investment plan – further enhancing the strategic framework for growth. In parallel the team has continued to oversee Oxfordshire's c.£2bn growth programme whilst delivering growth in apprenticeships, foreign direct investment and business support.

In our role as the Highways Authority we undertook statutory duties in accordance with the Highways Act 1980 and the Local Transport Plan, which sets out the long-term transport strategy for Oxfordshire. We also sought to make effective interventions to address challenges in the county's road network and public transport systems. This comprised a wide range of schemes from major improvements such as the Milton Interchange Improvement to minor upgrades to pedestrian and cycle infrastructure.

We worked with a number of industry partners to ensure the efficient maintenance of the county's 4,500 km of roads, 1,000 highway bridges, and the associated footways, drainage and electrical apparatus, to deliver a more stable asset. We also continued to improve our response to public concerns by developing public information and access to information, including through FixMyStreet defect reporting online.

We worked effectively with our Term Maintenance Contractor to introduce innovative ways of repairing highway defects, an example of which is in the use of the 'Dragon' patcher. This

road maintenance technique has increased productivity, reduced costs and improved the service to correct defects and provide sustainable repairs, increasing the life of the highways asset.

Following our successful Challenge Fund Bid with the Department for Transport (DfT) we have continued to invest the contribution of £13.0m towards our total scheme costs of £14.5m in highways, drainage and street lighting assets. The success of this bid is a reflection of the quality of asset information we hold in many areas of the highway service, which enabled us to successfully deliver the first and second year of the programme, including:

- Continued refurbishment and repair of surface water carrier drain systems in towns and villages across the south of Oxfordshire;
- In rural south Oxfordshire, we re-established a network of sustainable drainage grips to remove water off the highway and into drainage ditches and ponds;
- Innovative highway edge strengthening design, preparation and procurement for construction in years 2 and 3 of the Challenge Fund Programme at all sites identified in our bid<sup>1</sup>;
- Identification of sites and design for the replacement in 2017/18 of over 1,400 deteriorating street lighting columns in excess of 40 years old in the major towns of Oxfordshire.

We also completed the second self-assessment of our highways service in accordance with the new DfT highways maintenance funding incentive element model.<sup>2</sup> Overall we achieved a Band 2, which acknowledges that we are competent in our application and understanding of asset management principles. However, there has been significant improvement in achieving Level 3 in 15 out of 22 questions compared with only 1 the previous year. An overall Band 3, indicating that we continuously improve and learn from our asset management processes, will be achieved in 2017/18.

Work continued on the delivery of the council's Major Transport Improvements Programme, which saw the completion of the Milton Interchange, Chilton Slips, and the Wolvercote and Cutteslowe projects, and the commencement of Harwell Link Road and Access to Headington projects, both of which are scheduled for completion in 2017/18. The capital expenditure this financial year on the Major Transport Improvements Programme was £20m.

The council spent £33.4m in 2016/17 on a range of supported transport services for those in the county who are in need. This included funding home to school transport for eligible school children, providing transport to and from day centres for adult social care clients, supporting community transport services, and subsidising concessionary bus passes for the elderly and disabled, along with various other forms of direct or indirect provision.

We have contributed to and led on a range of Oxfordshire Growth Board commissioned projects in the last year:

---

<sup>1</sup> Challenge Fund bid submission: <https://www.oxfordshire.gov.uk/cms/content/dft-funding-bids>

<sup>2</sup> Department for Transport Highways Maintenance Funding: Incentive Element  
<https://www.gov.uk/government/publications/highways-maintenance-funding-incentive-element>

In July 2016, the Growth Board commissioned work for a county-wide infrastructure strategy known as the Oxfordshire Infrastructure Strategy (OxIS). When complete, OxIS will identify, map and prioritise our strategic infrastructure requirements to 2040 and set out what investment is needed across the various themes including transport, utilities and education.

In 2016, we took the lead on various projects in the Growth Board strategic work programme which assessed the best spatial options for accommodating Oxford's unmet housing need – a working assessment of 15,000 homes in total to 2031. In September 2016, based on the outcome of these assessments, Growth Board approved the apportionment of Oxford's unmet need – the apportionment figures are to be taken forward through district Local Plans.

In March 2017, the Growth Board requested that the County Council and City/District councils develop a detailed business plan for a Joint Spatial Plan for Oxfordshire. This Plan will set a co-ordinated strategic planning framework, to enable pro-active, co-ordinated decisions on both housing and business growth, with a comprehensive understanding of the infrastructure implications.

In 2016/17 we held chairmanship of the Oxfordshire Growth Board. In addition, we worked with the City and District councils on their statutory Local Plans to support the urgent need to plan for future growth and are working closely with partner authorities across the wider England's Economic Heartland area on infrastructure planning.

As the Waste Disposal Authority for Oxfordshire our Energy Recovery Facility at Ardley completed its second year of being fully operational. This, combined with continuing high levels of activity in household recycling and composting, enabled us to significantly reduce the amount of material we sent to landfill sites: only 5% of household waste generated in the county was sent to landfill during the year. Despite this strong performance, market pressures meant that the rising cost of disposal of waste, plus the impact of growth in the county on the amount of waste produced, continued to put pressure on the council's budgets.

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

In our role as the Minerals and Waste Planning Authority for Oxfordshire, we took our draft Minerals and Waste Core Strategy (Part 1 of the Local Plan) to a Public Examination in September 2016, where the proposals were debated before an independent planning inspector. The inspector produced his Interim Report in December 2016, which affirmed his support for much of the strategy, including the critical issue of aggregates provision figures. He nonetheless advocated certain changes to bring the plan more into line with national policy and to address issues raised by representors. Having regard to the inspector's advice we have since consulted on Proposed Modifications to the Plan and subject to the inspector's final approval, we anticipate being in a position to adopt the document in the summer or early autumn of 2017.

We continued to make changes to our property portfolio and disposed of £1.9m worth of assets in 2016/17 with plans to make a significant increase in the scale of asset release as part of a structured investment strategy over future years. In addition we moved out of premises at Unipart House (Cowley) and will have also released premises at Kingsgate (Cowley) and Signal Court (Eynsham) saving over £1m of ongoing revenue costs. We continue to work towards vacating Speedwell House (Oxford), intensifying our usage of core buildings, and have commenced a programme of Place Reviews which will contribute toward the further release of premises in the short to medium term.

### **Social & Community Services**

#### Adult Social Care

During the year we supported and promoted strong communities so that people can live their lives as successfully, independently and safely as possible. Our adult social care service's performance, as measured in the national Adult Social Care Outcome Framework, remains in the top quartile of the whole country.

We face increasing demand for adult social care, and full employment means that purchasing care (when over 90% of social care locally is delivered by third parties via a contract with the council) can be challenging. However, in 2016/17 we purchased 13% more home care to allow people to stay in their own home for as long as possible. This means we purchased over 1.1million hours of home care during the year, with the weekly figures for home care rising from 19,700 hours per week at the start of the year to 22,300 at the end. 67% of users say they are 'very' or 'extremely' satisfied with our social care services, while a further 23% say they are 'fairly' satisfied, making 90% of our service users satisfied overall.

As part of the council's commitment to support people to remain independently at home for as long as possible we invested in a new Reablement and Hospital Discharge Service. The new service began in October 2016 with targets to perform in the top quartile nationally, both in terms of the number of people offered the service and those it helps to return to complete independence. These targets have yet to be met, but the council has agreed an action plan with the provider to address this and improvements will be delivered in 2017/18.

#### Oxfordshire Fire & Rescue Service

Ensuring the safety and wellbeing of Oxfordshire's residents continued to be a high priority for us in 2016/17. Our Fire and Rescue Service, operating from 24 fire stations and with 35 frontline fire appliances, responded to 7,362 emergency calls during the year.<sup>3</sup> This is an increase on the previous year by 23% and is mainly due to our life-saving co-responding work with South Central Ambulance Service. We met our response targets by attending 91.8% of incidents within 11 minutes and 97.3% within 14 minutes, both of which are an improvement on the previous year.

Fire and Rescue Service's work continues to increase in the area of prevention, which forms the main part of our revised 365alive initiative. Delivered by partnership working, 365alive also includes work carried out by Trading Standards and the Gypsy and Traveller Services teams. Our prevention work incorporated Safe and Well visits which, last year, became a wider remit from the home fire safety visits carried out in previous years.

---

<sup>3</sup> This figure is taken from the Incident Recording System and is correct as of 10.04.2017.

The Thames Valley Fire Control Service has now been operating for two years and has delivered expected financial savings. We have identified further collaborative working in other areas with Royal Berkshire and Buckinghamshire & Milton Keynes Fire and Rescue Services which will help deliver an even more effective service.

2016/17 was the first year of our revised six year initiative 365alive which has seen success in all areas:

- 6,000 more people alive as a result of our prevention, protection and emergency response activities
- 85,000 children and young adults to be better educated to lead safer and healthier lives
- 37,500 vulnerable children and adults helped to lead more secure and independent lives supported by safe and well visits
- 20,000 businesses given advice to support and grow
- 1.6 million safety messages delivered via social media

### **Public Health**

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

Our public health grant for 2016/17 remained ring fenced for public health. With this grant we commissioned public health services from a range of providers. These services included for Health Visiting 178,000 direct contacts with families, School Health Nursing 24,000 contacts delivering over 33,000 interventions and 17,847 NHS Health Checks. For sexual health there were 17,773 items of contraception provided and 32,352 visits to Oxfordshire Genitourinary Medicine (GUM) clinics for testing and treatment of a range of sexual transmitted infections. There were 3,200 people being supported through drugs and alcohol services during 2016/17.

Using the Health Visitor Service as a more detailed example, we ensured that a service was provided to all expectant mothers, new born babies and young children up to the age of 5 years. In 2016/17 99% (7,251) of families received a face to face new birth visit from a health visitor, over 98% (7,463) of babies received a review at 6-8 weeks and over 94% (over 14,000) received developmental checks at 12 months and 2-2½ years. Assessing new mothers' mental wellbeing is an important focus of the service and over 97% (7,245) of mothers received a maternal mood assessment by the time babies were 8 weeks old. In this cohort of mothers 14% (1,053) were identified with low mood and were provided support by the Health Visitor Service or referred for more specialist support.

Key public health indicators for the service in 2016/17 demonstrate Oxfordshire is performing higher than both the average for England and the South East.

### **Corporate Services**

The council encourages and supports communities to help themselves, strengthening the role of individual citizens and communities and ensuring that services most effectively meet

local needs. The council supports town and parish councils and over the course of 2016/17 engaged with them on a variety of topics including Better Oxfordshire, our programme to devolve delivery to areas where the councils want it under Oxfordshire Together, and additional support through customer services to resolve councils' queries through a dedicated telephone support.

Our work in communities is supported by the Voluntary and Community Sector (VCS) Infrastructure Contract which provides additional support and capacity building to small VCS organisations. We use a variety of mechanisms for this, including encouraging individuals' active participation in the democratic system (e.g. being part of town and parish councils), volunteering in the local community and receiving support from the providers of the council's VCS Infrastructure Contract. We also provide direct service delivery under the Oxfordshire Together programme and using communications and services facilitated by the council's libraries.

In these ways, this year Oxfordshire's communities have been actively engaging with the council on the transfer of Children's Centres to community initiatives, meaning 30 different sites are now under community management. Away from children's services, our engagement work has meant that over 100 town or parish councils have now signed agreements to carry out their own minor highways maintenance including grass cutting.

The council continues to support the Oxfordshire Stronger Communities Alliance (OSCA) who have been working with partners to create community capacity and capability including the delivery of a new countywide volunteering strategy to increase the number and breadth of volunteers. The council continues to recognise the contribution it receives from volunteers and shows appreciation with a celebration event during National Volunteers Week.

A significant development over the course of the 2016/17 financial year was the debate around unitary government for Oxfordshire, initially launched through district-led proposals in February 2016. The County Council engaged actively over the course of the year, including commissioning research, assessing public opinion, supporting an independent stakeholder advisory group, and drafting alternative proposals.

Having engaged the public and stakeholders on a draft for discussion, a revised proposal called "Better Oxfordshire" was launched on 3 March 2017 with the support of two of Oxfordshire's district councils, South Oxfordshire and Vale of White Horse. Following approval by the appropriate member decision-making bodies this has been submitted to the Secretary of State for Communities and Local Government for decision in accordance with relevant legislation.

Two reports commissioned separately from independent firms of accountants by the county council and Oxfordshire's city and district councils have identified that unitary reorganisation has the potential to deliver recurring savings of in excess of £20m per annum alongside creating transformative opportunities for the improvement of services and outcomes.

The work we have undertaken on a single unitary structure of local government in Oxfordshire has also informed the approach taken in our Fit for the Future transformation programme. The aim of the programme is to more effectively join up our services, working with partners and communities to deliver better outcomes for people and places. Some of this thinking can be applied to the role of the county council within the current two tier arrangements for local government. This means that whatever the outcome of the Better

Oxfordshire proposal the council is well placed to continue delivering positive outcomes for Oxfordshire's residents, communities and businesses for the future.

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

A revised Medium Term Financial Plan 2017/18 to 2019/20 and Efficiency Plan 2016/17 to 2019/20 was presented to Cabinet in July 2016, proposing that the £15m of previously unidentified medium term savings would be achieved through a new County Council wide transformation programme, Fit for the Future. Council approved the revised MTFP for 2017/18 to 2019/20 and Efficiency Plan on 13 September 2016.

As part of the Provisional Local Government Finance Settlement announced in December 2015, the Secretary of State for Local Government set out an offer to all councils of a four-year funding settlement from 2016/17 to 2019/20. In setting the 2016/17 budget and Medium Term Financial Plan to 2019/20 in February 2016, these published figures were included as forecasts of income over the four year period. The offer of a four-year settlement required councils to publish an Efficiency Plan and notify the Department for Communities and Local Government (DCLG) of its availability by October 2016. Confirmation that the County Council is formally on a four-year settlement was received in November 2016.

The Cabinet published its budget proposals and its recommended Budget, Medium Term Financial Plan and Capital Programme on 24 January 2017. Further new expenditure pressures (particularly from demand led services in Children's Services) required additional savings of £16m over the period up to 2020/21, taking the total savings to £377m.

Council agreed the Budget for 2017/18, Medium Term Financial Plan to 2020/21 and Capital Programme 2016/17 to 2020/21 at the budget setting meeting held on 14 February 2017. In setting its budget the Council must set a Council Tax Requirement, which is the amount of funding required to be raised from Council Tax to meet the expenditure plans of the authority after taking into account all other funding. Council approved the Council Tax Requirement for 2017/18 of £328.1m, based on a Band D Council Tax of £1,345.59, an increase of 4.99% from the previous year. The increase comprises a 1.99% general increase and 3.00% for adult social care. This is within the referendum limits confirmed by the Local Government Minister and reflects the decision to take the 6.00% increase in the adult social care precept over two years (2017/18 and 2018/19) rather than over three years to 2019/20.

The Capital Programme, also approved on 14 February 2017 includes planned expenditure of £118.2m for 2017/18. £92.8m of the total expenditure will be funded by grants and contributions, £22.8m through prudential borrowing, £2.4m through use of capital receipts and £0.2m from revenue.

As at 31 March 2017 the County Council was contractually committed to £30.5m capital scheme expenditure.

The County Council's wider use of borrowing powers is defined in the approved Treasury Management Strategy Statement and Annual Investment Strategy. This currently sets an authorised limit for external debt (an upper limit) of £455m for 2017/18 (same as for 2016/17), and an operational limit (the target limit for day to day activity) of £450m (same as for 2016/17). 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 £389.5m although it will be noted from the balance sheet that this is part-funding assets valued in excess of £1.1bn. Borrowing has reduced by £8.1m compared to last year, and the County Council continues with the policy of meeting any prudential borrowing requirements from internal borrowing to reduce the cost of carry<sup>4</sup>.

### **Conclusion**

The County Council remains in a substantially robust financial position as at 31 March 2017 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 remain broadly on track to deliver the required savings over the medium term.

---

<sup>4</sup> The difference between the interest payable on borrowing on debt and the interest receivable from investing surplus cash.

## 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 Director of Finance
- 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 Deputy Chairman to approve the statement of accounts on its behalf.

Signed: .....  
Deputy Chairman of the Audit & Governance Committee

Date 26<sup>th</sup> Sept 2017

### The Responsibilities of the Director of Finance

The Director of Finance 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 2016/17 ('the Code of Practice').

In preparing this Statement of Accounts, the Director of Finance 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 Director of Finance 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 2017.

Signed: .....

Date 26/9/2017

LORNA BAXTER  
Director of Finance

## EXPENDITURE AND FUNDING ANALYSIS

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

2015/16				Notes	2016/17		
Expenditure chargeable to the County Fund	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement			Expenditure chargeable to the County Fund	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000	
112,502	33,882	146,384	Children, Education & Families		114,162	44,956	159,118
207,783	11,436	219,219	Social & Community Services		210,260	2,573	212,833
72,535	25,289	97,824	Environment & Economy		67,439	25,114	92,553
0	-26	-26	Public Health		0	-261	-261
26,349	-2,159	24,190	Corporate Services		23,119	-3,959	19,160
0	-6,156	-6,156	Other Corporate Costs		0	-11,198	-11,198
<b>419,169</b>	<b>62,266</b>	<b>481,435</b>	<b>Service costs</b>		<b>414,980</b>	<b>57,225</b>	<b>472,205</b>
-413,856	11,665	-402,191	Other income and expenditure not charged to services		-415,966	-32,108	-448,074
<b>5,313</b>	<b>73,931</b>	<b>79,244</b>	<b>Surplus(-) or Deficit(+)</b>	4	<b>-986</b>	<b>25,117</b>	<b>24,131</b>

24,297
-5,313
<b>18,984</b>

Opening County Fund balance at 1 April	18,984
Add surplus (+)/deficit (-) on the County Fund for the year	986
<b>Closing County Fund Balance at 31 March</b>	<b>19,970</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2015/16				Notes	2016/17		
Gross Expenditure £'000	Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Income £'000	Net Expenditure £'000
438,079	-291,695	146,384	Children, Education & Families	7	439,107	-279,989	159,118
261,026	-41,807	219,219	Social & Community Services	8	254,290	-41,457	212,833
121,542	-23,718	97,824	Environment & Economy		111,493	-18,940	92,553
28,775	-28,801	-26	Public Health		31,930	-32,191	-261
33,093	-8,903	24,190	Corporate Services	9,10	27,507	-8,347	19,160
-6,060	-96	-6,156	Other Corporate Costs		-11,124	-74	-11,198
<b>876,455</b>	<b>-395,020</b>	<b>481,435</b>	<b>Cost of Services</b>		<b>853,203</b>	<b>-380,998</b>	<b>472,205</b>
102,475	-2,115	100,360	Other Operating Expenditure	14	69,958	-2,095	67,863
48,114	-8,575	39,539	Financing and Investment Income and Expenditure	15,16,17	47,315	-7,640	39,675
0	-542,090	-542,090	Taxation and Non-Specific Grant Income	19,20	0	-555,612	-555,612
<b>1,027,044</b>	<b>-947,800</b>	<b>79,244</b>	<b>Surplus(-) or Deficit(+) on Provision of Services</b>	5,6	<b>970,476</b>	<b>-946,345</b>	<b>24,131</b>
			<b>Items that will not be reclassified to the Surplus(-) or Deficit(+) on Provision of Services:</b>				
		-68,713	Surplus or deficit on revaluation of non-current assets	49			-31,316
		-1,857	Impairment losses on non-current assets charged to the revaluation reserve	49			1,728
		-87,495	Remeasurements of the net defined benefit liability (asset)	18			261,312
		-158,065					231,724
			<b>Items that may be reclassified to the Surplus(-) or Deficit(+) on Provision of Services:</b>				
		223	Surplus or deficit on revaluation of available for sale financial assets				-804
		-2,935	Other gains or losses				-742
		-2,712					-1,546
		<b>-160,777</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>230,178</b>
		<b>-81,533</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>254,309</b>

## MOVEMENT IN RESERVES STATEMENT

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

	Notes	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbns Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
<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>
<b>Movement in reserves during 2015/16</b>								
Total Comprehensive Income and Expenditure		-79,244	2,935			-76,309	157,842	81,533
Adjustments between accounting basis and funding basis under statutory provisions	6	65,462		2,016	-20,750	46,728	-46,728	0
Transfers to/from earmarked reserves	44	8,469	-8,469			0	0	0
<b>Increase (+)/Decrease (-) in Year</b>		<b>-5,313</b>	<b>-5,534</b>	<b>2,016</b>	<b>-20,750</b>	<b>-29,581</b>	<b>111,114</b>	<b>81,533</b>
<b>Balance at 31 March 2016</b>		<b>18,984</b>	<b>106,132</b>	<b>18,094</b>	<b>28,870</b>	<b>172,080</b>	<b>-339</b>	<b>171,741</b>
<b>Movement in reserves during 2016/17</b>								
Total Comprehensive Income and Expenditure		-24,131	742			-23,389	-230,920	-254,309
Adjustments between accounting basis and funding basis under statutory provisions	6	22,624		2,051	13,315	37,990	-37,990	0
Transfers to/from earmarked reserves	44	2,493	-2,493			0	0	0
<b>Increase (+)/Decrease (-) in Year</b>		<b>986</b>	<b>-1,751</b>	<b>2,051</b>	<b>13,315</b>	<b>14,601</b>	<b>-268,910</b>	<b>-254,309</b>
<b>Balance at 31 March 2017</b>		<b>19,970</b>	<b>104,381</b>	<b>20,145</b>	<b>42,185</b>	<b>186,681</b>	<b>-269,249</b>	<b>-82,568</b>

Schools' balances are held within Earmarked Reserves (see Note 44).

## BALANCE SHEET

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

As at 31 March 2016		Notes	As at 31 March 2017	
£'000			£'000	£'000
	<b>Long Term Assets</b>			
1,128,120	Property, Plant and Equipment	22	1,124,875	
7,441	Investment Property	23	7,223	
172	Intangible Assets	25	1,909	
87,000	Long Term Investments	33,38	75,000	
6,230	Long Term Debtors	35	6,552	
<b>1,228,963</b>	<b>Total Long Term Assets</b>			<b>1,215,559</b>
	<b>Current Assets</b>			
24	Investment Property Held for Sale	23	0	
549	Assets Held for Sale	24	696	
0	Inventories		0	
53,778	Debtors	36	64,747	
260,317	Short Term Investments	33,38	251,851	
12,786	Cash and Cash Equivalents	37	47,638	
<b>327,454</b>	<b>Total Current Assets</b>			<b>364,932</b>
	<b>Current Liabilities</b>			
-27,235	Short Term Borrowing	33,38	-47,144	
-89,447	Short Term Creditors and Revenue Receipts in Advance	39	-91,450	
-8,652	Provisions due within 1 year	40	-4,232	
-10,843	Short Term Finance liability	28,38	-15,907	
-30,703	Short Term Capital Grants Receipts in Advance	42	-24,523	
<b>-166,880</b>	<b>Total Current Liabilities</b>			<b>-183,256</b>
	<b>Long Term Liabilities</b>			
-4,601	Long Term Creditors and Revenue Receipts in Advance	39	-5,950	
-2,148	Provisions due over 1 year	40	-4,678	
-370,383	Long Term Borrowing	33,38	-342,383	
-756,952	Pension Liability	18	-1,033,469	
-24,864	Long Term Finance Liability	28,38	-23,989	
-3,461	Deferred Income	41	-3,131	
-55,387	Long Term Capital Grants Receipts in Advance	42	-66,203	
<b>-1,217,796</b>	<b>Total Long Term Liabilities</b>			<b>-1,479,803</b>
<b>171,741</b>	<b>Net Assets</b>			<b>-82,568</b>
	<b>Financed from:</b>			
<b>172,080</b>	<b>Usable Reserves</b>	43-46		<b>186,681</b>
<b>-339</b>	<b>Unusable Reserves</b>	47-52		<b>-269,249</b>
<b>171,741</b>	<b>Total Reserves</b>			<b>-82,568</b>

These financial statements were authorised for issue on 23 August 2017 and replace the unaudited financial statements certified by Lorna Baxter, Director of Finance, on 31 May 2017.

## CASH FLOW STATEMENT

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

2015/16 £'000		Notes	2016/17 £'000
79,244	Net (surplus) or deficit on the provision of services		24,131
-73,434	Adjust net surplus or deficit on the provision of services for non-cash movements	53	-70,059
44,170	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		71,411
49,980	Net cash flows from Operating Activities	54	25,483
-47,234	Investing Activities	55	-69,198
6,786	Financing Activities	56	8,863
<b>9,532</b>	<b>Net increase (-) or decrease (+) in cash and cash equivalents</b>		<b>-34,852</b>
22,318	Cash and cash equivalents at the beginning of the reporting period		12,786
<b>12,786</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>47,638</b>

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

### **General**

The Statement of Accounts summarises the County Council's transactions for the 2016/17 financial year and its position at the year-end 31 March 2017. It has been compiled in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the *Code*) (and the Update to the 2016/17 Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

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

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

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

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

### **Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the end of the reporting period (31 March 2017) and the date the Statement of Accounts is authorised for issue. There are two types of event:

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

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

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

- Revenue from the sale of goods is recognised when the County Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the County Council.
- Revenue from the provision of services is recognised when the County Council can measure reliably the percentage of completion of the transaction and it is probable

## NOTES TO THE CORE FINANCIAL STATEMENTS

that economic benefits or service potential associated with the transaction will flow to the County Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when they are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor is recorded in the Balance Sheet.

### **Government Grants and Contributions**

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

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

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (capital monies within Capital Grants Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant directorate 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 directorate 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 and business rates income**

The council tax and 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 the County Council in collecting council tax and business rates. The cash collected from council tax payers and business rates payers belongs proportionately to the district councils and the major preceptors. There is therefore a debtor/creditor position between each district council and the County Council to recognise that the net cash paid to the County Council in the year is not the same as its share of cash collected. The County Council recognises its share of council tax and 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 council tax and business rates cash received from the Collection Fund in the year.

### **Employee Benefits**

#### Benefits Payable during Employment

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

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the County Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accrual basis to the relevant directorate 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 to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### Post-Employment Benefits

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

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

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

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

- Current service cost – the increase in the present value of a scheme's liabilities resulting from employee service in the current period. This is included in the relevant directorate 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 Other Corporate 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 Other Corporate 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 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.

### Trading Activities

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

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

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

### Property, Plant and Equipment

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

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

Assets are initially measured at cost, comprising:

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

	Date of Last Revaluation	Date of Next Revaluation
Secondary and special schools	2014/15	2019/20
Primary, nursery, junior and infant schools	2015/16	2020/21
Social care premises, libraries, museums and adult learning premises	2016/17	2021/22
Fire & Rescue Service and Community Safety premises, staff housing, central offices and highways depots	2012/13	2017/18
Other educational premises (including children's, youth and sports centres), surplus assets and other properties not revalued within the past 5 years	2013/14	2018/19

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

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

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 directorate 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 directorate, 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**

Services, 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### **Investment Property**

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

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

### **Heritage Assets**

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

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

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

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 directorate 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

(See also the accounting policy on debt redemption.)

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

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

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

Where the County Council leases an asset to others under an operating lease, the asset is retained on the Balance Sheet. Rental income is credited to the relevant directorate 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). For the County Council there are no material differences between the fair value and the nominal value of such loans and no adjustments are made on initial recognition of these loans.

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

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

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

### **Financial Liabilities**

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

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

Gains and losses on the repurchase or early settlement of borrowing are written-down to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase takes place as part of a restructuring exercise that involves the modification or exchange of existing loans, the premium or discount adjusts the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure

## NOTES TO THE CORE FINANCIAL STATEMENTS

Statement is spread over the life of the loan. All early repayments of PWLB loans are treated as extinguishments rather than modifications, including where a replacement loan has been arranged from PWLB on the same day, and any associated premium or discount is written off immediately. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, statutory regulations allow the impact on the County Fund Balance to be spread over future years. The County Council has a policy of charging all premiums/discounts to the County Fund Balance in the year.

### **Debt Redemption**

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

### **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 directorate 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 57, there are no significant unfunded risks.

### **Contingent liabilities and contingent assets**

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.

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

### 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 directorate. The reserve is then appropriated back into the County Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

### Group Accounts

The County Council is required to prepare group accounts where it has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality. For 2016/17 the County Council did not have any such interests and therefore prepared these accounts only as a single entity rather than as group accounts.

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

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

### Schools

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

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

### **Taxation**

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

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

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

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

Where the County Council incurs tax, this cost is charged to directorates in the Comprehensive Income and Expenditure Statement.

### **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:

- The County Council has made an assessment of the balance sheet treatment of schools' non-current assets in accordance with IAS 16 Property, Plant and Equipment and IAS17 Leases. Where assets are owned by the Council and used by maintained schools, the economic benefits and service potential of the asset is considered to be within the control of the Council and therefore the assets are recognised on the Council's balance sheet. Where they are owned by trustees and used by maintained schools (in most cases Voluntary Aided and Voluntary Controlled schools) the Council has assessed that the trustees permit the assets to

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

- School land and buildings that have transferred to academy trusts under 125 year leases (or where the freehold has transferred) have been written out of the County Council's Balance Sheet based on an assessment in accordance with IAS17 Leases and IAS16 Property, Plant and Equipment. School land and buildings that are the subject of short-term lease/license agreements with academy trusts have been retained on the County Council's Balance Sheet as at 31 March 2017.
- An assessment under IFRIC 12 Service Concession Arrangements concluded that the County Council controls the residential care services provided under the agreement with Oxfordshire Care Partnership (OCP) and the residual value of all but one of the homes at the end of the agreement. This includes the new Chilterns Court Care Centre which came into operation during 2016/17. 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 £33.332m as at 31 March 2017) are recognised as Property, Plant and Equipment on the Balance Sheet. A finance liability has been recognised on the Balance Sheet for the amounts due to be paid under the contract for the new homes built by OCP.
- The Code requires heritage assets to be recognised as a separate category of assets on the Balance Sheet in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (section 34), subject to the proviso that where information on cost or valuation is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not required to be recognised on the Balance Sheet. The County Council considers that obtaining valuations for its heritage assets would involve a disproportionate cost in comparison to the benefits to the users of the accounts and therefore does not recognise these assets on the Balance Sheet. Note 26 provides further details on the heritage assets held by the County Council.
- The County Council is acting as the Accountable Body for the Oxfordshire Local Enterprise Partnership (OxLEP). OxLEP became a company Limited by Guarantee (Not for Profit) in April 2015. It is a business led organisation that works for all of its stakeholders in business, academia and local authorities. The Board of 18 members is led by a private sector Chairman and Deputy Chairman, supported by the Oxfordshire Growth Board Chairman; a Joint Committee which brings together Local Authority partners in a collective decision making structure. The Leader of the County Council is a member of the OxLEP Board. The Business representation comes from across all sectors and all sizes of business. It exists to drive the economic growth of Oxfordshire and the creation of Jobs for our communities. In accounting for OxLEP it has been assessed that the County Council is acting as the principal in accordance with IAS 18 Revenue and OxLEP's transactions have been

## NOTES TO THE CORE FINANCIAL STATEMENTS

included in the County Council's accounts. OxLEP received £8.370m of Growing Places Fund in 2011/12 to spend on capital projects to address infrastructure needs, with any funds not used for this purpose to be returned to the Department of Communities and Local Government. The remaining £1.750m has been recognised as a capital grant receipt in advance as at 31 March 2017 as there is an obligation to return the funds if it is not spent on capital projects on behalf of the LEP. The Council also received £27.440m Local Growth Fund in 2016/17 on behalf of the LEP, which was applied to capital expenditure during the year.

- Based on an assessment in accordance with IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements, and taking into account materiality, the County Council has concluded that it does not have control or joint control of any other entities and therefore has no subsidiaries or joint ventures. It does not have significant influence over any other organisations through voting power or otherwise and therefore has no associates. There is therefore no requirement to prepare group financial statements for 2016/17. The County Council is party to some joint operations with other local authorities/health bodies and accounts for these as part of its single entity financial statements.
- The Oxfordshire Clinical Commissioning Group (OCCG) is the Accountable Body for Oxfordshire's allocation of the Better Care Fund and will be held to account by NHS England for the appropriate use of the resources locally. The Better Care Fund allocation received by OCCG forms part of its contribution to the Older People and Equipment Pooled Budget hosted by the County Council (see Note 8). Based on an assessment in accordance with IFRS 11 Joint Arrangements and IAS 18 Revenue (in relation to principal and agent transactions), the Pooled Budget is considered to be a joint operation. The £21m of expenditure supported by the Better Care Fund is considered to relate to the interests of the OCCG (as the Accountable Body) in the joint operation and is accounted for as expenditure within the OCCG's accounts, and does not form part of the adult social care expenditure reported within the County Council's accounts.
- In accordance with IAS 32 Financial Instruments: Presentation, the County Council determines the short term/long term categorisation of borrowing by reference to the earliest date on which the lender can require payment. The right to increase the interest rate payable without limit, as in a 'Lender Option, Borrower Option' (LOBO) loan, is treated as a right to require repayment. Consequently, LOBOs are classified as short-term where option dates are due within 12 months of the balance sheet date.

### **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 2017 for which there is significant risk of material adjustment in the forthcoming year are as follows:

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Property, Plant and Equipment

As at 31 March 2017 the County Council had £578.055m of operational 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 £0.385m for every year that useful lives had to be reduced.

### Debtors

As at 31 March 2017 the County Council had a balance for current debtors of £75.679m and had estimated an impairment allowance for doubtful debts of £10.932m. The impairment allowance comprises £2.918m for the County Council's own debts based on the age and type of each debt and £8.014m 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 £0.292m to be set aside as an allowance by the County Council and £0.801m from the Collection Funds.

### Provisions

As at 31 March 2017 the County Council made a provision of £5.404m 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 £0.540m effect on the provision required.

### Pensions Liability

Estimation of the net liability to pay pensions (£1,033.469m as at 31 March 2017) 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 18. The County Council uses a firm of actuaries, Barnett Waddingham Public Sector Consulting, to provide expert advice about the assumptions to be applied. The discount rate used is based on corporate bond yields that reflect the duration of the employer's liabilities. Corporate bond yields have reduced markedly over 2016/17, leading to a significant increase in the deficit disclosed as at 31 March 2017.

The effects on the net pension 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 2016/17, the County Council's actuaries advised that the net pension liability had decreased by £157.297m as a result of the return on plan assets and increased by £449.053m attributable to updating of the 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 in the Expenditure and Funding Analysis**

This note provides a reconciliation of the main adjustments to the net expenditure chargeable to the County Fund to arrive at the amounts reported in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Children, Education & Families	42,230	-744	3,470	44,956
Social & Community Services	2,679	2,433	-2,539	2,573
Environment & Economy	24,749	468	-103	25,114
Public Health	18	19	-298	-261
Corporate Services	1,328	429	-5,716	-3,959
Other corporate costs	-391	-10,655	-152	-11,198
<b>Service costs</b>	<b>70,613</b>	<b>-8,050</b>	<b>-5,338</b>	<b>57,225</b>
Other income and expenditure not charged to services	-62,624	23,254	7,262	-32,108
<b>Surplus (-) or Deficit (+)</b>	<b>7,989</b>	<b>15,204</b>	<b>1,924</b>	<b>25,117</b>

2015/16	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Children, Education & Families	29,752	2,495	1,635	33,882
Social & Community Services	8,613	4,663	-1,840	11,436
Environment & Economy	23,195	816	1,278	25,289
Public Health	-3,963	27	3,910	-26
Corporate Services	325	1,006	-3,490	-2,159
Other corporate costs	698	-8,523	1,669	-6,156
<b>Service costs</b>	<b>58,620</b>	<b>484</b>	<b>3,162</b>	<b>62,266</b>
Other income and expenditure not charged to services	-13,261	21,960	2,966	11,665
<b>Surplus (-) or Deficit (+)</b>	<b>45,359</b>	<b>22,444</b>	<b>6,128</b>	<b>73,931</b>

### Note 1 - Adjustments for Capital Funding and Expenditure Purposes

Service lines have been adjusted to:

- add in depreciation, amortisation, impairment and revaluation gains/losses and capital expenditure on third party assets which is not recognised on the County Council's balance sheet.
- remove capital expenditure funded from revenue and finance lease/service concession principal repayments which are not chargeable to service expenditure under generally accepted accounting practice.
- transfer expenditure and income for the disposal of assets to 'Other income and expenditure not charged to services'.

Other income and expenditure not charged to services has been adjusted to:

- add in income on disposal of assets and the amounts written off those assets, the movement in the fair value of investment property and capital grants and contributions

## NOTES TO THE CORE FINANCIAL STATEMENTS

receivable in the year without conditions or for which conditions were satisfied during the year.

- remove the statutory charge for capital financing i.e. Minimum Revenue Provision which is not chargeable under generally accepted accounting practices.

### **Note 2 - Net change for the removal of pension contributions and the addition of pension (IAS19) related expenditure and income**

Service lines have been adjusted to remove employer pension contributions made by the County Council in accordance with statute and replace with current service costs, past service costs/curtailments and settlements.

Other income and expenditure not charged to services has been adjusted to add in the net interest on the defined benefit liability and adjust for the fire-fighters pension fund top-up grant.

### **Note 3 - Other Differences**

Service lines have been adjusted to:

- add in expenditure for staff holiday entitlement.
- remove transfers to/from earmarked reserves which did not form part of service expenditure under generally accepted accounting practice.
- transfer expenditure and income for trading operations and financing costs to, and other corporate service costs/income from, the 'Other income and expenditure not charged to services' line.
- remove expenditure recharged from one service to another within the County Council

Other income and expenditure not charged to services has been adjusted to:

- add in the difference between the amount received under statutory regulations for Council Tax and Business Rates notified when the budget was set and the income recognised under generally accepted accounting practices. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- remove corporate transfers to/from earmarked reserves which are not recognised as expenditure under generally accepted accounting practice.

## **5. Analysis of income and expenditure by nature**

This note provides an analysis of the income and expenditure that comprises the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17	£'000
Fees, charges & other service income	-64,708
Government grants and contributions	-533,032
Interest and investment income	-3,857
Income from council tax and non-domestic rates	-342,653
Proceeds from the disposal of non-current assets	-2,095
<b>Total Income</b>	<b>-946,345</b>
Employee expenses	329,488
Other service expenses	496,989
Depreciation, amortisation, impairments and revaluations	28,224
Interest payable and similar charges	20,165
Net interest expense on the pension defined liability	25,652
Costs from the disposal of non-current assets	69,958
<b>Total Expenditure</b>	<b>970,476</b>
<b>Surplus (-) or deficit (+) on the provision of services</b>	<b>24,131</b>

2015/16	£'000
Fees, charges & other service income	-64,955
Government grants and contributions	-552,710
Interest and investment income	-3,417
Income from council tax and non-domestic rates	-324,603
Proceeds from the disposal of non-current assets	-2,115
<b>Total Income</b>	<b>-947,800</b>
Employee benefit expenses	348,336
Other service expenses	509,471
Depreciation, amortisation, impairments and revaluations	19,890
Interest payable and similar charges	21,187
Net interest expense on the pension defined liability	25,685
Costs from the disposal of non-current assets	102,475
<b>Total Expenditure</b>	<b>1,027,044</b>
<b>Surplus (-) or deficit (+) on the provision of services</b>	<b>79,244</b>

### 6. 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**

2016/17	County Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Unapplied £'000	Capital Grants & Contbns Unapplied £'000	Unusable Reserves £'000
<b>Adjustments to Revenue Resources</b>					
Pension costs transferred to (or from) the Pensions Reserve	15,205				-15,205
Financial instruments transferred to the Financial Instrument Adjustment Account	-1				1
Council Tax and Business Rates transferred to the Collection Fund Adjustment Account	-1,839				1,839
Holiday pay transferred to the Accumulated Absences Account	826				-826
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure to the Capital Adjustment Account	142,807				-142,807
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds to the Capital Receipts Unapplied Reserve	-1,856		1,856		
Statutory provision for the repayment of debt transferred to the Capital Adjustment Account	-16,694				16,694
Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	-828				828
Capital grants and contributions applied transferred to the Capital Adjustment Account	-97,465			-4,216	101,681
Capital grants and contributions receivable not applied to finance capital expenditure	-17,531			17,531	
Donated assets fair value less consideration transferred to the Capital Adjustment Account	0				0
<b>Adjustments to Capital Resources</b>					
Repayment of loans			195		-195
<b>Total</b>	<b>22,624</b>	<b>0</b>	<b>2,051</b>	<b>13,315</b>	<b>-37,990</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2015/16</b>	<b>County Fund Balance £'000</b>	<b>Earmarked Reserves £'000</b>	<b>Capital Receipts Unapplied £'000</b>	<b>Capital Grants &amp; Contbns Unapplied £'000</b>	<b>Unusable Reserves £'000</b>
<b>Adjustments to Revenue Resources</b>					
Pension costs transferred to (or from) the Pensions Reserve	22,444				-22,444
Financial instruments transferred to the Financial Instrument Adjustment Account	-20				20
Council Tax and Business Rates transferred to the Collection Fund Adjustment Account	-394				394
Holiday pay transferred to the Accumulated Absences Account	-1,985				1,985
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure to the Capital Adjustment Account	170,462				-170,462
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds to the Capital Receipts Unapplied Reserve	-1,966		1,966		
Statutory provision for the repayment of debt transferred to the Capital Adjustment Account	-17,163				17,163
Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	-8,115				8,115
Capital grants and contributions applied transferred to the Capital Adjustment Account	-90,298			-27,729	118,027
Capital grants and contributions receivable not applied to finance capital expenditure	-6,979			6,979	
Donated assets fair value less consideration transferred to the Capital Adjustment Account	-524				524
<b>Adjustments to Capital Resources</b>					
Repayment of loans			50		-50
<b>Total</b>	<b>65,462</b>	<b>0</b>	<b>2,016</b>	<b>-20,750</b>	<b>-46,728</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 2016/17 (with comparative figures for 2015/16) are as follows:

2015/16				2016/17		
Central Expenditure	ISB	Total		Central Expenditure	ISB	Total
£'000	£'000	£'000		£'000	£'000	£'000
		430,187	Final DSG before academy recoupment			438,055
		-183,545	Less academy figure recouped for the year			-201,396
		246,642	Total DSG after academy recoupment			236,659
		11,135	Brought forward from previous year			8,770
		-3,026	Less carry forward to next year agreed in advance			-8,551
57,410	197,341	254,751	Agreed initial budgeted distribution	45,225	191,653	236,878
		0	In year adjustments		-2,218	-2,218
57,410	197,341	254,751	Final budget distribution	45,225	189,435	234,660
-51,666		-51,666	Less actual central expenditure	-46,324		-46,324
	-197,341	-197,341	Less actual ISB deployed to schools		-189,435	-189,435
		0	County Council contribution			0
<b>5,744</b>	<b>0</b>	<b>8,770</b>	<b>Carry forward to next year</b>	<b>-1,099</b>	<b>0</b>	<b>7,452</b>

2015/16 figures have been restated to move early years budget delegated to nursery schools from central expenditure to ISB, to align what is included in the ISB for this note with government returns such as the S251 statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

The County Council is party to a number of pooled budget arrangements for adult social care and health services. Details of the arrangements in place for 2016/17 are provided in the table below, together with comparative data for 2015/16.

2016/17	Purpose	Lead	Gross income  £000	Gross Expenditure  £000	Authority's Contribution  £000
<u>Pooled budgets with Oxfordshire Clinical Commissioning Group (OCCG)</u>					
Older People & Equipment	Commissioning service provision for residential, nursing and continuing care for older people, and equipment	County Council	201,857	201,857	72,856
Physical Disabilities	Commissioning service provision for home, residential, nursing and continuing care for people with physical disabilities	County Council	21,184	21,184	11,994
Learning Disabilities	Commissioning both care and support and residential/supported living placements for people with learning disabilities	County Council	83,416	83,416	69,957
Mental Health Commissioning	Commissioning mental health services	OCCG	54,327	55,507	9,118
<u>Pooled budget with Oxford Health NHS Foundation Trust (OHFT)</u>					
Mental Health Provider	Providing mental health services	OHFT	11,215	11,215	2,390
<b>Total</b>			<b>371,999</b>	<b>373,179</b>	<b>166,315</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### 9. Members' Allowances

Allowances & expenses	2015/16 £'000	2016/17 £'000
Allowances	853	886
Travel & Subsistence	34	31
<b>Total</b>	<b>887</b>	<b>917</b>

There were no changes to the rates of basic and special responsibility allowances in 2016/17.

### 10. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2015/16 £'000	2016/17 £'000
Code of Practice Work	110	110
Statutory Inspection	0	0
Certification of Grant Claims and Returns	0	35
Other Related Costs	15	5
<b>Total</b>	<b>125</b>	<b>150</b>

There was no statutory inspection work in 2015/16 or 2016/17.

### 11. Senior Officers' Remuneration

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

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

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

Band (£)	Number of Employees					
	School	Non-School	Total	School	Non-School	Total
	2015/16	2015/16	2015/16	2016/17	2016/17	2016/17
50,000-54,999	68	101	169	65	110	175
55,000-59,999	48	59	107	46	48	94
60,000-64,999	36	44	80	35	33	68
65,000-69,999	18	9	27	19	12	31
70,000-74,999	7	12	19	7	14	21
75,000-79,999	6	20	26	5	27	32
80,000-84,999	5	7	12	3	4	7
85,000-89,999	1	1	2	2	4	6
90,000-94,999	2	1	3	2	1	3
95,000-99,999	0	2	2	0	1	1
100,000-104,999	0	2	2	0	2	2
105,000-109,999	0	0	0	0	1	1

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

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2016/17</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 2016/17</b>	<b>Employers Pension Contribution</b>	<b>Total Remuneration Including Pension Contributions 2016/17</b>
<b>Post Holder Information</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive - Peter Clark	175,000				175,000	34,825	209,825
Strategic Director for People - Jonathan McWilliam	181,038				181,038	21,972	203,010
Director for Children, Education & Families (to Jan 2017)	123,110		73,866		196,976	24,499	221,475
Director for Children's Services (from Dec 2016)	41,667				41,667	8,688	50,355
Deputy Director Children's Social Care (to Nov 2016)	69,407				69,407	13,416	82,823
Deputy Director Children's Social Care & Early Intervention	94,781				94,781	18,861	113,642
Interim Deputy Director Corporate Parenting & Safeguarding (from Jan 2017)	18,322				18,322	3,646	21,968
Director for Social & Community Services (to Dec 2016)	104,013				104,013	20,699	124,712
Director for Adult Services (from Dec 2016)	41,667				41,667	8,740	50,407
Deputy Director Joint Commissioning (to Nov 2016)	67,556				67,556	12,995	80,551
Deputy Director for Adult Social Care	101,126				101,126	20,124	121,250
Interim Deputy Director for Joint Commissioning (from Jan 2017)	22,903				22,903	4,557	27,460
Deputy Director for Public Health	104,409				104,409	14,931	119,340
Strategic Director for Communities (from July 2016)	96,896				96,896	19,282	116,178
Director for Environment & Economy (to June 2016)	33,350		80,000		113,350	6,636	119,986
Deputy Director for Strategy and Infrastructure Planning (to June 2016)	25,281				25,281	5,031	30,312
Deputy Director for Commercial & Delivery (to Aug 2016)	36,337				36,337	6,924	43,261
Director for Planning and Place (from July 2016)	55,709				55,709	11,086	66,795
Director for Property & Investment (from March 2017)	7,634				7,634	1,519	9,153
Chief Fire Officer	137,821				137,821	29,019	166,840
Deputy Chief Fire Officer*	105,075			1,246	106,321	22,801	129,122

**NOTES TO THE CORE FINANCIAL STATEMENTS**

2016/17 Continued Post Holder Information	Salary (Including Fees & Allowances)	Expense Allowances	Compensation for Loss of Employment	Other Emoluments	Total Remuneration Excluding Pension Contributions 2016/17	Employers Pension Contribution	Total Remuneration Including Pension Contributions 2016/17
	£	£	£	£	£	£	£
Director of Finance	120,534			4	120,538	23,925	144,463
Director of Human Resources	122,412				122,412	24,299	146,711
Director of Law & Governance	104,674				104,674	20,830	125,504
Assistance Chief Executive	95,253				95,253	18,955	114,208
Director of Customer Experience	101,126				101,126	20,124	121,250
<b>Total</b>	<b>2,187,101</b>	<b>0</b>	<b>153,866</b>	<b>1,250</b>	<b>2,342,217</b>	<b>418,384</b>	<b>2,760,601</b>

(\*) Director of Community Safety and Chief Fire Officer from April 2017

The Director for Social & Community Services was also Director of Strategy & Transformation for the Oxfordshire Clinical Commissioning Group until the end of April 2016, with costs shared between the two parties.

Post titles are those in the new structure endorsed by Cabinet on 20 December 2016 following the Senior Management Review. The posts of a number of senior officers were re-designated in the restructure, however pay details have not been split between before and after the restructure to avoid confusion.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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

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

## 12. 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 2016/17					
	Compulsory		Other*		Total	
	No.	£'000	No.	£'000	No.	£'000
0 - 19,999	164	970	44	181	208	1,151
20,000 - 39,999	30	783	4	92	34	875
40,000 - 59,999	5	233	1	53	6	286
60,000 - 79,999	0	0	1	74	1	74
80,000 - 99,999	0	0	0	0	0	0
100,000 - 149,999	1	104	1	120	2	224
150,000 - 199,999	0	0	0	0	0	0
200,000 - 249,999	0	0	0	0	0	0
250,000 - 299,999	0	0	0	0	0	0
<b>Total</b>	<b>200</b>	<b>2,090</b>	<b>51</b>	<b>520</b>	<b>251</b>	<b>2,610</b>
Add new provisions created						114
Less amounts provided for in previous year						-1,812
Add unused amount of previous year's provision						-420
Adjust for differences between payments and accruals						-622
<b>Total cost of exit packages in the Comprehensive Income and Expenditure Statement</b>						<b>-130</b>

\* Other comprises of 22 voluntary redundancies/retirements, and 29 settlements of which 2 were senior officers with the cost of their agreements totalling £0.194m.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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

The £0.250m exit package shown in the above table relates to the former Chief Executive – see Note 11.

### 13. Operating Leases

From time to time, the County Council acquires assets under operating leases. The minimum lease payments and contingent rents charged, and sublease payments received for the year, together with future commitments and future sublease payments receivable are set out below, together with comparative figures for 2015/16.

	2015/16		2016/17	
	Plant, vehicles & equipment	Land and buildings	Plant, vehicles & equipment	Land and buildings
	£'000	£'000	£'000	£'000
Minimum lease payments charged in year	1,129	2,552	1,566	2,370
Contingent rents charged in year	392	160	425	133
Sublease payments received in year	0	-86	0	-66
Future minimum lease payments:				
Within 1 year	926	2,355	1,454	1,785
Within 2nd - 5th years	1,561	5,387	1,832	4,959
6th year and beyond	0	3,781	2	3,108
Total commitments	2,487	11,523	3,288	9,852
Total future sublease payments receivable	0	-58	0	-86

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015/16. The County Council leases out property under operating leases for the provision of accommodation for services, such as Homes for Older People, pre-schools and waste re-cycling centres.

	2015/16		2016/17	
	Plant, vehicles & equipment	Land and buildings	Plant, vehicles & equipment	Land and buildings
	£'000	£'000	£'000	£'000
Minimum lease payments receivable in year	0	1,627	0	1,679
Contingent rents receivable in year	0	650	0	688
Future minimum lease payments receivable:				
Within 1 year	0	1,308	0	1,202
Within 2nd - 5th years	0	3,329	0	3,378
6th year and beyond	0	22,598	0	22,158
<b>Total receivable</b>	<b>0</b>	<b>27,235</b>	<b>0</b>	<b>26,738</b>

Contingent rents include backdated rent increases.

#### 14. Other Operating Expenditure

Other Operating Expenditure comprises the gain or loss on the derecognition of non-current assets. The gain or loss is the amount by which the disposal proceeds (if any) are more (gain) or less (loss) than the amount which the non-current asset is held on the balance sheet together with the costs of disposal. In order to comply with statutory/proper practices, the entry is reversed in the Movement in Reserves Statement leaving the cost of disposals 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.

	2015/16 £'000	2016/17 £'000
Capital receipts	-2,010	-1,898
Disposal costs charged against capital receipts	44	42
Net capital receipts	-1,966	-1,856
Other receipts	-149	-239
	-2,115	-2,095
Carrying value of non-current assets derecognised	102,384	69,888
Disposal costs charged to the County Fund	91	70
	102,475	69,958
<b>Other Operating Expenditure</b>	<b>100,360</b>	<b>67,863</b>
Adjustments between accounting basis and funding basis	-100,418	-68,032
<b>Net charge to County Fund</b>	<b>-58</b>	<b>-169</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. Financing and Investment Income and Expenditure

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

	2015/16 £'000	2016/17 £'000
Surplus/deficit on trading operations	215	740
Interest payable and similar charges	21,187	20,165
Interest receivable and similar income	-3,417	-3,857
Income and expenditure in relation to investment properties and changes in their fair value	-406	-489
Net pensions interest expense	25,685	25,652
Net fire-fighters Pension Fund Top-Up Grant	-3,725	-2,536
<b>Total Financing and Investment Income &amp; Expenditure</b>	<b>39,539</b>	<b>39,675</b>

### 16. Trading Operations

The County Council operates trading accounts for a number of services within the authority. Details of their financial performance during 2016/17 are as follows:

2015/16		2016/17		
Surplus (-) / Deficit (+) £'000	Trading Operation	Turnover £'000	Expenditure £'000	Surplus (-) / Deficit (+) £'000
-74	<b>Legal Services</b> Provision of legal support to services within the authority	4,192	4,540	348
253	<b>Learning Disabilities Day Services (Internal)</b> Provision of day services to learning disability clients	3,999	4,371	372
36	<b>Shared Lives</b> Provision of services to supported adults and their carers	1,912	1,932	20
<b>215</b>	<b>Total</b>	<b>10,103</b>	<b>10,843</b>	<b>740</b>

For Legal Services the deficit has arisen due to a significant increase in child protection cases requiring external expenditure on Counsel which is being addressed through a staff reorganisation. For Learning Disabilities Day Services and Shared Lives, deficits have arisen due to the inclusion of capital charges and pensions adjustments within expenditure. These costs have not been recovered through internal charges as they are not chargeable to the County Fund.

**17. Financial Instruments - Income, Expenses, Gains or Losses**

Financial instruments include bank deposits, investments, debtors (excluding statutory debtors), long-term debtors (excluding lifecycle prepayments), creditors (excluding statutory creditors), 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**

	2016/17				
	Financial Liabilities	Financial Assets			Total
	Liabilities at amortised cost	Loans and receivables	Available-for-sale assets	Assets at fair value through profit & loss	
£'000	£'000	£'000	£'000	£'000	
Interest expense	19,507				19,507
Reductions in fair value					0
Impairment losses		658			658
Fee expense			124		124
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>19,507</b>	<b>658</b>	<b>124</b>	<b>0</b>	<b>20,289</b>
Interest income		-2,302			-2,302
Interest income accrued on impaired financial assets					0
Increases in fair value					0
Gains on derecognition			-1,555		-1,555
Fee income					0
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>-2,302</b>	<b>-1,555</b>	<b>0</b>	<b>-3,857</b>
Gains/losses on revaluation			-1,256		-1,256
Amounts recycled to the Surplus or Deficit on the Provision of Services			452		452
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>			<b>-804</b>		<b>-804</b>
<b>Net gain(-)/loss for the year</b>	<b>19,507</b>	<b>-1,644</b>	<b>-2,235</b>	<b>0</b>	<b>15,628</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative figures for 2015/16 are as follows:

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

**18. Retirement Benefits**

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

The County Council participates in four pension schemes. Only a small number of Public Health staff that transferred from the NHS when the service became a County Council function in April 2013 participate in the NHS Pension Scheme and this is therefore excluded from the disclosures below.

**The Local Government Pension Scheme (LGPS)**

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

The County Council is the Administering Authority for the Fund. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by teams within the County Council. Where appropriate some functions are delegated to the Fund's professional advisers. The accounts of the Oxfordshire Local Government Pension Fund are set out on pages 125 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 actuarial valuation at 31 March 2013 set the contribution rates for the period 1 April 2014 to 31 March 2017. The latest actuarial valuation of the Fund was carried out as at 31 March 2016 and 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 2017/18 are £27.953m for funded benefits (£28.469m in 2016/17). £1.485m of LGPS unfunded benefits are expected to be paid to beneficiaries in 2017/18 (£1.450m in 2016/17). For 2016/17 the estimated duration of the County Council's liabilities is 19 years for funded benefits and 10 years for unfunded benefits (18 years and 10 years respectively for 2015/16).

The County Council currently participates in the Oxfordshire County Council pool with 40 other employers with admissions agreements in order to share experience of risks they are exposed to in the Fund. At the 2016 valuation, the deficit on the whole pool was calculated

and allocated to each employer, along with the costs of future benefits of the combined membership of the pool, such that all employers within the pool shared the same overall contribution rate. The next re-allocation will be carried out at the 2019 valuation, should the employer remain in 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 £0.394m for 2016/17 (£1.650m for 2015/16). 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 £11.551m (£10.905m for 2015/16).

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

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

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

The 1992, 2006, 2015 and the Retained Modified schemes are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pension payments as they fall due. The County Council and employees pay contributions into a fund account and where these are not sufficient to meet pension payments for the year, the deficit is met by central government top-up grant. Any surplus in the pension fund in the year is paid back to central government. The Fire-fighters Pension Fund Accounts are set out at on pages 121 to 124. Employer contributions are set every four years as a result of the combined actuarial valuation of the fire-fighters' pension schemes required by the Home Office 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 actuarial valuation as at 31 March 2016 is in progress.

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

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

The total of contributions (including government top-up grant) and injury/ill health retirement benefit payments expected to be made by the County Council in 2017/18 is £4.794m (£5.681m in 2016/17). The estimated duration of the County Council's combined liabilities for

the fire-fighters' scheme for 2016/17 is 22 years (22 years for 2015/16).

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

### **The Teachers' Pension Scheme**

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

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

The County Council contributes towards the costs of the scheme by making contributions based on a percentage of members' pensionable salaries as set by the Secretary of State for Education, taking advice from the Scheme's actuary. In 2016/17 the County Council paid £13.663m in employer contributions to the Teachers' Pension Scheme (2015/16 £13.902m) – the amount has reduced because of schools converting to academy trusts. This represents about 0.3% of the total contributions to the Teachers' Pension Scheme by all participating employers. The employer contribution rate for 2016/17 was 16.48% (In 2015/16 14.1% to August 2015 and 16.48% from September 2015). As at 31 March 2017 there was £0.003m prepaid to the Teachers' Pension Scheme in respect of accrued pensions contributions (£1.823m owing in 2015/16). The total contributions expected to be made by the County Council to the Teachers' Pension Scheme in 2017/18 are £12.851m (£11.985m in 2016/17).

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 £3.660m in 2017/18 (£3.770m in 2016/17). The estimated duration of the County Council's liabilities for teachers added years benefits for 2016/17 is 9 years (9 years for 2015/16).

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

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Inflation risk – the benefits are linked to inflation and so increased costs may emerge if inflation is higher than expected.
- Longevity risk – in the event that the members live longer than assumed more benefits will be paid out than expected. There are also other demographic risks.

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

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

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

All of the risks above may also benefit the County Council, for example higher than expected investment returns or employers leaving the funds with excess assets which would eventually 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 (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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>								
<u>Cost of Services</u>								
Current service cost	41,192	34,529	4,442	3,602	0	0	45,634	38,131
Past service costs	1,936	158	731	144	0	0	2,667	302
(Gain)/loss from settlements	-10,905	-11,551	0	0	0	0	-10,905	-11,551
Administration Expenses	545	591	0	0	0	0	545	591
	<b>32,768</b>	<b>23,727</b>	<b>5,173</b>	<b>3,746</b>	<b>0</b>	<b>0</b>	<b>37,941</b>	<b>27,473</b>
<u>Financing and Investment Income &amp; Expenditure</u>								
Net Interest expense	17,690	17,289	6,835	7,249	1,160	1,114	25,685	25,652
Government Top-Up Grant/Surplus payable to Government	0	0	-3,725	-2,536	0	0	-3,725	-2,536
	<b>50,458</b>	<b>41,016</b>	<b>8,283</b>	<b>8,459</b>	<b>1,160</b>	<b>1,114</b>	<b>59,901</b>	<b>50,589</b>
<u>Surplus/Deficit on the Provision of Services</u>								
<u>Other Comprehensive Income and Expenditure</u>								
Return on plan assets	29,849	-157,297	0	0	0	0	29,849	-157,297
Actuarial gains (-) and losses (+) from demographic assumptions	0	-8,370	0	18,079	0	-751	0	8,958
Actuarial gains (-) and losses (+) from financial assumptions	-99,708	374,937	-17,131	59,418	-1,709	5,740	-118,548	440,095
Experience gains (-) and losses (+)	167	36,441	613	64	424	2,878	1,204	39,383
Other actuarial gains (-) and losses (+)	0	-69,827	0	0	0	0	0	-69,827
<b>Total retirement benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>-19,234</b>	<b>216,900</b>	<b>-8,235</b>	<b>86,020</b>	<b>-125</b>	<b>8,981</b>	<b>-27,594</b>	<b>311,901</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	-18,864	-11,265	-6,130	-6,407	2,550	2,467	-22,444	-15,205
<b>Actual amount charged against the County Fund Balance for pensions in the year</b>	<b>31,594</b>	<b>29,751</b>	<b>2,153</b>	<b>2,052</b>	<b>3,710</b>	<b>3,581</b>	<b>37,457</b>	<b>35,384</b>

## 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>2015/16 £'000</b>	<b>2016/17 £'000</b>
<b>Present value liabilities:</b>		
Local Government Pension Scheme (funded benefits)	1,390,984	1,823,299
Local Government Pension Scheme (unfunded benefits)	19,604	21,373
Fire-fighters' Pension Schemes	192,883	276,851
Teachers' Added Years	48,665	54,065
<b>Total present value liabilities</b>	<b>1,652,136</b>	<b>2,175,588</b>
<b>Fair value of assets in the Local Government Pension Scheme</b>	<b>895,184</b>	<b>1,142,119</b>
<b>Net liabilities in the scheme:</b>		
Local Government Pension Scheme (funded)	495,800	681,180
Local Government Pension Scheme (unfunded)	19,604	21,373
Fire-fighters' Pension Schemes	192,883	276,851
Teachers' Added Years	48,665	54,065
<b>Total Net Liabilities</b>	<b>756,952</b>	<b>1,033,469</b>

The total net liability of £1,033.469m (2015/16 £756.952m) 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, such that the total liabilities outweigh the assets by £82.568m. It should be noted however that the pension liability valuation in accordance with accounting requirements is only a snapshot in time and will likely fluctuate year on year. The statutory arrangements for funding the deficit ensure that:

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

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

Liabilities	Local Government Pension Scheme (funded)		Local Government Pension Scheme (unfunded)		Fire-fighters' Pension Schemes		Teachers Added Years		Total	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	1,452,291	1,390,984	21,095	19,604	203,271	192,883	52,500	48,665	1,729,157	1,652,136
Current service cost	41,192	34,529	0	0	4,442	3,602	0	0	45,634	38,131
Interest expense	46,851	48,864	510	510	6,835	7,249	1,160	1,114	55,356	57,737
Contributions by scheme participants	9,449	12,549	0	0	1,623	1,395	0	0	11,072	13,944
Actuarial gains and losses - demographic assumptions	0	-7,963	0	-407	0	18,079	0	-751	0	8,958
Actuarial gains and losses - financial assumptions	-98,966	372,736	-742	2,201	-17,131	59,418	-1,709	5,740	-118,548	440,095
Experience gains and losses	0	35,523	167	918	613	64	424	2,878	1,204	39,383
Other actuarial gains and losses	0	0	0	0	0	0	0	0	0	0
Benefits paid	-40,274	-41,981	-1,426	-1,453	-3,776	-3,447	-3,710	-3,581	-49,186	-50,462
Past service costs	1,936	158	0	0	731	144	0	0	2,667	302
(Gain)/loss from settlements	-21,495	-22,100	0	0	0	0	0	0	-21,495	-22,100
Fire-fighters pension scheme top-up grant	0	0	0	0	-3,725	-2,536	0	0	-3,725	-2,536
<b>Closing balance at 31 March</b>	<b>1,390,984</b>	<b>1,823,299</b>	<b>19,604</b>	<b>21,373</b>	<b>192,883</b>	<b>276,851</b>	<b>48,665</b>	<b>54,065</b>	<b>1,652,136</b>	<b>2,175,588</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 2016 for the Local Government Pension Scheme and 31 March 2013 for the Fire-fighters Pension Schemes.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

A reconciliation of the fair value of assets in the Local Government Pension Scheme is as follows:

<b>Assets</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Opening balance at 1 April	907,154	895,184
Interest income	29,671	32,085
Return on plan assets	-29,849	157,297
Other actuarial gains and losses	0	69,827
Administration expenses	-545	-591
Employer contributions	30,168	28,298
Contributions by scheme participants	9,449	12,549
Benefits paid	-40,274	-41,981
Settlements received/(paid)	-10,590	-10,549
<b>Closing balance at 31 March</b>	<b>895,184</b>	<b>1,142,119</b>

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

<b>Assets</b>	<b>At 31 March 2016</b>			<b>At 31 March 2017</b>		
	<b>£'000</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<u>Equities</u>						
UK investments - quoted	164,729		18%	231,829		21%
UK investments - unquoted	128,918		14%	147,320		13%
Overseas investments - quoted	94,898		11%	129,048		11%
Overseas investments - unquoted	184,426		21%	258,096		23%
		572,971			766,293	
<u>Gilts (quoted)</u>						
UK fixed interest government securities	48,199		5%	44,318		4%
Overseas fixed interest govt securities	24,099		3%	26,136		3%
UK index-linked government securities	46,413		5%	53,410		5%
		118,711			123,864	
<u>Other bonds (quoted)</u>						
UK corporate bonds	27,904		3%	36,594		3%
Overseas corporate bonds	3,600		1%	1,144		0%
		31,504			37,738	
<u>Other quoted assets</u>						
Cash		26,787	3%		51,027	4%
<u>Other unquoted assets</u>						
Property		71,160	8%		74,165	6%
Limited Liability Partnerships		35,289	4%		38,508	3%
Hedge Funds		0	0%		0	0%
Diversified Growth Fund		39,299	4%		51,241	4%
<b>Total</b>		<b>895,721</b>	<b>100%</b>		<b>1,142,836</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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Longevity assumptions: Base Table*	S1PA with a 95% multiplier	S2PA with a 90% multiplier	S1PA with a 95% multiplier	S2PA with a 90% multiplier	S1PA Heavy with allowance for medium cohort projection	S1NA with a 110% multiplier	S1PA with a 95% multiplier	S2PA with a 90% multiplier
Men:								
Rate of improvement	1.50%	1.50%	1.50%	1.50%	1.00%	1.50%	1.50%	1.50%
Longevity from 65 (currently aged 65) (yrs)	23.3	23.4	23.3	23.4	19.5	21.7	23.3	23.4
Longevity from 65 (currently aged 45) (yrs)	25.6	25.6	25.6	25.6	21.4	23.8	25.6	25.6
Women:								
Rate of improvement	1.50%	1.50%	1.50%	1.50%	1.00%	1.50%	1.50%	1.50%
Longevity from 65 (currently aged 65) (yrs)	25.8	25.5	25.8	25.5	23.5	24.2	25.8	25.5
Longevity from 65 (currently aged 45) (yrs)	28.1	27.8	28.1	27.8	25.3	26.5	28.1	27.8
Financial Assumptions:								
Retail Price Index (RPI) increases	3.2%	3.6%	2.6%	3.1%	3.4%	3.6%	2.5%	3.1%
Consumer Price Index (CPI) increases	2.3%	2.7%	1.7%	2.2%	2.5%	2.7%	1.6%	2.2%
Rate of increase in salaries	4.1%	4.2%	n/a	n/a	4.7%	4.9%	n/a	n/a
Rate of increase in pensions and deferred pensions	2.3%	2.7%	1.7%	2.2%	2.5%	2.7%	1.6%	2.2%
Rate for discounting scheme liabilities	3.6%	2.7%	2.7%	2.0%	3.8%	2.8%	2.5%	1.8%

\*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.
- The proportion of the membership that had taken up the option to pay 50% of contributions for 50% of benefits at the previous valuation date will remain the same.

For the Fire-fighters Scheme:

- Members will exchange half of their commutable pension for cash at retirement
- Members will retire at the earliest age they are 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	-33,772	34,443	-200	203	-5,861	5,993	-460	465
Change in Projected Service Cost	-1,432	1,467	-	-	-257	267	-	-
0.1% adjustment to pension increase:								
Change in Present Value of Scheme Liabilities	30,368	-29,795	202	-200	3,562	-3,495	463	-459
Change in Projected Service Cost	1,466	-1,433	-	-	206	-197	-	-
0.1% adjustment to long term salary increase:								
Change in Present Value of Scheme Liabilities	4,041	-4,009	0	0	2,431	-2,378	0	0
Change in Projected Service Cost	0	0	-	-	61	-60	-	-
1 year adjustment to mortality age rating assumption:								
Change in Present Value of Scheme Liabilities	68,285	-65,742	984	-940	10,663	-10,256	2,381	-2,276
Change in Projected Service Cost	1,916	-1,858	-	-	225	-217	-	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April	-822,003	-756,952
Net charge made for retirement benefits in accordance with IAS19	-22,444	-15,205
Remeasurements of the net defined liability	87,495	-261,312
<b>Balance as at 31 March</b>	<b>-756,952</b>	<b>-1,033,469</b>

### 19. Taxation and Non-Specific Grant Income

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

	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax income	295,737	312,618
Non-domestic rates	28,866	30,035
Non-ringfenced government grants	119,629	97,517
Capital grants and contributions	97,858	115,442
<b>Total Taxation and Non-Specific Grant Income</b>	<b>542,090</b>	<b>555,612</b>

Under the Business Rates Retention Scheme the County Council receives a 10% share of the business rates collected by the Oxfordshire district councils.

### 20. Grant Income

The County Council recognised the following grants in the Comprehensive Income and Expenditure Statement. The grant issuing bodies are shown in parenthesis, with an explanation of the abbreviations provided below the tables.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Credited to Taxation and Non Specific Grant Income:

	2015/16 £'000	2016/17 £'000
Revenue Support Grant (DCLG)	62,305	39,331
Business Rates Top-Up Grant (DCLG)	37,085	37,394
Education Services Grant (DfE)	5,302	4,629
Transition Grant (DCLG)		4,454
New Homes Bonus (DCLG)	3,379	4,130
Independent Living Fund Grant (DoH)	3,004	3,803
Section 31 Grant - Business Rates and Other Reliefs (DCLG)	1,864	1,506
Care Act New Burdens Grant (DoH)	3,368	
Other revenue grants	3,322	2,270
Capital grants	66,422	73,571
Developer contributions	29,313	41,726
Other capital contributions	1,599	145
Donated assets	524	
<b>Total</b>	<b>217,487</b>	<b>212,959</b>

### Credited to Services:

	2015/16 £'000	2016/17 £'000
Dedicated Schools Grant (DfE)	246,642	234,441
Public Health Grant (DoH)	28,536	32,126
Pupil Premium Grant (DfE)	9,818	9,064
Universal Infant Free School Meals (DfE)	5,071	5,018
Sixth Form Funding (DfE)	3,422	2,395
Asylum Seekers (HO)	1,481	1,556
PE & Sports Grant (DfE)	1,659	1,545
Adult Learning (EFA)	2,286	
Local Sustainable Transport Fund Resource Grant (DfT)	1,035	
Other grants	6,733	5,964
<b>Total</b>	<b>306,683</b>	<b>292,109</b>

DCLG Department for Communities and Local Government

DfE Department for Education

DoH Department of Health

HO Home Office

EFA Education Funding Agency

DfT Department for Transport

## 21. Related Party Transactions

The County Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the County Council or to be controlled or influenced by the County Council. Disclosure of these transactions allows the reader of the accounts to assess the extent to which the County Council might have

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 which are set out in Note 20.

Members of the County Council have direct control over the County Council's financial and operating policies. The Chief Executive and strategic directors who are members of the County Leadership Team, 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. A senior officer of the County Council is a non-executive board member of The Low Carbon Hub. The Low Carbon Hub has worked in partnership with Oxford City Council and the County Council to secure £0.349m European Regional Development Funding to support the delivery of solar panels for schools. The Low Carbon Hub was also commissioned to carry out a study for the County Council. The senior officer had no involvement in commissioning the study. The County Council incurred costs of £0.249m in 2016/17 for two interim directors contracted through Penna Plc. One councillor is a trustee of the charity running Vale House dementia care home which received payment of £1.369m from the County Council in 2016/17. The councillor receives no remuneration for the trusteeship and had no involvement in the award of the contract. There are no other related party transactions to disclose between the County Council and members, strategic directors, 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 2017, the County Council made employer contributions totalling £28.343m to the Fund (£30.260m in 2015/16). The County Council charged the Fund £1.195m (£1.018m in 2015/16) for expenses incurred in administering the Fund. As at 31 March 2017 £3.245m was due to the Pension Fund and £0.128m by the Pension Fund (£3.168m and £0.069m respectively as at 31 March 2016).

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 2016/17 are as follows:

<u>Oxford City</u>	<u>South Oxfordshire</u>	<u>West Oxfordshire</u>
Jamila Azad	Kevin Bulmer	Louise Chapman
Steve Curran	Steve Harrod	Pete Handley
Jean Fooks	David Nimmo Smith	Richard Langridge
Mark Lygo		James F. Mills
Susanna Pressel		Neil Owen
Gill Sanders		
John Tanner		
<u>Cherwell</u>	<u>Vale of White Horse</u>	
Maurice Billington	Yvonne Constance OBE	
Mark Cherry	Jenny Hannaby	
Surinder Dhesi	Bob Johnston	
Timothy Hallchurch MBE	Sandy Lovatt	
Kieron Mallon		
George Reynolds		
Les Sibley		

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

2016/17 District Council	Collection Fund Transactions			Other Transactions	
	Rates £'000	Rates Receipts £'000	Precepts £'000	Payments £'000	Receipts £'000
Cherwell	1,116	-6,640	-65,604	1,109	-739
Oxford City	1,370	-7,682	-57,325	2,198	-585
South Oxfordshire	1,009	-4,024	-72,226	2,654	-699
Vale of White Horse	784	-5,350	-63,773	1,944	-379
West Oxfordshire	905	-3,084	-53,823	2,132	-129
<b>Total</b>	<b>5,184</b>	<b>-26,780</b>	<b>-312,751</b>	<b>10,037</b>	<b>-2,531</b>

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

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**22. Movement in the value of Property, Plant and Equipment**

2016/17	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Service Concession assets included in PPE £'000
<b>Cost or valuation as at 1 April</b>	<b>586,598</b>	<b>123,836</b>	<b>512,135</b>	<b>3,409</b>	<b>62,910</b>	<b>1,288,888</b>	<b>18,368</b>
Additions	21,061	2,254	30,174		13,045	66,534	9,115
Donations							
Revaluation increases/(decreases) recognised in the Revaluation Reserve	21,517			-822		20,695	5,400
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	3,215			393		3,608	870
Derecognition - disposals	-191	-1,581				-1,772	
Derecognition - other	-68,852	-5,890				-74,742	-385
Assets reclassified to / from Held for Sale	-972					-972	
Assets reclassified to / from Investment Properties	653					653	
Assets reclassified as intangible assets					-2,070	-2,070	
Transfers	17,726	-5,323	20,547	-76	-32,874		
Other movements in cost or valuation					-16	-16	
<b>Cost or Valuation as at 31 March</b>	<b>580,755</b>	<b>113,296</b>	<b>562,856</b>	<b>2,904</b>	<b>40,995</b>	<b>1,300,806</b>	<b>33,368</b>
<b>Depreciation and Impairment as at 1 April</b>	<b>-2,058</b>	<b>-21,570</b>	<b>-137,131</b>	<b>-9</b>		<b>-160,768</b>	<b>-449</b>
Depreciation charge	-8,522	-7,213	-16,072	-22		-31,829	-344
Depreciation and impairment written out to the Revaluation Reserve	10,604			17		10,621	592
Depreciation and impairment written out to the Surplus/Deficit on Provision of Services	757			17		774	165

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2016/17 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>
Impairment losses/(reversals) recognised in the Revaluation Reserve	-1,728					-1,728	
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	-444					-444	
Derecognition - disposals	1	1,319				1,320	
Derecognition - other	1,528	4,595				6,123	
Assets reclassified to / from Held for Sale							
Assets reclassified to / from Investment Properties							
Transfers	-2,838	2,838					
Other movements in depreciation and impairment							
<b>Depreciation and impairment as at 31 March</b>	<b>-2,700</b>	<b>-20,031</b>	<b>-153,203</b>	<b>3</b>		<b>-175,931</b>	<b>-36</b>
Net Book Value at 31 March 2016	584,540	102,266	375,004	3,400	62,910	1,128,120	17,919
Net Book Value at 31 March 2017	578,055	93,265	409,653	2,907	40,995	1,124,875	33,332

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2015/16</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>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>17,990</b>
Additions	10,052	1,204	27,351		39,229	77,836	446
Donations	217	307				524	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	55,899			1,450		57,349	282
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	10,091			-53		10,038	96
Derecognition - disposals	-849	-1,872		-821		-3,542	
Derecognition - other	-82,394	-20,007				-102,401	-446
Assets reclassified to / from Held for Sale	-1,181			79		-1,102	
Assets reclassified to / from Investment Properties	451					451	
Assets reclassified as intangible assets							
Transfers	-26,544	29,354	4,876	50	-7,736		
Other movements in cost or valuation					-157	-157	
<b>Cost or Valuation as at 31 March</b>	<b>586,598</b>	<b>123,836</b>	<b>512,135</b>	<b>3,409</b>	<b>62,910</b>	<b>1,288,888</b>	<b>18,368</b>
<b>Depreciation and impairment as at 1 April</b>	<b>-1,728</b>	<b>-23,904</b>	<b>-122,507</b>			<b>-148,139</b>	<b>-219</b>
Depreciation charge	-8,288	-7,916	-14,624	-53		-30,881	-230
Depreciation and impairment written out to the Revaluation Reserve	14,507			3		14,510	
Depreciation and impairment written out to the Surplus/Deficit on Provision of Services	1,625			39		1,664	

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2015/16 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>
Impairment losses/(reversals) recognised in the Revaluation Reserve	-1,289					<b>-1,289</b>	
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	-192					<b>-192</b>	
Derecognition - disposals		1,623		2		<b>1,625</b>	
Derecognition - other	530	1,404				<b>1,934</b>	
Assets reclassified to / from Held for Sale							
Assets reclassified to / from Investment Properties							
Transfers	-7,223	7,223					
Other movements in depreciation and impairment							
<b>Depreciation and impairment as at 31 March</b>	<b>-2,058</b>	<b>-21,570</b>	<b>-137,131</b>	<b>-9</b>		<b>-160,768</b>	<b>-449</b>
Net Book Value at 31 March 2015	619,128	90,946	357,401	2,704	31,574	1,101,753	17,771
Net Book Value at 31 March 2016	584,540	102,266	375,004	3,400	62,910	1,128,120	17,919

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### 23. Investment Properties

	2015/16		2016/17	
	Non-Current	Current	Non-Current	Current
	£'000	£'000	£'000	£'000
Balance at 1 April	7,569	0	7,441	24
Derecognition				
Net gains (+)/losses (-) from fair value adjustments	346	1	412	-1
Assets reclassified to / from Investment Properties	-474	23	-653	0
Other changes			23	-23
<b>Balance at 31 March</b>	<b>7,441</b>	<b>24</b>	<b>7,223</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.

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

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

The office and commercial units located in the local authority area are measured using the income approach where the expected cash flows from the properties are discounted (using a market-derived all risks discount rate) to establish the present value of the net income stream.

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

	Fair Value Level	Fair Value at 31 March 2017 £'000	Additional information for level 3 properties			
			Valuation technique	Unobservable inputs	Range (weighted average used)	Sensitivity
Agricultural units & other level 2 assets	2	6,252				
Office units	3	297	Income approach using an all risks discount rate to assess capital value	Discount rate	8% - 11% (10%)	Significant changes in market conditions will effect the discount rate and will result in a significantly lower or higher fair value
Commercial units	3	674		Discount rate	5% - 6% (5%)	
		<b>7,223</b>				

The movement for investment properties categorised at level 3 in the hierarchy as follows:

	2015/16 £'000	2016/17 £'000
Balance at 1 April	887	937
Net gains (+)/losses (-) from fair value adjustments	50	11
Transfers to/from Level 3		23
Additions		0
<b>Balance at 31 March</b>	<b>937</b>	<b>971</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2015/16 £'000		2016/17 £'000
79	Balance at 1 April	549
	Assets newly classified as held for sale:	
1,181	- Property, Plant and Equipment	972
-632	Revaluation gains/(losses)	0
	Impairment losses	
	Assets declassified as held for sale:	
-79	- Property, Plant and Equipment	0
0	Assets derecognised	-825
	Additions	
<b>549</b>	<b>Balance at 31 March</b>	<b>696</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.

### 25. Movement in the value of Intangible Assets

The movement in the carrying value of intangible assets for the year was as follows:

	2015/16 £'000	2016/17 £'000
Gross Carrying Value at 1 April	3,810	1,923
Additions		
Transfers from Assets Under Construction		2,070
Derecognition	-1,887	
<b>Gross Carrying Value at 31 March</b>	<b>1,923</b>	<b>3,993</b>
Amortisation and Impairment at 1 April	-3,392	-1,751
Amortisation for the year	-246	-333
Impairment losses		
Derecognition	1,887	
<b>Amortisation and Impairment at 31 March</b>	<b>-1,751</b>	<b>-2,084</b>
Net Book at 1 April	418	172
<b>Net Book Value at 31 March</b>	<b>172</b>	<b>1,909</b>

### 26. 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 £2.8m 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.

### **27. Valuation of non-current assets**

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

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

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

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

Property valuations are conducted by the County Council's appointed external property consultants Carillion Capita. Carillion Capita 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 social care premises, libraries, museums and adult learning premises were revalued as at 1 April 2016.

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

The County Council has one PFI type contract (service concession arrangement) with an external operator, The Oxfordshire Care Partnership, relating to the provision of residential care homes and care services. The Cabinet Member for Adult Social Care represents the Council's interests as a director of the Partnership.

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

The operator has built nine new homes and four extra care housing schemes through the redevelopment programme, whilst eleven homes have been closed. The Oxfordshire Care Partnership also operate the new Chilterns Court Care Centre built by the County Council, which was completed in 2016/17 and replaces the former care home in Henley. Under the Code, the County Council is required to recognise homes that meet tests in respect of control of services and control of the residual interest in property on its Balance Sheet. All homes under the contract are included on the County Council's Balance Sheet, with exception of one home that does not meet the control tests specified in the Code. At the end of the contract, all properties currently on the Balance Sheet revert to County Council ownership.

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

The value of assets recognised under service concession arrangements at each Balance Sheet date and the movements in value during the year are provided as a memorandum to the movement in Property Plant and Equipment (Note 22).

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

	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	26,442	25,676
Increase in liability in the year		
Liability repaid in the year	-766	-826
<b>Balance at 31 March</b>	<b>25,676</b>	<b>24,850</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Long-Term		Current	
	At 31 March 2016	At 31 March 2017	At 31 March 2016	At 31 March 2017
	£'000	£'000	£'000	£'000
Service Concession Arrangement	24,850	23,961	826	889
Finance Leases	14	28	17	18
Investments - Forward Deal			10,000	15,000
<b>Total Finance Liability</b>	<b>24,864</b>	<b>23,989</b>	<b>10,843</b>	<b>15,907</b>

Details of payments due to be made under the service concession arrangement are as follows, with comparative figures for 2015/16 following on.

2016/17	Service Costs	Principal Repayments	Interest Costs	Lifecycle Replacement Payments	Total
	£'000	£'000	£'000	£'000	£'000
Within 1 Year	15,447	889	1,920	823	19,079
2 -5 Years	64,349	4,297	6,941	3,634	79,221
6 - 10 Years	74,278	19,664	6,532	5,422	105,896
<b>Total</b>	<b>154,074</b>	<b>24,850</b>	<b>15,393</b>	<b>9,879</b>	<b>204,196</b>

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

### 29. Capital Spending

The County Council's total capital spend for 2016/17 was £111.250m. 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>		
Eynsham Assessment Centre, Lichfield	941	
Move on Home, Witney	616	
Great Western Park (Primary) 14 classrooms	5,592	
Great Western Park (Secondary)	14,463	
Bodicote, Longford Park (Primary) 10 Classrooms	4,950	
Longfields, Bicester (Primary) - Expansion to 2 form entry	1,892	
William Fletcher Phase 3 (Prim)- Expansion to 1.5 form entry	1,038	
Hill View, Banbury (Primary) - 3 form entry	837	
St Michael's, Steventon (Primary) Expansion to 1 form entry	531	
Queensway, Banbury (Primary) Expansion to 2 form entry	599	
Bicester Exemplar Eco-Development (Primary) 7 classrooms	4,332	
Hook Norton (Primary)- Expansion to 1.5 form entry	1,025	
Didcot Great Western Prk, Didcot (Primary 2) -14 classrooms	632	
Christopher Rawlins (Primary) - expansion to 1.5 form entry	511	
Schemes under £500,000	10,165	
<b>Total Children, Education &amp; Families</b>		48,124
<b>Social &amp; Community Services</b>		
Chilterns Court Care Centre	8,447	
Better Care Fund - Disabled Facilities Grant	4,532	
Schemes under £500,000	366	
<b>Total Social &amp; Community Services</b>		13,345
<b>Environment &amp; Economy Transport</b>		
Kennington Railway Bridge	818	
A34 Chilton Interchange - junction improvements	5,518	
Harwell Link Road, Section 1 (B4493 to A417)	2,724	
Harwell Link Road, Section 2 (Hagbourne Hill)	1,239	
Featherbed Lane & Steventon Lights	594	
Wolvercote Roundabout	2,367	
Cuttleslowe Roundabout	2,214	
Eastern Arc Phase 1 Access to Headington	1,650	
Milton Interchange	1,849	
Drainage	1,297	
Edge Strengthening	2,576	
Oxford riverside routes to city centre	530	
Carriageway Structural Maintenance 16/17	1,931	
Skid Resistance Schemes 16/17	888	
Surface Dressing 16/17	1,213	
Surface Dressing Pre-Patching 16/17	548	
Structural Patching 16/17	3,401	
Schemes under £500,000	8,312	
<b>Total Environment &amp; Economy Transport</b>		39,669

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>Capital Spending</b>	<b>£'000</b>	<b>£'000</b>
<b>Environment &amp; Economy Other</b>		
Desktop ICT Refresh	1,225	
Schemes under £500,000	330	
<b>Total Environment &amp; Economy Other</b>		1,555
<b>Corporate Services</b>		
Local Growth Fund - Centre for Tech, Innovation & Skills	2,298	
Local Growth Fund - Centre for Applied Superconductivity	3,431	
Local Growth Fund Adv Engineering & Tech Skills Centre	676	
Local Growth Fund - Didcot Station Car Park Expn	638	
Schemes under £500,000	1,247	
<b>Total Corporate Services</b>		8,290
<b>Sub Total Capital Programme</b>		<b>110,983</b>
Capitalised Purchase of Vehicles / Equipment		212
Capitalised Loans		55
<b>Sub Total</b>		<b>267</b>
<b>Total</b>		<b>111,250</b>

**Summary of capital expenditure**

Capital expenditure by asset class is as follows:

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Property, Plant and Equipment	77,836	66,534
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute	48,175	45,107
Capital loans	758	55
Repayment of capital grants and contributions	0	0
	<b>126,769</b>	<b>111,696</b>
Less assets acquired under service concession arrangements	0	0
Less assets transferred from capital prepayment account	-446	-386
Less assets acquired under finance leases	0	-60
<b>Total capital expenditure</b>	<b>126,323</b>	<b>111,250</b>

**30. Capital Financing**

The capital expenditure has been financed from the following sources:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<b>2015/16</b> <b>£'000</b>	<b>2016/17</b> <b>£'000</b>
Prudential and other unsupported borrowing	24	8,729
Grants & Contributions	118,027	101,681
Revenue	8,272	844
<b>Total</b>	<b>126,323</b>	<b>111,254</b>

### 31. 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>2015/16</b> <b>£'000</b>	<b>2016/17</b> <b>£'000</b>
Capital Financing Requirement as at 1 April	<b>406,295</b>	<b>389,758</b>
New unsupported borrowing	24	8,729
Assets acquired under service concession arrangements	0	0
Assets acquired under finance leases	0	60
Service concession arrangements - lifecycle prepayments	761	791
Residual interest - asset accumulation prepayments	43	43
Loan repayments and other adjustments	-202	11
Reduction in underlying need to borrow arising from derecognition of finance leases	0	-8
Minimum Revenue Provision for the year	-17,163	-16,694
Increase (+)/decrease (-) in Capital Financing Requirement	-16,537	-7,068
<b>Capital Financing Requirement as at 31 March</b>	<b>389,758</b>	<b>382,690</b>

### 32. Capital Commitments

As at 31 March 2017 the Council was contractually committed to £30.503m (£64.548m as at 31 March 2016) on the following schemes:

**NOTES TO THE CORE FINANCIAL STATEMENTS**

	<b>2016/17 £'000</b>	
<b>Children, Education &amp; Families</b>		
Great Western Park (Secondary)	955	
Christopher Rawlins (Primary)	1,770	
Schemes under £500,000	1,708	
		4,433
<b>Social &amp; Community Services</b>		
Schemes under £500,000	884	
		884
<b>Environment &amp; Economy</b>		
Harwell Link Road	5,379	
Routine Pre Patching	553	
Drainage (Challenge Fund)	1,338	
Surface Dressing 17/18	1,144	
Surface Dressing pre-patching 17/18	800	
Structural Patching 17/18	2,500	
Better Broadband (OxOnline)	7,104	
Schemes under £500,000	6,032	
		24,850
<b>Corporate Services</b>		
Schemes under £500,000	336	
		336
<b>TOTAL</b>		<b>30,503</b>

As at 31 March 2017 there were no commitments relating to investment property or intangible assets.

### **33. Financial Instrument Carrying Values**

Financial assets comprise long-term and short-term investments, long-term and short-term debtors (excluding statutory debtors and capital prepayments) and cash & cash equivalents. Financial liabilities comprise long-term and short-term borrowing, creditors (excluding statutory creditors), finance leases, the finance liability element of service concession arrangements and forward deals on investments. The Code specifies the categorisation of these assets (see pages 34 – 36 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:

**NOTES TO THE CORE FINANCIAL STATEMENTS**

	Long-Term		Current	
	At 31 March 2016	At 31 March 2017	At 31 March 2016	At 31 March 2017
	£'000	£'000	£'000	£'000
Loans and receivables	90,338	78,211	215,192	220,790
Available-for-sale financial assets	0	0	87,140	109,950
Financial assets at fair value through profit and loss	0	0	0	0
<b>Total Financial Assets</b>	<b>90,338</b>	<b>78,211</b>	<b>302,332</b>	<b>330,740</b>
Financial liabilities at amortised cost	395,247	366,372	111,844	132,299
<b>Total Financial Liabilities</b>	<b>395,247</b>	<b>366,372</b>	<b>111,844</b>	<b>132,299</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 £6.349m of loans and receivables as at 31 March 2017 secured on property (£8.254m at 31 March 2016). Of this, £1.165m was new in 2016/17 (£2.709m in 2015/16). 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 2017, 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:

	2015/16 £'000	2016/17 £'000
Balance as at 1 April	4,944	4,864
Nominal value of new loans granted	118	55
Fair value adjustment on initial recognition		
Loans repaid during the year	-37	-101
Impairment losses recognised		-50
Interest credited to the Surplus/Deficit on Provision of Services		
Other changes	-161	-286
<b>Balance as at 31 March</b>	<b>4,864</b>	<b>4,482</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 payment agreements for clients' care costs entered into prior to the national mandatory

scheme introduced from 1 April 2015. The nominal value of the soft loans as at 31 March 2016 was £4.482m (£4.864m at 31 March 2016).

### **34. Financial Instrument Fair Values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2017, using the following methods and assumptions:

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Liabilities	Fair Value Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		At 31 March 2016 £'000	At 31 March 2016 £'000	At 31 March 2017 £'000	At 31 March 2017 £'000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB*	2	338,607	411,766	320,427	427,812
Long-term LOBO/money market loans*	2	35,464	53,095	25,278	42,862
Finance lease payables and service concession liabilities	3	24,864	34,952	23,989	34,089
<b>Total</b>		<b>398,935</b>	<b>499,813</b>	<b>369,694</b>	<b>504,763</b>
Liabilities for which fair value is not disclosed **		108,156		128,977	
<b>Total Financial Liabilities</b>		<b>507,091</b>		<b>498,671</b>	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		73,766		69,248	
Short-term borrowing		27,235		47,144	
Short-term finance liabilities		10,843		15,907	
Long-term borrowing		370,383		342,383	
Long-term finance liabilities		24,864		23,989	
<b>Total Financial Liabilities</b>		<b>507,091</b>		<b>498,671</b>	

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Assets	Fair Value Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		At 31 March 2016 £'000	At 31 March 2016 £'000	At 31 March 2017 £'000	At 31 March 2017 £'000
<i>Financial assets held at fair value:</i>					
Money market funds	1	14,658		53,622	
Bond, equity and property funds	1	72,482		56,328	
<i>Financial assets held at amortised cost:</i>					
Long-term loans to local authorities*	2	87,392	87,716	75,462	76,541
Long-term debtors	3	3,338	3,361	3,211	3,278
<b>Total</b>		<b>177,870</b>	<b>178,217</b>	<b>188,623</b>	<b>189,769</b>
Assets for which fair value is not disclosed **		214,800		220,328	
<b>Total Financial Assets</b>		<b>392,670</b>		<b>408,951</b>	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		3,338		3,211	
Long-term investments		87,000		75,000	
Short-term debtors		29,229		31,251	
Short-term investments		260,317		251,851	
Cash and cash equivalents		12,786		47,638	
<b>Total Financial Assets</b>		<b>392,670</b>		<b>408,951</b>	

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

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

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

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

	At 31 March 2016		At 31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and receivables	305,530	306,269	299,001	300,609
Financial Liabilities	507,091	607,969	498,671	633,740

### 35. Long Term Debtors

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<b>At 31 March 2016 £'000</b>	<b>At 31 March 2017 £'000</b>
Key Worker Loans	271	271
Car Loans to Employees	17	22
Chronically Sick & Disabled Persons Act – loans	2,030	2,003
Children’s Act: loans to foster carers	579	510
Loan to school trustees	350	350
Oxfordshire Local Enterprise Partnership loans	69	40
Other	22	15
	<b>3,338</b>	<b>3,211</b>
Capital Prepayment Account	2,892	3,341
<b>Total</b>	<b>6,230</b>	<b>6,552</b>

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

The Capital Prepayment Account holds prepayments for lifecycle replacement costs relating to the service concession arrangement. As lifecycle replacements actually take place the value of the works is transferred to Property, Plant and Equipment (£0.386m was transferred in 2016/17). 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.

### 36. Debtors

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

	<b>At 31 March 2016 £'000</b>	<b>At 31 March 2017 £'000</b>
Government Departments	9,106	14,160
Other Local Authorities	12,881	21,528
Health Authorities	2,671	2,861
Public Corporations and Trading funds	0	0
Payments in Advance	5,357	4,670
Sundry	34,243	32,460
	<b>64,258</b>	<b>75,679</b>
Less Impairment Allowance Account	-10,480	-10,932
	<b>53,778</b>	<b>64,747</b>

Under the arrangements for accounting for financial instruments, all financial assets are assessed for impairment. The only financial assets for which there is evidence of

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2015/16 £'000		2016/17 £'000
-8,740	Balance at 1 April	-10,480
0	Decrease in allowance	136
-1740	Increase in allowance	-588
<b>-10,480</b>	<b>Balance at 31 March</b>	<b>-10,932</b>

### 37. 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 2016 £'000	At 31 March 2017 £'000
Cash at bank and in hand	-1,880	-6,076
Call Accounts	8	92
Money Market Funds	14,658	53,622
<b>Total</b>	<b>12,786</b>	<b>47,638</b>

### 38. 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 BBB-, unless there are other exceptional circumstances including Government ownership or Government guarantee.

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

The following table summarises the nominal value (excluding accrued interest) of the Council's investment portfolio at 31 March 2017, and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment. The table includes money market funds and call accounts classed as cash & cash equivalents at 31 March 2017.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

Counterparty	Credit rating criteria met when investment placed?	Credit rating criteria met on 31 March 2017?	Balance invested as at 31 March 2017						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			15,000				15,000
Banks non-UK: Canada	Yes	Yes			10,000	15,000			25,000
Netherlands	Yes	Yes			5,000	5,000			10,000
Singapore	Yes	Yes		5,000	5,000				10,000
<b>Total Banks</b>			<b>0</b>	<b>5,000</b>	<b>35,000</b>	<b>20,000</b>	<b>0</b>	<b>0</b>	<b>60,000</b>
Local Authorities and Police Authorities	Yes	Yes	3,000	5,000	39,000	58,000	52,000	23,000	180,000
Building Societies - UK	Yes	Yes							-
Notice Accounts	Yes	Yes	29,800						29,800
Short dated Bond Funds	Yes	Yes	19,482						19,482
Bond Funds	Yes	Yes	17,347						17,347
Property Funds	Yes	Yes	19,498						19,498
Money Market Funds	Yes	Yes	53,622						53,622
Call Accounts	Yes	Yes	92						92
<b>Total</b>			<b>142,841</b>	<b>10,000</b>	<b>74,000</b>	<b>78,000</b>	<b>52,000</b>	<b>23,000</b>	<b>379,841</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The above analysis shows that all deposits outstanding as at 31 March 2017 met the County Council's credit rating criteria at that date.

Within the £75.679m short-term debtors included in loans and receivables, £28.740m were past due at 31 March 2017 (£20.043m at 31 March 2016). The past due amount can be analysed by age as follows:

	<b>At 31 March 2016 £'000</b>	<b>At 31 March 2017 £'000</b>
Less than 1 month	5,302	14,398
Between 1 and 3 months	5,068	3,756
Between 3 and 6 months	2,620	2,275
Between 6 months and 1year	2,633	2,271
Between 1 and 3 years	3,317	4,634
Over 3 years	1,103	1,406
<b>Total</b>	<b>20,043</b>	<b>28,740</b>

None of these past-due short-term debtors have been individually impaired. An impairment allowance of £2.918m has been provided for past due debtors that are financial instruments based on past and current experience (£2.637m at 31 March 2016). This is the County Council's estimate of maximum exposure to uncollectability. £2.487m of the debtor impairment allowance is based on collective assessments of debtors with similar characteristics. Individual impairment allowances have been provided for monies owed from a home support provider that went into liquidation (£0.288m) and for overdue library fines (£0.143m). Debt collection rates have stabilised following the initial period of transition to the new arrangements with the Hampshire County Council Integrated Business Centre, however the current estimate of uncollectability remains higher than the average for the previous 5 years. The past due debtors analysis and impairment allowance quoted above exclude those for statutory debtors as these are not considered to be financial instruments.

The key worker, CSDP Act and Children's Act loans are secured on property. Details of this collateral are provided in Note 33.

### **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 2016 £'000		At 31 March 2017			
		Fixed Rate Borrowing £'000	Variable Rate Borrowing £'000	Other Finance Liabilities £'000	Total £'000
38,078	Less than 1 year	21,291	25,853	15,907	63,051
28,900	Between 1 and 2 years	24,000	5,000	986	29,986
36,287	Between 2 and 5 years	20,000	15,000	3,339	38,339
57,026	Between 5 and 10 years	60,000	0	19,664	79,664
273,034	More than 10 years	218,383	0	0	218,383
<b>433,325</b>		<b>343,674</b>	<b>45,853</b>	<b>39,896</b>	<b>429,423</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. For example, use of Lender's Option Borrowers Option (LOBO) loans is restricted to 20% of the debt portfolio.

In response to the current low interest rate environment, the Council sets fixed and variable rate interest rate exposure limits through its Treasury Management Strategy. These are designed to ensure that the Authority is not exposed to interest rate rises which could adversely impact on the revenue budget.

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2015/16 £'000	2016/17 £'000
Increase in interest payable on new borrowings	0	0
Increase in interest receivable on variable and structured investments	0	0
Increase in interest receivable on fixed rate investments	-1,531	-853
Increase in the gain arising from the revaluation of available for sale assets	-681	-553
<b>Impact on Comprehensive Income &amp; Expenditure Statement</b>	<b>-2,212</b>	<b>-1,406</b>

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

	2015/16 £'000	2016/17 £'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	1,112	511
Decrease in the gain arising from the revaluation of available for sale assets	681	553
<b>Impact on Comprehensive Income &amp; Expenditure Statement</b>	<b>1,793</b>	<b>1,064</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. Negative return is applicable to available for sale assets.

### Price Risk

The County Council does not generally invest in equity shares but does have investments in externally managed pooled funds which may invest in 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.

### 39. Creditors

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	At 31 March 2016 £'000	At 31 March 2017 £'000
<b>Receipts in Advance</b>		
Government Departments	376	1,208
Other Local Authorities	682	932
Health Authorities	259	182
Public Corporations and Trading Funds	0	0
Sundry	4,149	4,960
	<b>5,466</b>	<b>7,282</b>
<b>Creditors</b>		
Government Departments	8,451	10,053
Other Local Authorities	8,337	6,229
Health Authorities	3,367	2,522
Public Corporations and Trading Funds	11	7
Sundry	63,815	65,357
	<b>83,981</b>	<b>84,168</b>
<b>Short Term Creditors and RIA</b>	<b>89,447</b>	<b>91,450</b>
<b>Long Term Receipts in Advance</b>	<b>4,601</b>	<b>5,950</b>
	<b>94,048</b>	<b>97,400</b>

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

#### 40. 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:

**NOTES TO THE CORE FINANCIAL STATEMENTS**

	Balance at 31 March 2016	Reclassification between short and long term	Additional provisions made in 2016/17	Amounts used in 2016/17	Unused amounts reversed in 2016/17	Balance at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Provision due within 1 year</b>						
Insurance	2,887	-79	1,574	-1,026	-2,630	726
Pooled Budgets	321		623	-490	-18	436
Redundancy	1,662		114	-1,354	-308	114
MMI Scheme of Arrangement	433			-12	-241	180
Business Rates	3,174				-398	2,776
Joint Use	175				-175	0
	<b>8,652</b>	<b>-79</b>	<b>2,311</b>	<b>-2,882</b>	<b>-3,770</b>	<b>4,232</b>
<b>Provision due after 1 year</b>						
Insurance	1,948	79	3,541	-320	-570	4,678
Redundancy	200			-88	-112	0
	<b>2,148</b>	<b>79</b>	<b>3,541</b>	<b>-408</b>	<b>-682</b>	<b>4,678</b>
<b>Total</b>	<b>10,800</b>	<b>0</b>	<b>5,852</b>	<b>-3,290</b>	<b>-4,452</b>	<b>8,910</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Details of the provisions held at 31 March 2017 are as follows:

- Insurance claims are managed by the County Council's Insurance Team, working with external insurers and legal advisors to achieve a satisfactory outcome. The time required to settle these claims will depend upon the complexity of each case and the approach adopted by each claimant but the expectation is that these cases will be settled within 18 months to two years. In a small number of cases where the final liability is dependent on a long term medical prognosis, the claim may take longer to settle to ensure all the medical facts are known.
- The Pooled Budgets provision reflects the County Council's share of the estimated liability to pay claims in respect of continuing care assessments (under both the old and new frameworks) in its capacity as host of the Older People's Pooled Budget arrangement.
- The redundancy provisions reflect the estimated liability for redundancy costs following the Daytime Support review in Adult Social Care.
- The County Council has claims outstanding with Municipal Mutual Insurance Plc. (MMI). In November 2012 the directors of MMI triggered a process to wind up the business. This means the County Council may have to repay all or part of the insurance claims settled since the company ceased to trade, as well as fund any outstanding claims. A levy of 15% has been paid since 2012, and this was increased to 25% in 2016. A provision of £0.179m has been allocated as per the actuary's report of April 2017.
- 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.

### **41. Deferred Income**

The deferred income balance of £3.131m at 31 March 2017 (£3.461m at 31 March 2016) 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.

### **42. 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 2016/17, split between short term and long term is as follows:

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2016/17</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 2016	8,563	22,140	0	30,703
Received/refunded during the year	2,328	7,853	1,343	11,524
Transferred to the Comprehensive Income and Expenditure Statement during the year	-6,591	-29,170	0	-35,761
Transfer between short and long term	0	18,057	0	18,057
<b>Balance at 31 March 2017</b>	<b>4,300</b>	<b>18,880</b>	<b>1,343</b>	<b>24,523</b>
<b>Long term:</b>				
Balance as at 1 April 2016	0	55,322	65	55,387
Received/refunded during the year	0	28,711	0	28,711
Transferred to the Comprehensive Income and Expenditure Statement during the year	0	162	0	162
Transfer between short and long term	0	-18,057	0	-18,057
<b>Balance at 31 March 2017</b>	<b>0</b>	<b>66,138</b>	<b>65</b>	<b>66,203</b>
<b>Total at 31 March 2017</b>	<b>4,300</b>	<b>85,018</b>	<b>1,408</b>	<b>90,726</b>

The balance at 31 March 2017 includes £1.750m Growing Places Fund grant held on behalf of the Oxfordshire Local Enterprise Partnership (OxLEP), for which the County Council is the accountable body (£5.431m at 31 March 2016).

The comparative amounts for 2015/16 are given in the following table:

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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

**43. County Fund Balance**

The balance on the County Fund at 31 March 2017 was £19.970m (£18.984m at 31 March 2016) as shown in the Movement in Reserves Statement on page 20.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**44. Earmarked Reserves**

	<b>Balance at 1 April 2015 £'000</b>	<b>In-year movement 2015/16 £'000</b>	<b>Balance at 31 March 2016 £'000</b>	<b>In-year movement 2016/17 £'000</b>	<b>Balance at 31 March 2017 £'000</b>
Local Management of Schools	21,982	-1,335	20,647	-2,363	18,284
Other Schools Reserves	-63	100	37	52	89
Vehicle and Equipment Reserve	2,375	748	3,123	209	3,332
Grants and Contribution Reserve	18,725	-4,158	14,567	115	14,682
ICT Projects	634	-361	273	-75	198
Government Initiatives	1,085	-220	865	-447	418
CE&F Commercial Services	501	-167	334	-44	290
CE&F School Intervention Fund	450	60	510	0	510
CE&F Foster Carer Loans	220	20	240	-33	207
CE&F Academies Conversion Support	470	-361	109	0	109
CE&F Early Intervention Service Reserve	28	-25	3	77	80
CE&F Thriving Families	1,761	-7	1,754	-1,000	754
CE&F Children's Social Care	726	-641	85	-85	0
CE&F National Citizenship Service			0	621	621
S&CS Older People Pooled Budget Reserve	2,866	-1,205	1,661	-366	1,295
S&CS Physical Disabilities Pooled Budget Reserve	544	0	544	-272	272
S&CS Learning Disabilities Pooled Budget Reserve	95	-13	82	-16	66
S&CS Fire Control	40	319	359	0	359
S&CS Fire & Rescue & Emergency Planning Reserves	129	57	186	-20	166
S&CS Community Safety Reserves	156	0	156	0	156
S&CS Deprivation of Liberty Safeguards			0	700	700
EE Highways and Transport Reserve	37	0	37	0	37
EE On Street Car Parking	1,445	434	1,879	911	2,790
EE SALIX Repayments	376	-289	87	-11	76
EE Dix Pit Engineering Works & WRC Development	730	-515	215	294	509
EE Waste Management	380	0	380	488	868

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at 1 April 2015 £'000	In-year movement 2015/16 £'000	Balance at 31 March 2016 £'000	In-year movement 2016/17 £'000	Balance at 31 March 2017 £'000
EE Property Disposal Costs	235	32	267	57	324
EE Skills Reward	7	-7	0	0	0
EE Developer Funding (Revenue)	475	60	535	64	599
EE Joint Use	814	-544	270	47	317
EE Catering Investment Fund	1,118	-702	416	444	860
EE Asset Rationalisation	237	-45	192	2,406	2,598
EE Minerals and Waste Project	46	77	123	0	123
EE Oxfordshire - Buckinghamshire partnership	398	-398	0	0	0
EE LABGI Reserve	198	1	199	0	199
EE Oxford Western Conveyance Reserve	350	400	750	-650	100
EE Communities Investment Reserve			0	1,683	1,683
EE Other Reserves	89	0	89	-12	77
CS OCS Development Reserves	262	-200	62	0	62
CS Cultural Services Reserve	1,029	-89	940	-151	789
CS Coroner's Service	40	0	40	52	92
CS Council Elections	232	255	487	231	718
CS Registration Service	404	0	404	60	464
Insurance Reserve	4,516	2,570	7,086	994	8,080
Carry Forward Reserve	196	-196	0	0	0
Capital Reserve	23,335	423	23,758	-70	23,688
Business Rates Reserve	2,541	-2,047	494	-377	117
Budget Reserve	8,806	-95	8,711	-7,506	1,205
Efficiency Reserve	1,748	1,128	2,876	-368	2,508
Transition/Transformation Reserve			0	2,122	2,122
Prudential Borrowing Reserve	8,898	1,402	10,300	488	10,788
<b>Total Earmarked Reserves</b>	<b>111,666</b>	<b>-5,534</b>	<b>106,132</b>	<b>-1,751</b>	<b>104,381</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

reserves are committed to be spent on schools.

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

	Balance at 31 March 2016		Balance at 31 March 2017	
	No. of schools	Balance £'000	No. of schools	Balance £'000
<b>Primary Schools</b>				
Schools in surplus	163	12,697	155	11,679
Schools in deficit	14	-495	16	-546
<b>Secondary Schools</b>				
Schools in surplus	3	857	0	0
Schools in deficit	3	-1,071	3	-1,587
<b>Special Schools</b>				
Schools in surplus	7	928	5	1,048
Schools in deficit	2	-78	4	-161
<b>Sub-Total Revenue</b>	<b>192</b>	<b>12,838</b>	<b>183</b>	<b>10,433</b>
Closed Schools, Schools Contingency & Schools Forum		7,809		7,851
<b>Total</b>		<b>20,647</b>		<b>18,284</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. £7.452m of the balance at 31 March 2017 relates to the Dedicated Schools Grant.

### ICT Projects Reserve

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

### Government Initiatives Reserve

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

### **CE&F Commercial Services**

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

### **CE&F School Intervention Fund Reserve**

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

### **CE&F Foster Carer Loans**

This reserve holds funds to meet potential write-off costs for loans made under the Children's Act.

### **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 Early Intervention Service Reserve**

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 National Citizenship Service**

The reserve holds funding for the 3-year programme.

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

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

### **S&CS Fire Control Reserve**

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

### **S&CS Fire & Rescue Emergency Planning Reserves**

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

### **S&CS Community Safety Reserves**

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

### **S&CS Deprivation of Liberty Safeguards (DOLS)**

The reserve holds funding to avoid pressure on the DOLS budget over the medium term.

### **EE Highways and Transport Reserve**

To be used to fund bridge investigation work.

### **EE On-Street Parking Account Reserve**

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

### **EE SALIX Energy Schemes Reserve**

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

### **EE Dix Pit Engineering Works & WRC Development Reserve**

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

### **EE Waste Management**

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

### **EE Property Disposal Costs Reserve**

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

### **EE Skills Reward Reserve**

This reserve was used to fund job clubs.

### **EE Developer Funding (Revenue) Reserve**

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

### **E&E Joint Use Reserve**

This reserve is being used fund joint-use sports agreements with the district councils as the remaining agreements come to an end.

### **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 acts as an investment fund 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 Oxfordshire - Buckinghamshire Partnership Reserve**

This reserve was set up to ring-fence funding for the Oxfordshire & Buckinghamshire Partnership graduate teacher training programme. The partnership ceased in 2015/16 and

the reserve was used to meet cessation costs and returned to the funding body where necessary.

### **EE LABGI Reserve**

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

### **EE Oxford Western Conveyance Reserve**

This reserve holds funding for the flood relief scheme.

### **EE Communities Investment Reserve**

This reserve holds one-off investment funding for projects that span more than one year.

### **EE Other Reserves**

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

### **CS OCS Development Reserves**

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

### **CS Cultural Services Reserves**

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

### **CS Coroner's Service**

This reserve will be used to support one – off projects in the Coroner's Service, including replacement of the Coroner's Data Management System.

### **CS Elections Reserve**

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

### **CS Registration Service**

This reserve is for the refurbishment of registrar's buildings and facilities, and for replacing the Registration Service Certificate Production System.

### **Insurance Reserve**

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

An independent actuary, Arthur J Gallagher, carries out a full valuation of the County Council's employers and public liability, motor, property and personal accident liability every three years using generally accepted actuarial methods. Interim valuations take place annually in between. The last full valuation was completed as at 31 March 2017.

The actuaries projected the standard claims arising in future years in respect of the period up to 31 March 2017 at £1.845m. 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

assessed at £2.723m. The sum of £0.937m has been included in the reserves to cover MMI clawback noted as a contingent liability.

	<b>At 31 March 2016 £'000</b>	<b>At 31 March 2017 £'000</b>
Standard claims likely to be received as at 31 March	2,590	1,845
Additional IBNR/Latent claims as assessed by Actuarial review	1,886	1,786
MMI clawback as assessed by actuarial review	508	937
Risk management	2,102	3,512
<b>Total</b>	<b>7,086</b>	<b>8,080</b>

### **Carry Forward Reserve**

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

### **Capital Reserve**

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

### **Business Rates Reserve**

This reserve is being used to smooth out any volatility in the business rates collected by the District Councils on behalf of the County Council.

### **Budget Reserve**

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

### **Efficiency Reserve**

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

### **Transition/Transformation Reserve**

This reserve was established as part of the 2016/17 budget process to utilise one-off grant funding from the Government to fund the Council's Fit for the Future transformation programme.

### **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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 45. Useable Capital Receipts

	2015/16 £'000	2016/17 £'000
Balance as at 1 April	16,078	18,094
Net receipts from sale of assets	1,966	1,856
Net receipts from repayment of loans	50	195
Receipts applied to finance capital expenditure	0	0
<b>Balance as at 31 March</b>	<b>18,094</b>	<b>20,145</b>

This reserve has been established for the purpose of financing capital expenditure in future years. Unutilised capital receipts at 31 March 2017 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
Shakespeare House, Clapcot Way, Wallingford	931
Other receipts from sale of assets under £500,000	925
<b>Total</b>	<b>1,856</b>

### 46. 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.

	2015/16 £'000	2015/17 £'000
Balance as at 1 April	49,620	28,870
Applied during the year	-27,729	-4,216
Recognised as income but not applied during the year	6,979	17,531
<b>Balance as at 31 March</b>	<b>28,870</b>	<b>42,185</b>

### 47. Unusable Reserves

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

	<b>Balance at 31 March 2016 £'000</b>	<b>Balance at 31 March 2017 £'000</b>
Available-for-Sale Financial Instruments Reserve	1,458	2,262
Pensions Reserve	-756,952	-1,033,469
Revaluation Reserve	142,005	158,413
Capital Adjustment Account	610,734	600,115
Financial Instruments Adjustment Account	-242	-241
Collection Fund Adjustment Account	4,987	6,826
Accumulated Absences Account	-2,329	-3,155
<b>Total</b>	<b>-339</b>	<b>-269,249</b>

Movements on the Pensions Reserve are set out in the Retirement Benefits Note 18.

**48. Available for Sale Reserve**

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

<b>2015/16 £'000</b>		<b>2016/17 £'000</b>
1,681	Balance as at 1 April	1,458
23	Increase in value of available for sale financial assets	1,566
0	Decrease in value of available for sale financial assets	-310
-246	Amounts recycled back to the CIES	-452
<b>1,458</b>	<b>Balance as at 31 March</b>	<b>2,262</b>

**49. 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**

2015/16 £'000			2016/17 £'000	
	97,020	Balance as at 1 April		142,005
57,349		Revaluation of assets	20,695	
-1,289		Impairment of assets	-1,728	
12,653		Write back of accumulated depreciation on revaluations	10,602	
1,857		Write back of accumulated impairment on revaluations	19	
	70,570	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		29,588
-2,397		Difference between fair value depreciation and historical cost depreciation	-2,814	
-23,188		Accumulated gains on assets sold or scrapped	-10,366	
	-25,585	Amounts written off to the Capital Adjustment Account		-13,180
	<b>142,005</b>	<b>Balance as at 31 March</b>		<b>158,413</b>

**50. 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**

2015/16 £'000			2016/17 £'000	
	611,832	Balance as at 1 April		610,734
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
-30,881		Charges for depreciation for non-current assets	-31,829	
-192		Charges for impairment for non-current assets	-444	
11,702		Revaluation losses/subsequent gains on Property, Plant and Equipment	4,382	
-246		Amortisation of Intangible Assets	-333	
-48,175		Revenue expenditure funded from capital under statute	-45,107	
-102,384		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on derecognition	-69,071	
0		Removal of finance liability on derecognition of assets held under finance leases	8	
	-170,176	Adjusting amounts written out of the Revaluation Reserve:		-142,394
2,397		Difference between fair value depreciation and historical cost depreciation	2,814	
23,188		Accumulated gains on assets sold or scrapped	9,916	
	25,585			12,730
	467,241	Net written out amount of the cost of non-current assets consumed in the year		481,070
		Capital financing applied in the year:		
90,447		Capital grants and contributions credited to the CIES that have been applied to capital financing	97,966	
27,580		Application of grants to capital financing from the Capital Grants Unapplied account	3,715	
17,163		Reversal of grants and contributions applied in previous years		
8,272		Statutory provision for the financing of capital investment charged against the County Fund balance	16,694	
-157		Capital expenditure charged against the County Fund balance	844	
		Reversal of revenue applied to capital financing in previous years	-16	
	143,305			119,203
	346	Movements in the market value of Investment Properties debited or credited to the CIES		412
		Amounts of Investment Properties written off on disposal or sale as part of the gain/loss on derecognition		
	524	Movement in the Donated Asset Account credited to the CIES		
	-632	Revaluation losses/subsequent gains on Assets held for Sale		
		Impairment losses on Assets held for Sale		
		Accumulated gains on Assets held for Sale sold or scrapped		450
		Amounts of Assets held for Sale written off on disposal or sale as part of the gain/loss on derecognition		-825
	-50	Repayment of loans treated as capital receipts		-195
	<b>610,734</b>	<b>Balance as at 31 March</b>		<b>600,115</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 51. 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:

2015/16 £'000		2016/17 £'000
4,593	Balance as at 1 April	4,987
-670	Decrease in Council Tax and Business Rate surpluses/increases in deficits	-118
1,064	Increases in Council Tax and Business Rate surpluses/reductions in deficits	1,957
394	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	1,839
<b>4,987</b>	<b>Balance at 31 March</b>	<b>6,826</b>

### 52. Accumulated Absences Account

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

The balance at 31 March 2017 relates to teachers' accumulated holiday pay, no accruals have been made for non-teaching staff in 2016/17 as the amounts involved are not considered to be material to the accounts. The balance for teachers' accumulated holiday pay has increased because of the Easter 2017 holiday all falling in the 2017/18 financial year.

2015/16 £'000		2016/17 £'000	
-4,314	Balance at 1 April		-2,329
4,314	Settlement or cancellation of previous year's accrual	2,329	
-2,329	Amount accrued at the end of the current year	-3,155	
1,985	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute		-826
<b>-2,329</b>	<b>Balance at 31 March</b>		<b>-3,155</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 53. Cash Flow Statement - Non-cash Movements

The table below provides a breakdown of the non-cash movements within operating activities summarised in the Cash Flow Statement:

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Depreciation/amortisation of fixed assets	-31,127	-32,162
Impairment charges/revaluation losses	10,878	3,938
Retirement benefit adjustments	-22,444	-15,205
Debt write-offs and Impairment allowances	-1,363	-658
Other financial instrument adjustments	266	454
Provisions set aside in the year	-1,609	1,148
Deferred income released	335	330
Movement in value of investment properties	347	412
Carrying amount of non-current asset sold	-102,384	-69,888
Transfers from Capital Grants Receipts in Advance	63,033	35,599
Previous years' capitalised spend written-off	-157	-16
Donated assets	524	0
Increase/decrease(-) in inventories	-55	0
Increase/decrease(-) in debtors	-1,993	11,314
Increase(-)/decrease in creditors	12,315	-5,325
<b>Total adjustments for non-cash movements</b>	<b>-73,434</b>	<b>-70,059</b>

### 54. Cash Flow Statement – Operating Activities

The cash flows for operating activities are as follows:

**NOTES TO THE CORE FINANCIAL STATEMENTS**

2015/16 £'000		2016/17 £'000	
	<b>Cash outflows</b>		
350,070	Cash paid to and on behalf of employees	340,914	
518,305	Other operating costs	494,708	
868,375			835,622
	<b>Cash inflows</b>		
-295,725	Council Tax receipts	-312,751	
-29,527	Non-domestic rate income	-26,780	
-62,305	Revenue Support Grant	-39,331	
-37,085	Business Rates Top-Up Grant	-37,394	
-349,195	Other government grants and contributions	-341,869	
-61,436	Other cash received for goods and services	-67,896	
-835,273			-826,021
	<b>Cash outflows</b>		
19,993	Interest paid	17,614	
-1	Interest element of finance lease rental payments	1,985	
19,992			19,599
	<b>Cash Inflows</b>		
-3,114	Interest received		-3,717
<b>49,980</b>	<b>Total operating activities</b>		<b>25,483</b>

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

#### 55. Cash Flow Statement – Investing Activities

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

	2015/16 £'000	2016/17 £'000
Purchase of property, plant and equipment, investment property and intangible assets	72,728	68,151
Purchase of short-term and long-term investments	312,895	211,041
Other payments for investing activities	1,562	889
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-1,966	-1,856
Capital grants	-119,938	-109,790
Proceeds from short-term and long-term investments	-312,266	-237,452
Other receipts from investing activities	-249	-181
<b>Total investing activities</b>	<b>-47,234</b>	<b>-69,198</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 56. Cash Flow Statement – Financing Activities

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

	2015/16 £'000	2016/17 £'000
Cash receipts of short- and long-term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet service concession arrangements	786	863
Repayments of short- and long-term borrowing	6,000	8,000
Other payments for financing activities	0	0
<b>Total financing activities</b>	<b>6,786</b>	<b>8,863</b>

### 57. Contingent Liabilities and Assets

#### Construction of Children's Homes

The County Council is seeking £0.9m in liquidated damages from a contractor for delays in the construction of new children's homes.

#### Municipal Mutual Insurance Plc

The County Council has claims outstanding with Municipal Mutual Insurance (MMI) Plc. In November 2012 the directors of MMI triggered a process to wind up the business. This means the County Council may have to repay all or part of the insurance claims settled since the company ceased to trade, as well as fund any outstanding claims. The current levy of 25% has been paid against settled claims, therefore as at 31 March 2017 the Council has a potential liability of £3.032m remaining on previously settled claims, plus the value of any outstanding and future claims. On Actuarial advice a further 25% of the total known liability has been secured against future clawback over the longer term.

#### Nettlebed School Site

The County Council sold the site some years ago and held the proceeds of sale free from any trust under the School Sites Acts. A claim has now been issued (23 March 2017) from the purported beneficiaries of those sale proceeds. Counsel's Advice had been received prior to the issue of proceedings that the Council's use of the funds for further education purposes was legitimate. The claim for the proceeds of sale could be in the region of £1.35m. Proceedings were threatened some years ago but never materialised. We are currently drafting our defence to the claim and will seek to resist repayment of the monies.

### 58. Material Post Balance Sheet Events

Events after the balance sheet date have been considered up until 23 August 2017, when the accounts were authorised for issue.

Eleven schools converted to academy status since 31 March 2017, only six of which are recognised on the County Council's balance sheet. The value of Property, Plant and Equipment that is expected to transfer to the academy trusts during 2017/18 relating to these schools is £18.233m.

### **59. 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 2017/18 (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 (2016/17).

The 2017/18 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 2017. The new or revised financial standards are:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration (for pension funds)

The likely impact of these changes is reported in the Oxfordshire Pension Fund financial statements at Note 29.

In addition to the changes to financial standards outlined above, CIPFA/LASAAC has introduced specific principles based reporting requirements for narrative reporting into the 2017/18 Code. The format and content of the Director of Finance's Narrative Report is likely to change in future years to meet these new requirements.

The change to the basis of measuring highways assets that had been included in the 2016/17 Code and deferred until 2017/18 in the 2016/17 Code Update has now been withdrawn altogether. Highways assets will continue to be recognised at historical cost.

### **60. Authorisation of the Accounts**

The Statement of Accounts was authorised for issue by Lorna Baxter, Director of Finance on 23 August 2017.

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

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

Fund Account	2015/16 £'000	2016/17 £'000
-		
<b>Contributions Receivable</b>		
From employer		
- normal	-1,698	-1,615
- early retirements	0	0
Other (ill health retirement contribution)	-54	-54
From members	-1,624	-1,419
	-3,376	-3,088
<b>Transfers in</b>	0	-21
<b>Benefits Payable</b>		
Pensions	4,899	4,972
Commutations and lump sum retirement benefits	1,811	609
Lump sum death benefits	24	0
Other (ill health lump sums)	102	0
	6,836	5,581
<b>Payments to and on account of leavers</b>		
Individual transfers out to other schemes	82	0
	82	0
<b>Miscellaneous</b>		
Annual Allowance Charge	71	0
Interest Payments	112	0
Refunds due to employee contribution holiday (including interest)	0	64
	183	64
<b>Net amount payable/receivable for the year before top-up grant receivable/amount payable to sponsoring department</b>	<b>3,725</b>	<b>2,536</b>
<b>Top-up grant receivable</b>	<b>-3,725</b>	<b>-2,536</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>2015/16 £'000</b>	<b>2016/17 £'000</b>
<b>Net Current Assets and Liabilities</b>		
Contributions due from employer	18	0
Pension top-up grant receivable from sponsoring department	1,073	0
Other Current Assets	12	0
Pension top-up grant payable to sponsoring department	0	-492
Other current liabilities (other than liabilities to pay pensions and other benefits in the future)	-8	-11
Cash balance	-1,095	503
<b>Total</b>	<b>0</b>	<b>0</b>

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

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

The fund reflects the financial arrangements relating to the 1992, 2006, 2015 and Retained Modified Firefighters Pension Schemes and the refund payments arising from the employee contribution holiday provision.

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

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

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

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

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

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

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

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

As the number of firefighters who retire on grounds of ill health varies from year to year and will cause financial volatility authorities are required to spread the charges over a period of 3 years. Oxfordshire Fire & Rescue Service had no ill health retirements in 2016/17.

### **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 (Home Office) meet the costs of paying pensions to retired Fire-fighters, net of the employee and employer contributions, by means of a top-up grant.

There are no investment assets held by the fund and where employer and employee contributions paid into the pension fund are not sufficient to meet pension payments for that

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

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

### 5. Administration and Management

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

### 6. Benefits

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

### 7. Membership

The following summarises the membership of the fund as at 31 March 2017.

	1992 Scheme	2006 Scheme	2015 Scheme
Contributors	53	23	461
Pensioners	304	35	2
Preserved Pensions	39	332	51

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

### 8. Long-term pension obligations

Details of the County Council's long-term pension obligations in respect of fire-fighters can be found in the Retirement Benefits Note 18 to the core financial statements.

### 9. Employee contribution holiday payments

The Government has introduced an employee contributions holiday for 1992 Scheme members who accrue the maximum 30 years' pensionable service prior to age 50. The majority of 1992 Firefighters' Pension Scheme members found eligible for refund payments under the employee contribution holiday provision from 1 December 2006 to 29 September 2016 have been refunded their contributions along with interest in 2016/17 and the remaining payments are expected to be made in 2017/18.

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

<b>Fund Account for the Year Ended 31 March 2017</b>			
	Notes	<b>2016</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>
<b>Contributions and Benefits</b>			
Contributions Receivable	6	-87,895	-87,845
Transfers from Other Schemes	7	-4,325	-6,535
Other Income	8	-390	-336
<b>Income Sub Total</b>		<b>-92,610</b>	<b>-94,716</b>
Benefits Payable	9	77,044	77,879
Payments to and on Account of Leavers	10	4,947	11,711
Management Expenses	11	8,751	9,203
Other Expenses		0	0
<b>Expenditure Sub Total</b>		<b>90,742</b>	<b>98,793</b>
<b>Net (Additions)/Withdrawals From Dealings With Members</b>		<b>-1,868</b>	<b>4,077</b>
<b>Returns on Investments</b>			
Investment Income	12	-26,869	-29,128
Commission Recapture		-2	-2
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	31,791	-390,036
Less Taxes on Income	12	138	258
<b>Net returns on Investments</b>		<b>5,058</b>	<b>-418,908</b>
<b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>		<b>3,190</b>	<b>-414,831</b>
Opening Net Assets of the Scheme		1,845,479	1,842,289
<b>Closing Net Assets of the Scheme</b>		<b>1,842,289</b>	<b>2,257,120</b>

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

<b>Net Assets as at 31 March 2017</b>			
	Notes	2016 £'000	2017 £'000
<b>Investment Assets</b>			
Bonds	16b	185,882	202,883
Equities	16b	621,770	780,002
Pooled Investments	16b	818,097	1,031,626
Pooled Property Investments	16b	142,259	144,421
Derivative Contracts	16c	758	522
Cash Deposits	16d	6,113	8,027
Other Investment Balances	16d	8,760	10,404
<b>Investment Liabilities</b>			
Derivative Contracts	16c	-1,295	-441
Other Investment Balances	16d	-3,467	-3,266
<b>Total Investments</b>		<b>1,778,877</b>	<b>2,174,178</b>
<b>Assets and Liabilities</b>			
Current Assets	17	55,706	77,612
Current Liabilities	18	-3,021	-3,404
<b>Net Current Assets</b>		<b>52,685</b>	<b>74,208</b>
Long-Term Assets	19	10,727	8,734
<b>Net Assets of the scheme available to fund benefits at year end</b>		<b>1,842,289</b>	<b>2,257,120</b>

### Note 1 – Description of the fund

This description of the fund is a summary only. Further details are available in the Fund's 2016/17 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. 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 2016.

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

#### Membership

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

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

Organisations participating in the Oxfordshire County Council Pension Fund include:

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

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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

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

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

	<b>As at 31 March 2016</b>	<b>As at 31 March 2017</b>
<b>Number of Contributory Employees in Scheme</b>		
Oxfordshire County Council	11,674	9,369
Other Scheduled Bodies	10,885	9,599
Admitted Bodies	1,047	829
	<b>23,606</b>	<b>19,797</b>
<b>Number of Pensioners and Dependants</b>		
Oxfordshire County Council	8,214	8,478
Other Scheduled Bodies	4,949	5,167
Admitted Bodies	819	867
	<b>13,982</b>	<b>14,512</b>
<b>Deferred Pensioners</b>		
Oxfordshire County Council	14,161	17,277
Other Scheduled Bodies	7,002	10,053
Admitted Bodies	928	1,180
	<b>22,091</b>	<b>28,510</b>

For 2016/17 unprocessed leavers have been classified as Deferred Pensioners rather than Contributory Employees.

Three Scheduled Bodies, all of which are Academies, two Resolution Bodies, plus fifteen Admitted Bodies, joined the scheme in 2016/17. In addition two admitted bodies left the scheme and two scheduled bodies formed a multi-academy trust in 2016/17. There was no significant impact on the membership of the scheme because the Academies' members were previously in the scheme as County Council employees and the other new bodies all transferred from an existing scheme employer or were small.

### **Funding**

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The contribution from employees is prescribed by statute, and for the year ending 31 March 2017 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 2016 and determined the contribution rates to take effect from 1 April 2017. Employer contribution rates currently range from 10.1% to 24.6% of pensionable pay.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### Benefits

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

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

From 1 April 2014 the scheme became a career average scheme, where members accrue benefits based on their pensionable pay in any given year at an accrual rate of 1/49<sup>th</sup>. 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 2016/17.

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 159.

### Note 3 – Summary of Significant Accounting Policies

#### Investments

- Investments are shown in the accounts at market value, which has been determined as follows:

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

- (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 2017.
- (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 2017.
- (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 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.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 2017.

### **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.

### **Listed Private Equity**

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

### **Management Fees**

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

## **Note 4 – Critical Judgements in Applying Accounting Policies**

### **Unquoted Private Equity Investments**

Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this involves the use of significant judgements by the managers. The value of unquoted private equity investments at 31 March 2017 was £74.995m (£69.374m at 31 March 2016). All of the unquoted private equity investments at 31 March 2017 are included within the pooled investments category in the net assets statement.

### **Pension Fund Liability**

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

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

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

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

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Item	Uncertainties	Potential Impact
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. The fund engages an actuarial firm to provide expert advice on the assumptions to be applied.	The actuarial present value of promised retirement benefits included in the financial statements is £3,596m. 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 £74.995m. There is a risk these investments are under, or overstated in the accounts.

### Note 6 – Contributions

	2015/16 £'000	2016/17 £'000
<b>Employers</b>		
Normal	-46,230	-47,561
Augmentation	0	0
Deficit Funding	-18,254	-17,620
Costs of Early Retirement	-2,047	-967
	-66,531	-66,148
<b>Members</b>		
Normal	-21,010	-21,429
Additional *	-354	-268
	-21,364	-21,697
<b>Total</b>	<b>-87,895</b>	<b>-87,845</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 LOCAL GOVERNMENT PENSION FUND ACCOUNTS**

	<b>Employer Contributions</b>		<b>Members Contributions</b>	
	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Oxfordshire County Council	-30,260	-28,343	-9,441	-9,139
Scheduled Bodies	-32,520	-34,209	-10,659	-11,339
Resolution Bodies	-745	-772	-225	-231
Community Admission Bodies	-1,639	-1,551	-583	-541
Transferee Admission Bodies	-1,367	-1,273	-456	-447
<b>Total</b>	<b>-66,531</b>	<b>-66,148</b>	<b>-21,364</b>	<b>-21,697</b>

**Note 7 – Transfers In**

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Individual Transfers In from other schemes	-4,325	-6,535
<b>Total</b>	<b>-4,325</b>	<b>-6,535</b>

**Note 8 – Other Income**

Other Income for 2016/17 of £0.336m includes £0.311m reflecting the interest resulting from the unwinding of the discount for the long-term receivable recognised for transfers to Magistrates' Courts. The long-term receivable was calculated on a discounted cash flow basis. This resulted in a charge to the fund account in the year the long-term receivable was originally recognised representing the value of the discount. The discount is being written down over a ten year period. Further information regarding the deferred asset is included in Note 19.

**Note 9 – Benefits**

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Pensions Payable	62,029	64,091
Lump Sums – Retirement Grants	13,715	11,361
Lump Sums – Death Grants	1,300	2,427
<b>Total</b>	<b>77,044</b>	<b>77,879</b>

	<b>Pensions Payable</b>		<b>Lump Sums</b>	
	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Oxfordshire County Council	31,084	32,169	7,848	6,158
Scheduled Bodies	27,155	27,910	5,807	6,450
Resolution Bodies	504	528	222	138
Community Admission Bodies	2,909	3,034	924	628
Transferee Admission Bodies	377	450	214	414
<b>Total</b>	<b>62,029</b>	<b>64,091</b>	<b>15,015</b>	<b>13,788</b>

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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

	2015/16 £'000	2016/17 £'000
Refunds of Contributions	160	297
Payments for members joining state scheme	-18	-32
Group Transfers Out to other schemes	153	6,484
Individual Transfers Out to other schemes	4,652	4,962
<b>Total</b>	<b>4,947</b>	<b>11,711</b>

### Note 11 – Management Expenses

	2015/16 £'000	2016/17 £'000
Administrative Costs	1,293	1,223
Investment Management Expenses	7,069	7,374
Oversight & Governance Costs	389	606
<b>Total</b>	<b>8,751</b>	<b>9,203</b>

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

### Note 12 – Investment Income

	2015/16 £'000	2016/17 £'000
Bonds	-3,398	-3,271
Equity Dividends	-19,959	-21,726
Pooled Property Investments	-2,855	-3,096
Pooled Investments – Unit Trusts & Other Managed Funds	-385	-770
Interest on Cash Deposits	-191	-215
Other – Securities Lending	-81	-46
Other – Underwriting Commission	0	-4
	<b>-26,869</b>	<b>-29,128</b>
Irrecoverable Withholding Tax - Equities	<b>138</b>	<b>258</b>
<b>Total</b>	<b>-26,731</b>	<b>-28,870</b>

### Note 13 – Investment Management Expenses

	2015/16 £'000	2016/17 £'000
Management Fees	7,007	7,306
Custody Fees	62	68
<b>Total</b>	<b>7,069</b>	<b>7,374</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. See Note 3 for details of the accounting treatment of management fees for 2016/17.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### Note 14 – Securities Lending

In January 2014 the Fund introduced an arrangement with its custodian BNP Paribas to lend eligible securities from within its portfolio to third parties in return for collateral. Lending is limited to a maximum of 25% of the aggregate market value of the Fund. Collateralised lending generated income of £0.046m in 2016/17 (2015/16 £0.081m). This is included within investment income in the Pension Fund Accounts. At 31 March 2017 £18.975m of stock was on loan, for which the fund held £19.436m 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) are the key management personnel involved with the Pension Fund. During 2016/17, 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 £0.108m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2015/16 £'000	2016/17 £'000
Short Term Benefits*	49	99
Long Term/Post Retirement Benefits	8	9
<b>Total</b>	<b>57</b>	<b>108</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 administering the Oxfordshire Pension Fund, it is a related party.

For the 12 months ended 31 March 2017, employer contributions to the Pension Fund from the County Council were £28.343m (2015/16 £30.260m). At 31 March 2017 there were receivables in respect of contributions due from the County Council of £3.245m (2015/16 £3.168m) and payables due to the County Council of £0.128m (2015/16 £0.069m) for support services.

The County Council was reimbursed £1.195m (2015/16 £1.018m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

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

**Note 16 – Investments**

	<b>Value at 31 March 2016 £'000</b>	<b>Value at 31 March 2017 £'000</b>
<b>Investment Assets</b>		
Bonds	185,882	202,883
Equities	621,770	780,002
Pooled Investments	818,097	1,031,626
Pooled Property Investments	142,259	144,421
Derivatives:		
- Forward Currency Contracts	758	522
Cash Deposits	6,113	8,027
Investment Income Due	4,702	4,303
Amounts Receivable for Sales	4,058	6,101
<b>Total Investment Assets</b>	<b>1,783,639</b>	<b>2,177,885</b>
<b>Investment Liabilities</b>		
Derivatives:		
- Forward Currency Contracts	-1,295	-441
Management Expenses Due	-976	-1,446
Amounts Payable for Purchases	-2,491	-1,820
<b>Total Investment Liabilities</b>	<b>-4,762</b>	<b>-3,707</b>
<b>Net Investment Assets</b>	<b>1,778,877</b>	<b>2,174,178</b>

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

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

	Value at 1 April 2016	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	185,882	252,654	-262,388	26,735			202,883
Equities	621,770	137,835	-140,795	161,192			780,002
Pooled Investments	818,097	24,708	-15,065	203,886			1,031,626
Pooled Property Investments	142,259	10,596	-12,909	4,475			144,421
<u>Derivative Contracts</u>							
FX	-537	615,454	-607,105	-7,731			81
<u>Other Investment Balances</u>							
Cash Deposits	6,113	32,346	-23,805	1,479	-8,106		8,027
Amounts Receivable for Sales of Investments	4,058					2,043	6,101
Investment Income Due	4,702					-399	4,303
Amounts Payable for Purchases of Investments	-3,467					201	-3,266
<b>Total</b>	<b>1,778,877</b>	<b>1,073,593</b>	<b>-1,062,067</b>	<b>390,036</b>	<b>-8,106</b>	<b>1,845</b>	<b>2,174,178</b>

Included within the above purchases and sales figures are transaction costs of £0.451m. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

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

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

	Value at 1 April 2015	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	179,881	329,833	-329,398	5,566			185,882
Equities	643,335	120,766	-106,010	-36,321			621,770
Pooled Investments	839,010	7,869	-14,399	-14,383			818,097
Pooled Property Investments	111,462	23,387	-9,748	17,158			142,259
<u>Derivative Contracts</u>							
FX	1,205	1,112,306	-1,110,020	-4,028			-537
<u>Other Investment Balances</u>							
Cash Deposits	7,332	15,096	-14,719	217	-1,813		6,113
Amounts Receivable for Sales of Investments	3,090					968	4,058
Investment Income Due	3,918					784	4,702
Amounts Payable for Purchases of Investments	-4,249					782	-3,467
<b>Total</b>	<b>1,784,984</b>	<b>1,609,257</b>	<b>-1,584,294</b>	<b>-31,791</b>	<b>-1,813</b>	<b>2,534</b>	<b>1,778,877</b>

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

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

**Bonds**

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
UK Public Sector	49,510	52,848
UK Other	-	-
Overseas Public Sector	43,710	45,331
UK Public Sector Index Linked	92,662	104,704
<b>Total</b>	<b>185,882</b>	<b>202,883</b>

**Equity Investments**

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
UK listed equities	430,437	523,881
Overseas Listed Equities:		
North America	132,225	168,498
Japan	17,777	11,630
Europe	36,670	49,646
Pacific Basin	-	3,138
Emerging Markets	4,661	23,209
<b>Total</b>	<b>621,770</b>	<b>780,002</b>

**Pooled Investment Vehicles**

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
UK Registered Managed Funds – Property	26,019	26,118
Non UK Registered Managed Funds – Property	19,449	20,609
UK Registered Managed Funds – Other	428,705	530,889
Non UK Registered Managed Funds – Other	148,384	175,378
UK Registered Property Unit Trusts	84,741	77,074
Non UK Registered Property Unit Trusts	12,050	20,620
Non UK Registered Unit Linked Insurance Fund	241,008	325,359
<b>Total</b>	<b>960,356</b>	<b>1,176,047</b>

**Total Investments (excluding derivative contracts)**

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
	1,768,008	2,158,932

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### 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.

#### Forward Foreign Exchange (FX)

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

Contract	Settlement Date	Currency Bought  '000	Currency Sold  '000	Asset value At year end £'000	Liability value at year end £'000	Net Forward currency Contracts £'000
Forward OTC	1 month	1,510 EUR	1,286 GBP	7		
Forward OTC	2 month	19,892 GBP	23,400 EUR		-143	
Forward OTC	2 month	6,088 GBP	867,000 JPY		-139	
Forward OTC	2 month	11,046 GBP	13,800 USD	22		
Forward OTC	2 month	18,526 GBP	30,400 AUD	14		
Forward OTC	2 month	2,000 EUR	1,708 GBP	4		
Forward OTC	2 month	3,640 EUR	3,129 GBP		-13	
Forward OTC	5 months	20,518 GBP	23,415 EUR	408		
Forward OTC	2 month	2,606 GBP	3,190 USD	58		
Forward OTC	1 month	8,000 USD	6,472 GBP		-80	
Forward OTC	5 months	356 GBP	410 EUR	4		
Forward OTC	1 month	2,090 EUR	1,814 GBP		-25	
Forward OTC	1 month	6,436 GBP	8,100 USD		-36	
Forward OTC	1 month	622 USD	69,089 JPY	5	-3	
Forward OTC	1 month	591 USD	66,072 JPY		-2	
Forward Currency Contracts at 31 March 2017				<b>522</b>	<b>-441</b>	<b>81</b>
Prior Year Comparative						
Forward Currency contracts at 31 March 2016				<b>758</b>	<b>-1,295</b>	<b>-537</b>

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

**Note 16d – Other Investment Balances**

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
<b><u>Receivables</u></b>		
Sale of Investments	4,058	6,100
Dividend & Interest Accrued	4,662	4,246
Inland Revenue	34	54
Other	6	4
	<b>8,760</b>	<b>10,404</b>
<b><u>Payables</u></b>		
Purchase of Investments	-2,491	-1,820
Management Fees	-963	-1,431
Custodian Fees	-13	-15
	<b>-3,467</b>	<b>-3,266</b>
<b>Total</b>	<b>5,293</b>	<b>7,138</b>

**Cash Deposits**

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Non-Sterling Cash Deposits	6,113	8,027
<b>Total</b>	<b>6,113</b>	<b>8,027</b>

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

	<b>2015/16 £'000</b>	<b>% of Total Fund</b>	<b>2016/17 £'000</b>	<b>% of Total Fund</b>
UBS Life Global Equities All Countries Fund	241,008	13.08	325,359	14.41
L&G World (ex-UK) Equity Index	154,912	8.41	207,026	9.17
L&G UK FTSE100 Equity Index	146,384	7.95	181,237	8.03
L&G Core Plus Bond Fund	113,220	6.15	125,708	5.57

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

**Note 17 – Current Assets**

2016/17	Central Gov't Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Receivables:						
Employer Contributions	2,973	3,506	2	0	1,041	7,522
Employee Contributions	262	1,129	1	0	397	1,789
Rechargeable Benefits	74	1,083	0	0	13	1,170
Transferred Benefits	7	485	0	0	47	539
Costs of Early Retirement	49	211	0	0	169	429
Inland Revenue	11	0	0	0	0	11
Other	68	96	0	0	72	236
Cash Balances					65,916	65,916
<b>Total</b>	<b>3,444</b>	<b>6,510</b>	<b>3</b>	<b>0</b>	<b>67,655</b>	<b>77,612</b>

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

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

**Note 18 – Current Liabilities**

<b>2016/17</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	-39	-252	0	-58	-349
Benefits Payable	0	-22	0	-1,326	-1,348
Inland Revenue	-1,119	0	0	0	-1,119
Costs of Early Retirement	-391	0	0	0	-391
Staff Costs	0	-70	0	0	-70
Consultancy	0	-5	0	-29	-34
Other	-1	-36	-10	-46	-93
<b>Total</b>	<b>-1,550</b>	<b>-385</b>	<b>-10</b>	<b>-1,459</b>	<b>-3,404</b>

<b>2015/16</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	-80	0	0	-525	-605
Benefits Payable	-22	0	0	-937	-959
Inland Revenue	-885	0	0	0	-885
Costs of Early Retirement	-391	0	0	0	-391
Staff Costs	0	-67	0	-2	-69
Consultancy	0	-13	0	-22	-35
Other	-4	-24	-9	-40	-77
<b>Total</b>	<b>-1,382</b>	<b>-104</b>	<b>-9</b>	<b>-1,526</b>	<b>-3,021</b>

**Note 19 – Long-Term Assets**

<b>2016/17</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	8,103	0	0	0	20	8,123
Costs of Early Retirement	65	299	0	0	247	611
<b>Total</b>	<b>8,168</b>	<b>299</b>	<b>0</b>	<b>0</b>	<b>267</b>	<b>8,734</b>

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

<b>2015/16</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	9,977				24	<b>10,001</b>
Costs of Early Retirement	67	427	0	0	232	<b>726</b>
<b>Total</b>	<b>10,044</b>	<b>427</b>	<b>0</b>	<b>0</b>	<b>256</b>	<b>10,727</b>

Long-Term assets for 2016/17 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 £2,056.941m as at 31 March 2017. 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>31/03/2016</b>		<b>31/03/2017</b>	
	<b>Market Value £'000</b>	<b>%</b>	<b>Market Value £'000</b>	<b>%</b>
Baillie Gifford	338,290	20.16	411,258	19.99
Legal & General	602,360	35.90	722,543	35.13
UBS	356,440	21.24	444,117	21.59
Wellington	216,560	12.91	287,234	13.97
Insight	79,010	4.71	100,383	4.88
Adams Street Partners	34,376	2.05	41,395	2.01
Partners Group	50,914	3.03	50,011	2.43
<b>Total</b>	<b>1,677,950</b>	<b>100.00</b>	<b>2,056,941</b>	<b>100.00</b>

**Note 21 – Top 5 Holdings**

<b>Value of the Fund's Top Five Holdings at 31 March 2017</b>	<b>£'000</b>	<b>% of Fund</b>
Electra Private Equity	47,178	2.09
HG Capital Trust	30,402	1.35
British American Tobacco	26,303	1.17
Royal Dutch Shell	24,560	1.09
Ashtead Group	16,802	0.74

**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 2016 £'000</b>	<b>Market Value 31 March 2017 £'000</b>
Prudential	13,881	14,220

AVC contributions of £1.557m were paid directly to Prudential during the year. (2015/16 - £1.392m).

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

**Note 24 – Contingent Liabilities**

There are two contingencies to note:

1. The Museums, Libraries and Archive (MLA) Council. Staff from three of the regional MLA employers who were previous members of the Oxfordshire County Council Pension Fund transferred to the MLA Council on 6 April 2009 and 31 March 2010. Actuaries are currently working on the calculation of the payments to be made to the Premium section of the Principal Civil Service Pension Scheme in relation to the transfer of past service rights.
2. In 2013/14 the Pension Fund received a Final Determination from the Pension Ombudsman, in which he has instructed the Administering Authority to pay compensation to a complainant as a result of mal-administration. The final level of compensation is contingent on the circumstances of the complainant over the next seven years, though the maximum payment has been calculated as approximately £0.140m plus pensions increase.

As at 31 March 2017 the fund had outstanding capital commitments (investments) totalling £35.878m (31 March 2016 - £39.511m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the pooled investments and pooled property fund elements of the investment portfolio. The amounts ‘called’ by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

**Note 25 – Investment Strategy Statement**

Oxfordshire County Council Pension Fund has an Investment Strategy Statement. 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 webpage.

**Note 26 - Actuarial Present Value of Promised Retirement Benefits**

	<b>2016 £'000</b>	<b>2017 £'000</b>
Present Value of Funded Obligation	2,863,405	3,595,746

Present Value of Funded Obligation consists of £3,472.669m (2016 – £2,784.675m) in respect of Vested Obligation and £123.077m (2016 – £78.730m) in respect of Non-Vested Obligation. The movement from March 2016 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 £123.904m (2016 - £134.859m increase).

There has been an increase in the present value of the Funded Obligation of £608.437m (2016 - £212.197m decrease) reflecting changes in the actuarial assumptions as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- An increase in the assumed level of CPI and therefore pension increase from 2.3% to 2.7% (net effect an increase in Present Value of Funded Obligation)
- An increase in the assumed level of salary increases from 4.1% to 4.2% (net effect an increase in Present Value of Funded Obligation)
- A reduction in the discount factor from 3.6% to 2.8% (net effect an increase in Present Value of Funded Obligation).

**Note 27 - Financial Instruments**

**Note 27a – Classification of Financial Instruments**

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

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

	2015/16			2016/17		
	Fair Value through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000
<b>Financial Assets</b>						
Fixed Interest Securities	93,220			98,178		
Index Linked Securities	92,662			104,704		
Equities	621,770			780,002		
Pooled Investments	818,097			1,031,626		
Pooled Property Investments	142,259			144,421		
Derivatives	758			522		
Cash		50,726			73,943	
Other Investment Balances	8,727			10,350		
Receivables		137			181	
	<b>1,777,493</b>	<b>50,863</b>	<b>0</b>	<b>2,169,803</b>	<b>74,124</b>	<b>0</b>
<b>Financial Liabilities</b>						
Derivatives	-1,295			-441		
Other Investment Balances	-3,468			-3,266		
Payables			-156			-174
	<b>-4,763</b>	<b>0</b>	<b>-156</b>	<b>-3,707</b>	<b>0</b>	<b>-174</b>
<b>Total</b>	<b>1,772,730</b>	<b>50,863</b>	<b>-156</b>	<b>2,166,096</b>	<b>74,124</b>	<b>-174</b>

**Note 27b – Net Gains and Losses on Financial Instruments**

	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
<b>Financial Assets</b>		
Fair Value through Profit and Loss	-27,980	388,557
Loans and Receivables	217	1,479
<b>Financial Liabilities</b>		
Fair Value through Profit and Loss	-4,028	0
Financial Liabilities Measured at Amortised Cost	0	0
<b>Total</b>	<b>-31,791</b>	<b>390,036</b>

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

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

**Level 1**

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

**Level 2**

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

**Level 3**

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

Level 2 includes pooled funds where the valuation is based on the bid price, where bid and offer prices are published, or the net asset value provided by the issuing fund. Within Level 2 there are also listed private equity investments where the market for the security is not deemed active; for these investments the valuation is based on the most recently available bid price 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 underlying fund investments. The valuations are obtained from the audited financial statements of the issuing funds and are adjusted for cashflows where data does not cover the full financial year for the Pension Fund. 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. These listed private equity investments are valued using the most recently available bid price in the market.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 2017</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	927,044	1,136,541	106,218	2,169,803
Loans and Receivables	74,124	0	0	74,124
<b>Total Financial Assets</b>	<b>1,001,168</b>	<b>1,136,541</b>	<b>106,218</b>	<b>2,243,927</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit and Loss	-3,266	-441	0	-3,707
Financial Liabilities at Amortised Cost	-174	0	0	-174
<b>Total Financial Liabilities</b>	<b>-3,440</b>	<b>-441</b>	<b>0</b>	<b>-3,881</b>
<b>Net Financial Assets</b>	<b>997,728</b>	<b>1,136,100</b>	<b>106,218</b>	<b>2,240,046</b>

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

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

**Reconciliation of Movement in Level 3 Financial Instruments**

<b>Level 3 Investments</b>	<b>UK Equities £'000</b>	<b>Pooled Private Equity Funds £'000</b>	<b>Pooled Property Funds £'000</b>
<b>Market Value 31 March 2016</b>	3,008	69,374	28,539
Transfers In	0	0	0
Transfers Out	0	0	0
Purchases	500	5,787	1,870
Sales	-15,073	-14,616	-5,233
Unrealised Gains/(Losses)	13,062	11,153	3,598
Realised Gains/(Losses)	452	3,797	0
<b>Market Value 31 March 2017</b>	<b>1,949</b>	<b>75,495</b>	<b>28,774</b>

**Level 3 Sensitivities**

<b>Level 3 Investments</b>	<b>Valuation Range +/-</b>	<b>Value at 31 March 2017 £'000</b>	<b>Valuation on Increase £'000</b>	<b>Valuation on Decrease £'000</b>
UK Equities	15%	1,949	1,657	2,241
Pooled Private Equity Funds	15%	75,495	64,171	86,819
Pooled Property Funds	5%	28,774	27,335	30,213

**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 triennial Fund Valuation which reviews the assets and liabilities of the Fund, and resets employer contribution rates to target a 100% Funding Level. The 2016 Valuation estimated that the current Funding Level is 90%, and set contribution rates to address the deficit over the next 22 years.
- The Investment Strategy Statement 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 Investment Strategy Statement.
- 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 Investment Strategy Statement 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, as was the case following the 2016 valuation. Whilst the Fund maintains a high proportion of active members where the payment of liabilities is not due for many decades, the Fund can afford to seek the higher investment returns associated with the more volatile asset classes.
- Maintaining an element of the asset allocation in passive equity funds which remove the risk associated with poor manager performance (though retaining the market risk).
- Ensuring a diversification amongst asset classes, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance.
- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values.
- The Fund's ESG Policy.

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 2016 Valuation undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.1% per annum in the discount rate would move the calculated funding level from 90% down to 88% or up to 91%. A change in the CPI assumption of 0.1% per annum would lead to a reduction in the funding level to 89% or an increase to 91%. A change to the rate of mortality improvement of 0.25% would move the funding level down to 89% or up to 91%.

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.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### Credit Risk

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

At 31 March 2017 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2016	31 March 2017
	£'000	£'000
UK Government Gilts	49,510	52,848
UK Corporate Bonds	113,220	125,708
UK Index Linked Gilts	92,662	104,704
Overseas Government Bonds	43,710	45,331
Non-Sterling Cash Deposits	6,113	8,027
Cash Balances	44,613	65,916
<b>Total</b>	<b>349,828</b>	<b>402,534</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 2017 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2016	Rating	Balance as at 31 March 2017
		£'000		£'000
<b>Money Market Funds</b>				
Standard Life	AAA	7,187	AAA	22,500
<b>Bank Current Accounts</b>				
Lloyds Bank Plc	A+	7,213	A+	5,069
BNP Paribas	A	36,326	A+	46,374
<b>Total</b>		<b>50,726</b>		<b>73,943</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.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

During 2016/17 the Pension Fund received/accrued income related to dealings with members of £94.7m (2015/16 - £92.6m) and incurred expenditure related to dealings with members of £98.8m (2015/16 - £87.9m). There were further receipts/accruals of £29.1m (2015/16 - £26.9m) in respect of investment income, against which need to be set taxes of £0.3m (2015/16 - £0.1m). The net inflow was therefore £24.7m (2015/16 - £31.5m).

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 has also looked at longer-term cashflow forecasts to gain a greater understanding of when the balance of pension payments and contributions may become negative so as to consider how this may affect the Fund's investment strategy in the future.

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

However, as noted above, for the Fund to reach a position where it is forced to sell assets and therefore face a potential financial loss, (as well as to forego future investment returns which have been assumed to meet pension liabilities in the future), the net movement in cash would be equivalent to a reduction in contributions received or benefits payable in the region of 25%. Movements of this scale are deemed highly unlikely in the medium-term. The Pension Fund will seek to mitigate these risks through working with employers to understand the potential for any significant membership changes and by monitoring the fund's cashflows. The fund will also provide advice to the Government on the impact of any proposals for change, as well providing clear communication to current scheme members of the on-going benefits of scheme membership and the personal risks to their future financial prospects of opting out at this time.

### **Market Risk**

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

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 2017	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	8,027	80	-80
Cash Balances	65,916	659	-659
Bonds	328,591	3,286	-3,286
<b>Total Change in Assets Available</b>	<b>402,534</b>	<b>4,025</b>	<b>-4,025</b>

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

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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).

The table below shows the impact a 10.0% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits.

This analysis assumes that all other variables remain constant.

Currency Exposure - Asset Type	Asset Values as at 31 March 2017	Change in Year in the Net Assets Available to Pay Benefits	
		+10.0%	-10.0%
	£'000	£'000	£'000
Overseas Equities	256,121	25,612	-25,612
Pooled Overseas Equities	532,385	53,238	-53,238
Pooled Private Equity (LLPs)	70,797	7,080	-7,080
Pooled Property	41,228	4,123	-4,123
Cash	8,027	803	-803
<b>Total Change in Assets Available</b>	<b>908,558</b>	<b>90,856</b>	<b>-90,856</b>

Currency Exposure - Asset Type	Asset Values as at 31 March 2016	Change in Year in the Net Assets Available to Pay Benefits	
		+12.9%	-12.9%
	£'000	£'000	£'000
Overseas Equities	191,333	24,634	-24,634
Pooled Overseas Equities	395,920	50,975	-50,975
Pooled Private Equity (LLPs)	65,841	8,477	-8,477
Pooled Property	31,499	4,055	-4,055
Cash	6,113	787	-787
<b>Total Change in Assets Available</b>	<b>690,706</b>	<b>88,928</b>	<b>-88,928</b>

### 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.

The effect of various movements in market price are presented in the table below along with the effect on total assets available to pay benefits assuming all other factors remain constant:

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

<b>Asset Type</b>	<b>Value as at 31 March 2017 £'000</b>	<b>Percentage Change  %</b>	<b>Value on Increase  £'000</b>	<b>Value on Decrease  £'000</b>
UK Equities	677,488	15.0	779,110	575,864
Pooled UK Equities (Small Cap)	16,916	15.0	19,454	14,379
Global Equities	283,753	15.0	326,315	241,189
Diversified Growth Fund	100,383	5.0	105,402	95,364
Pooled Global Equities	325,360	15.0	374,163	276,556
Pooled Overseas Equities	207,026	15.0	238,080	175,972
UK Bonds	52,848	10.0	58,133	47,563
Overseas Bonds	45,331	10.0	49,864	40,798
UK Index Linked Bonds	104,704	10.0	115,174	94,234
Pooled Corporate Bonds	125,708	10.0	138,279	113,138
Pooled Private Equity (LLPs)	74,995	15.0	86,244	63,746
Pooled Property	144,420	5.0	151,642	137,200
Cash	73,943	0.0	73,943	73,943
<b>Total Assets Available to Pay Benefits</b>	<b>2,232,875</b>		<b>2,515,803</b>	<b>1,949,946</b>

<b>Asset Type</b>	<b>Value as at 31 March 2016 £'000</b>	<b>Percentage Change  %</b>	<b>Value on Increase  £'000</b>	<b>Value on Decrease  £'000</b>
UK Equities	555,048	18.4	657,288	452,808
Pooled UK Equities (Small Cap)	14,188	9.8	15,577	12,799
Global Equities	213,106	13.7	242,259	183,953
Diversified Growth Fund	79,010	4.2	82,321	75,700
Pooled Global Equities	241,008	15.8	279,022	202,994
Pooled Overseas Equities	154,912	13.3	175,500	134,324
UK Bonds	49,511	7.8	53,362	45,659
Overseas Bonds	43,710	8.2	47,285	40,134
UK Index Linked Bonds	92,662	13.1	104,838	80,486
Pooled Corporate Bonds	113,221	5.6	119,512	106,929
Pooled Private Equity (LLPs)	69,374	9.8	76,166	62,583
Pooled Property	142,259	1.9	145,031	139,487
Cash	50,726	0.0	50,726	50,726
<b>Total Assets Available to Pay Benefits</b>	<b>1,818,735</b>	<b>12.7</b>	<b>2,048,887</b>	<b>1,588,582</b>

**Note 29 – Accounting Standards Issued But Not Yet Adopted**

The Pension Fund is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. For the purposes of this disclosure, the standards introduced by the 2017/18 Code that are relevant to the Pension Fund are:

- Amendment to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of investment concentration.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

The Pension Fund has adopted the latest voluntary guidance from CIPFA on the reporting of management costs which also covers transaction costs. Therefore, the Pension Fund already broadly meets the new requirements for reporting of transaction costs. There may be some minor changes to the format for the disclosure of transaction costs as a result of the new requirements.

The amendment to the reporting of investment concentration removes the requirement to report any single investment that represents over 5% of a class or type of security. The requirement to report any single investment exceeding 5% of the net assets available to pay benefits remains.

Neither of the above amendments is anticipated to have a material impact on the values reported in the Pension Fund's financial statements.

## Actuarial Valuation

The contribution rates within the 2016/17 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 2017 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	757
West Oxfordshire District Council	14.4	-
Cherwell District Council	13.7	1,595
Oxford City Council	20.6	-
Vale of White Horse District Council	13.1	708
Oxford Brookes University	14.1	1,631

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:

## THE LOCAL GOVERNMENT PENSION FUND ACTUARIAL VALUATION

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

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

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

<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 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 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Notes 1 to 60 and the Expenditure and Funding Analysis,
- The firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 9.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

### Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities set out on page 17, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Council 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 2016/17, 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

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

from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's and the firefighters' pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 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 2017 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 2016/17.

### **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

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

We have nothing to report in these respects.

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

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

#### **Council's responsibilities**

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

#### **Auditor's responsibilities**

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

We report if significant matters have come to our attention which prevent us from concluding that the Council 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Oxfordshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Oxfordshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, Oxfordshire County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

#### **Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, 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 2017.

**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 work necessary to conclude the objection to the Council's 2015/16 Statement of Accounts concerning the use of Lender Option Borrower Option LOBO loans. It is our view that even if the objection were resolved in the objector's favour, this would not affect the Statement of Accounts. We are also considering a notice of objection to the 2016/17 Pension Fund accounts. It is our view that even if the objection were accepted and subsequently resolved in the objector's favour, this would not affect the Statement of Accounts.

*Paul King*

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

*28* September 2017

# **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 2017 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

### **Respective responsibilities of the Director of Finance and auditor**

As explained more fully in the Statement of the Responsibilities of the Director of Finance set out on page 17, the Director of Finance 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 2016/17, 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 Director of Finance and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

### Opinion on financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### Opinion on other matters

In our opinion, the information given in the Oxfordshire County Council Statement of Accounts 2016/17 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:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

*Melissa Hargreaves*

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

28 September 2017

The maintenance and integrity of the Oxfordshire County Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# ANNUAL GOVERNANCE STATEMENT

## Annual Governance Statement 2016/17

### INTRODUCTION

1. This is Oxfordshire County Council's Annual Governance Statement for 2016/17. It provides:
  - An *opinion* on the Council's governance arrangements from the Council's senior managers and the leader of the Council
  - A review of the *effectiveness* of the Council's governance arrangements
  - A review of the *action plan* from last year's statement
  - An *action plan for 2017/18*
  - An *annex* summarising our governance framework
2. The Statement will be published on the Council's website and will also form part of the Council's Statement of Accounts. The Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015.
3. 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 2016/17 can also be found on our public website at: <http://www.oxfordshire.gov.uk/cms/content/oxfordshire-fire-and-rescue-service-performance>

### STATEMENT OF OPINION

It is our opinion that the Council's governance arrangements in 2016/17 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2017/18.

### SIGNATURES

Signed on behalf of Oxfordshire County Council:

..... Date 19/05/17 ..... Date 18/5/17

Peter Clark  
Chief Executive

Lorna Baxter  
Director of Finance

..... Date 19/05/17 ..... Date 19/05/17

Councillor Ian Hudspeth  
Leader of the Council

Nicholas Graham  
Monitoring Officer

**APRIL 2017**

**SIGNIFICANT GOVERNANCE ISSUES**

**Progress in 2016/17**

4. This is a review of the progress during 2016/17 on the priorities for that year:

<b>Actions that were planned for 2016/17</b>	<b>Timescale, Responsible Officer, Monitoring Body</b>	<b>Progress</b>	<b>Status</b>
<p>Staff supporting, managing and maintaining ICT systems and supplier relationships. Review to be carried out to identify how the systems are being managed and the effectiveness of the controls.</p>	<p>31 December 2016 Caroline Parker (ICT Information Services Manager) and Mike King, ICT Service Transformation Manager  Corporate Governance Assurance Group (CGAG).</p>	<p>A review is being undertaken as part of the Business Efficiencies workstream within the Transformation Programme to identify staff, contracts and expenditure outside the control of ICT with the intention to consolidate within ICT.  Updated timescale to 30 September 2017.</p>	<p>In progress (risk reduced)</p>
<p>Data reporting and information governance by third party partners and suppliers of services  Review to be carried out to verify that our data is being secured, maintained and reported in accordance with agreed service responsibilities.</p>	<p>31 October 2016 Caroline Parker (ICT Information Services Manager)  CGAG</p>	<p>The suppliers of the priority 1 systems have been contacted and provided their data governance standards; these are being reviewed and actioned in line with item 3 below.  Updated timescale to 31 March 2018.</p>	<p>In progress (risk reduced)</p>
<p>Data quality, duplication and storage  De-duplication of data collection and storage prior to migration of data ahead of decommissioning of Data Centre; to include verification that commissioned/partnership</p>	<p>31 October 2016 Caroline Parker (ICT Information Services Manager)  CGAG</p>	<p>The Managing Information Effectively proposal was approved at CCMT subject to some revision of timescales for data retention. This will be implemented as part of the Master Data Management initiative within the Transformation</p>	<p>In progress (risk reduced)</p>

**ANNUAL GOVERNANCE STATEMENT**

<b>Actions that were planned for 2016/17</b>	<b>Timescale, Responsible Officer, Monitoring Body</b>	<b>Progress</b>	<b>Status</b>
services follow Council's data storage policies		Programme. Updated timescale to 31 March 2018.	
<p>Financial Control Improvement Plan</p> <p>Improve the clarity of financial roles, procedures and data issues and the oversight of financial controls – through implementation of a Financial Control Improvement Plan developed in consultation with stakeholders, partners, with the Financial Leadership Team.</p>	<p>31 March 2017 Ian Dyson, Assistant Chief Finance Officer  CGAG</p>	<p>The Financial Control Improvement Plan has been incorporated into the Transformation Programme, under the Business Efficiencies workstream. Whilst the principles and key themes of the original plan remain, a strategic approach is being adopted in prioritising the improvements. Regular updates have been reported to the Audit Working Group and the Audit and Governance Committee.</p> <p>The key control improvements set out in the original plan have been completed, with the exception of the following: Financial guidance, procedures and regulations are still being updated and should be completed by the end of May 2017; the automation of the bulk data upload procedure is on-going, implementation of the first automation is still at testing stage, but is due for completion end of April 2017.</p>	<p>In progress (risk reduced)</p>

**ANNUAL GOVERNANCE STATEMENT**

<b>Actions that were planned for 2016/17</b>	<b>Timescale, Responsible Officer, Monitoring Body</b>	<b>Progress</b>	<b>Status</b>
<p>Commercial Services Board (CSB)</p> <p>To strengthen/extend the role and effectiveness of the CSB (including the quality assurance/management information) through the action plans of the Gateway Review Panel, the Commercial Gateway Process and the work of the dedicated Corporate Procurement Lead.</p>	<p>31 March 2017 Ian Dyson, Assistant Chief Finance Officer</p> <p>CGAG</p>	<p>The development of the Commercial Services Board continues. The Gateway Review process is well established and has added value to the governance process; the Corporate Procurement Lead is providing the support to the Board, which is focussed on the implementation of the recently purchased contract management system. This system and the management information that will be available from it is fundamental to the future operation of the Board.</p>	<p>In Progress</p>
<p>Transformation</p> <p>Organisational transformation necessary during 2016/17 to meet the Council's plans, priorities and challenges (including any changes to senior management structures), will put sound governance at the core – including effective consultation, and legal and constitutional compliance.</p>	<p>31 March 2017 Graham Shaw, Director of Customer Experience</p> <p>CGAG</p>	<p>A Board has been established to oversee the full transformation programme, chaired by the Director of Finance and with Cabinet representation which now meets monthly to ensure progress. The programme has been launched to ensure the Council is “Fit for the Future” with a working investment budget. Three work streams are now operational covering Digital Enablement, Business Efficiency and the Back Office, and the Property Portfolio. In addition, a dedicated Programme of work for Childrens Services will</p>	<p>Completed</p>

## ANNUAL GOVERNANCE STATEMENT

Actions that were planned for 2016/17	Timescale, Responsible Officer, Monitoring Body	Progress	Status
		<p>run alongside the 3 work streams. Each work stream has a Senior Management sponsor and dedicated resources and project plans. These plans feature a specific requirement for highlighting the governance implications of each strand. Regular briefings are being provided to Audit &amp; Governance Committee. Monthly updates are now provided to the Council Leadership Team and from April 2017 to Cabinet.</p> <p>Additionally, the Corporate Governance Assurance Group will be monitoring the efficacy of those processes for recognising and addressing the governance issues.</p>	
<p>Health &amp; Safety – repairs and maintenance (R&amp;M) in schools To support schools (community, voluntary controlled, special and maintained nurseries) in the deployment of their delegated funding for R&amp;M. To ensure compliance through the provision of information, training and effective monitoring procedures. Additional action will include schools completing a building</p>	<p>Paul Lundy, County Health and Safety Manager</p> <p>CGAG</p>	<p>To gain greater assurance that schools are meeting their delegated responsibilities, Property and Facilities have instigated an ongoing programme of premises visits to monitor compliance and performance and to inspect repairs and maintenance items.</p> <p>Carillion continue to offer compliance services to schools although only a small number of schools</p>	<p>Completed</p>

## ANNUAL GOVERNANCE STATEMENT

Actions that were planned for 2016/17	Timescale, Responsible Officer, Monitoring Body	Progress	Status
<p>maintenance annual return which will be collated as part of the schools H&amp;S Monitoring visit and used to monitor statutory compliance. Completed returns will be feedback to Property and Facilities for review and action.</p>		<p>buy back since the majority appear to prefer to use their own local contractors.</p> <p>The Council continues to offer a traded H&amp;S service to schools which includes monitoring of H&amp;S management.</p> <p>In addition schools can access training including Health and Safety for Managers, Asbestos Awareness, Legionella Awareness etc.</p>	
<p>Corporate Security</p> <p>Implement actions to ensure the ongoing security of the Council's buildings, principally those with public access.</p>	<p>31 March 2017 Alexandra Bailey, Director: Property, Assets &amp; Investments.</p> <p>CGAG</p>	<p>Good organisational security as a whole comprises personal, physical and information security. Personal security is maintained within Human Resources and strong vetting and recruitment procedures. Information security is maintained within Information Governance. This action primarily focused on achieving sustainable governance arrangements for overseeing physical security, as applied to our Council buildings and in particular our public-facing environment, including access and perimeter security.</p> <p>The key governance outcome has been to secure corporate oversight of the Council's</p>	<p>Completed</p>

**ANNUAL GOVERNANCE STATEMENT**

<b>Actions that were planned for 2016/17</b>	<b>Timescale, Responsible Officer, Monitoring Body</b>	<b>Progress</b>	<b>Status</b>
		<p>corporate security – entailing the development, into 2017/18, of a set of actions to improve/maintain security. This oversight also allows effective link-up with other strands of security such as data and information technology.</p> <p>A Corporate Security lead has been established as part of the senior management team. This is Alexandra Bailey, Director: Property, Assets &amp; Investments.</p>	

**Action Plan for 2017/18**

5. This is an Action Plan of particular governance priorities that the Council will address during 2017/18.

**ANNUAL GOVERNANCE STATEMENT**

	<b>Action now planned for 2017/18</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
1	<p><b>Business Continuity (BC):</b>                      Risk relating to key contractor/partner provision (supply chain management), especially where “BAU” already significantly impacts our resource/capacity:</p> <p>supply disrupted                      protracted recovery                      provider failure / withdrawal</p> <p><b>Proposed action:</b>                      Where key partners / contracts e.g. IBC, Carillion, Skanska may suffer business disruption, promote further work to identify OCC vulnerability and mitigations. Seek BC exercise with key partners around supply disruption, i.e. fuel supply</p>	December 2017	<p>Business Continuity &amp; Resilience Officer</p> <p>Assistant Chief Fire Officer (as Chair of Business Continuity Steering Group)</p>	CGAG

**ANNUAL GOVERNANCE STATEMENT**

	<b>Action now planned for 2017/18</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>2</b>	<p><b>Business Continuity:</b> Risks relating to organisational structure change:</p> <ul style="list-style-type: none"> <li>• Senior Management Review</li> <li>• subsequent service reorganisation</li> <li>• agile working.</li> </ul> <p>Proposed action: Following the Senior Management Review: a) refresh continuity priorities and vulnerabilities with key service continuity requirements i.e. through BIA b) provide training and exercise in major incident response for significant disruption (e.g. loss of site), managing agile pros/cons c) through senior management engagement ensure BC in subsequent reorganisation at service and team levels, including adaptation to agile.</p>	<p>December 2017 = key service prioritisation, strategic training and exercising</p> <p>March 2018 = embedding business continuity</p>	<p>Business Continuity &amp; Resilience Officer</p> <p>&amp; Assistant Chief Fire Officer (as Chair of Business Continuity Steering Group)</p>	CGAG
<b>3.</b>	<p><b>Corporate Security</b> Implement a programme of actions to integrate and strengthen corporate security of the Council's buildings and essential infrastructure</p>	March 2018	Director of Property and Investment	CGAG
<b>4</b>	<p><b>Finance</b> Develop, implement and operate a robust debt management strategy, providing clarity over the standards and process for the effective collection of income.</p>	31December 2017	Assistant Chief Finance Officer	Finance Leadership Team

**ANNUAL GOVERNANCE STATEMENT**

	<b>Action now planned for 2017/18</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>5</b>	<b>Mental Health</b> Address the governance issues arising from the Internal Audit of Mental Health undertaken as part of the 2016/17 Internal Audit plan.	30 September 2017	Seona Douglas, Deputy Director, Adult Social Care.	Adult Social Care Leadership Team
<b>6</b>	<b>Capital Programme</b> Address the governance issues arising from the Internal Audit of the Capital Programme undertaken as part of the 2016/17 Internal Audit Plan.	30 September 2017	Bev Hindle, Strategic Director of Communities / Lorna Baxter, Director of Finance	CGAG
<b>7</b>	<b>Target Operating Model</b> To develop a supporting governance framework in the context of delivering the Better Oxfordshire proposal.	30 September 2017	Maggie Scott, Assistant Chief Executive & Nick Graham, Director of Law and Governance	Council Leadership Team (CLT)

### REVIEWING OUR EFFECTIVENESS

6. We have reviewed our overall effectiveness. Key points are that:
  - We have made significant progress on implementing our Action Plan for 2016/17 as noted above;
  - Our decision taking processes are clear;
  - Key management roles have continued to be defined and to operate as part of the council's leadership team - Head of Paid Service, Chief Finance Officer, Monitoring Officer and Chief Internal Auditor;
  - A senior management review has been completed , achieving a County Leadership Team that can better deliver good governance for the council's direction of travel and challenges;
  - The council operates within a budget that included a low council tax increase, and delivers year on year savings despite significant financial pressures.
  - Financial management systems and processes are subject to regular review and actions taken where areas for improvement are identified to ensure good value for money is achieved.
  - We monitored key governance issues through a system of Corporate Lead Officers reporting into a Corporate Governance Assurance Group of senior officers and to the council's Audit & Governance Committee,
  - 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.
7. Thus we consider that our governance arrangements are in sound shape given the pressures, scale of change and uncertainty about funding and future structures. The continuing and new plans to improve our governance in 2017/18 will now be our main focus for the year ahead.

### Measuring and Managing Service Performance

8. Oxfordshire County Council has used a performance management framework, centred on quarterly reporting and an exception based escalation of issues. Priorities are identified in the Corporate Plan and related performance indicators are agreed with directorates, as part of the service and resource planning process. Progress is reported by the use of dashboards with Red, Amber or Green (RAG) ratings.
9. Accountability for performance runs from the individual to corporate level through directorate leadership teams and then on to the County Council Leadership Team (CLT). Public reports are made to Performance Scrutiny Committee and Cabinet. Performance Scrutiny Committee met 10 times in 2016/17 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.

## Compliance, Risks and Complaints & Whistleblowing

### Compliance

10. Oxfordshire County Council has used a range of measures to ensure compliance with established policies, procedures, laws and regulations including:
  - Notification of changes in the law, regulations and practice to directorates by Legal Officers;
  - Training carried out by Legal Officers and external experts;
  - The drawing up and circulation of guidance and advice on key procedures, policies and practices;
  - Proactive monitoring of compliance by relevant key officers including the Chief Finance Officer, the Monitoring Officer and the Chief Internal Auditor;
  - A Corporate Governance Strategy for Law and Governance ; and a
  - 'Protocol for Implementing New Legislation' ensures that there are Directorate Leads who have a specific obligation to ensure appropriate dissemination of legal, policy and professional information within their Directorates.
11. Guidance and advice on all our key policies and procedures have been reviewed and updated. All policies and guidance have been given visibility on the Intranet within the Corporate Governance Library as well as separate pages for Human Resources and Finance, Budgets and Procurement.
12. Compliance with our policies was monitored by the relevant corporate lead officers. Their assessment was incorporated in the year end 'Certificate of assurance' signed off by each corporate lead officer.
13. 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. The Monitoring Officer issued a formal report in the year 2016/17 in relation to an adult social care complaint investigated by the Council and the Local Government Ombudsman. The report can be found here:  
<http://mycouncil.oxfordshire.gov.uk/ieListDocuments.aspx?CId=116&MID=4814>
14. The complaint had originated in 2014/15 and the Council had proactively undertaken actions to resolve matters. This was acknowledged by the Ombudsman, at the conclusion of her investigation, who said: "I welcome the significant steps Oxfordshire council has already taken to improve its policies, procedures and staff training in this area and am pleased it has agreed to my further recommendations."

15. The Monitoring Officer undertakes a review of the County Council's annual governance arrangements. This review was formally reported to the Audit & Governance Committee.

### Risks

16. 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 CLT Risk Champion during 2016/17.
17. 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.
18. A strategic risk register is in place that is owned and reviewed by CLT. Service Risk Registers were 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 CLT as part of the quarterly performance reporting process and separately to the Audit Working Group. The Strategic Risk register has been updated in 2016/17 and each risk is owned by a member of CLT. CLT reviews the risk register quarterly.
19. Risk Management in projects is required in our Corporate Project Management Framework. It includes the requirement for risk registers to be maintained as part of the project management process.

### Complaints & Whistleblowing

20. Oxfordshire County Council has continued to operate formal complaints and whistleblowing procedures which has allowed 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.
21. An annual review of reports and incidents of whistleblowing was undertaken by the Monitoring Officer and reported to the Audit & Governance Committee via the report of the Audit Working Group.

### Internal audit

22. 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;

## ANNUAL GOVERNANCE STATEMENT

- 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.
23. The Monitoring Officer sought feedback on the quality and effectiveness of the Internal Audit Service from Senior Managers across the council, reporting back to the Audit and Governance Committee. The conclusion from the survey was that management find the internal audit service effective in fulfilling its role.
24. The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The annual self-assessment against the standards is completed on an annual basis and was last completed in May 2016. The areas of non-conformance highlighted for 2015/16 have now been addressed; the Internal Audit Charter is now in place and subject to annual review and approval by the Audit & Governance Committee, there is now a Quality Assurance and Improvement Programme in place and the Internal Audit Procedures Manual has now been reviewed and updated.
25. It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. This must be completed by 31 March 2018 and therefore will need to be commissioned during 2017/18. The results will be reported back to the Audit & Governance Committee.
26. The Chief Internal Auditor prepared an Annual Report on the work of Internal Audit which concludes reasonable assurance over Oxfordshire County Council's system of internal control. This demonstrates improvement from last year when the overall Chief Internal Auditor's opinion was qualified assurance over Oxfordshire County Council's system of internal control. This was due to a small number of limited assurance reports issued by Internal Audit in relation to key financial systems. Follow up work completed during 2016/17 has evidenced sufficient improvements in the financial control environment to enable the overall opinion to be reflected as such.
27. Where Internal Audit identifies areas for improvement, management action plans are in place and are routinely monitored by the Internal Audit team and the Audit Working Group. Managers are required to provide positive assurance that actions have been implemented; performance on implementation is high, demonstrating that control weaknesses identified by Internal Audit are being addressed on a timely basis.

### **Checking the Effectiveness of our Governance**

28. 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 has been 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.

### Audit & Governance Committee

29. The Chairman of our Audit & Governance Committee produced 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

30. Oxfordshire County Council has three scrutiny committees. They cover the following areas:
- Education;
  - Performance;
  - Joint Health Overview including district council and co-opted lay members

The good governance of the council has been 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.

31. 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 had 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)

32. This Group has monitored the corporate governance framework. It reviewed the Annual Governance Statement action plan, as well as monitoring and challenging the assurance framework owned by designated Corporate Leads. The Group identified and considered weaknesses in the internal control environment. It has primary responsibility for collating all of the evidence and producing the first draft of the Annual Governance Statement. No recommendations for improvements were made by the external auditors (Ernst and Young LLP) relating to the 2016/17 Annual Governance Statement.

### Key Deliverables

33. 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

## ANNUAL GOVERNANCE STATEMENT

the regular Financial Monitoring and Business Strategy Delivery Reports to Cabinet which are considered by the County Council Management Team.

34. Further to these monitoring arrangements, the Chief Finance Officer and the Head of Policy meet with all Deputy Directors. They review the delivery of budget savings, check progress on the delivery of projects and ensure that support is targeted to projects as necessary. The policy and finance teams work with service areas to monitor delivery of agreed savings and escalate issues for consideration to CCMT as required.

### **Other external reviews**

35. Oxfordshire County Council receives external reports and inspections from a range of sources that can provide assurance or indicate any issues related to internal control and governance. These are generally ad-hoc and are reported to CGAG by the Head of Policy so that governance issues can be reported to Audit & Governance Committee. For completeness Directors are also asked to set out feedback from external reviews in their annual Statement of Assurance.

## ANNEX

### SUMMARY OF OUR GOVERNANCE FRAMEWORK

#### A vision for Oxfordshire

1. Oxfordshire County Council's ambition, as set out in the updated [2016/17 – 2019/20 Corporate Plan](#), is for a county where local residents and businesses can flourish - a Thriving Oxfordshire.
2. In 2016/17 our Corporate Plan was supported by Directorate Business Strategies which set out how the work will be delivered.

#### Equalities

3. 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.

#### Consultation and Communication

4. The council ensures it meets its statutory consultation duty by using a consistent approach to consulting service users and other stakeholders about proposed service change.
5. 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.

#### Decision making structures

6. 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.
7. 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.

8. 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.
9. The Constitution is reviewed annually by the Monitoring Officer with recommendations of changes being made to Full Council for consideration and adoption.
10. Oxfordshire County Council has an Audit & Governance Committee which operates in accordance with the CIPFA guidance 2013 and normally meets six times a year. The County Council also operates an Audit Working Group, made up of members of the Committee and Senior Officers, chaired by a co-opted member of the Audit & Governance Committee. The Audit Working Group looks in detail at specific areas of governance, risk or control under the direction of the Audit & Governance Committee.
11. The Monitoring Officer monitors and reviews the operation of the Constitution to ensure that its aims, principles and requirements are given full effect and makes recommendations on any necessary amendments to it to Full Council.

### **Senior Management**

12. The Chief Executive (as Head of Paid Service) is responsible for co-ordinating the different functions of the council, staff appointment, organisation, management, numbers and grades. Additional responsibilities are set out in the Constitution include supporting councillors and the democratic process, overall corporate management and promoting our objectives, performance management, strategic partnership, the community strategy, media and communications.
13. Our Chief Finance Officer holds the statutory role of 'Chief Financial Officer' within the Council. Our Chief Finance Officer is professionally qualified and suitably experienced.
14. 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.
15. Oxfordshire has a Chief Legal Officer 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.

### **Controls on Information, Projects and ICT**

16. 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.

17. Oxfordshire County Council requires projects to be managed using their Project Management Framework which gives a comprehensive structure, standard paperwork and defined processes. Progress of Major Programmes is reported to DLTs and to the Delivery Board, and the Head of Paid Service.

### **Codes of Conduct**

18. 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.
19. 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.

### **WORKING WITH OTHERS**

#### **Schools**

20. 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.
21. 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.
22. Academies are legally separate entities and therefore their effective governance does not fall within the control or responsibilities of the County Council. The County Council retains responsibilities including ensuring that special educational needs are met, safeguarding, and that the free entitlement to early year's education is provided by academies where applicable.

#### **Partnerships**

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

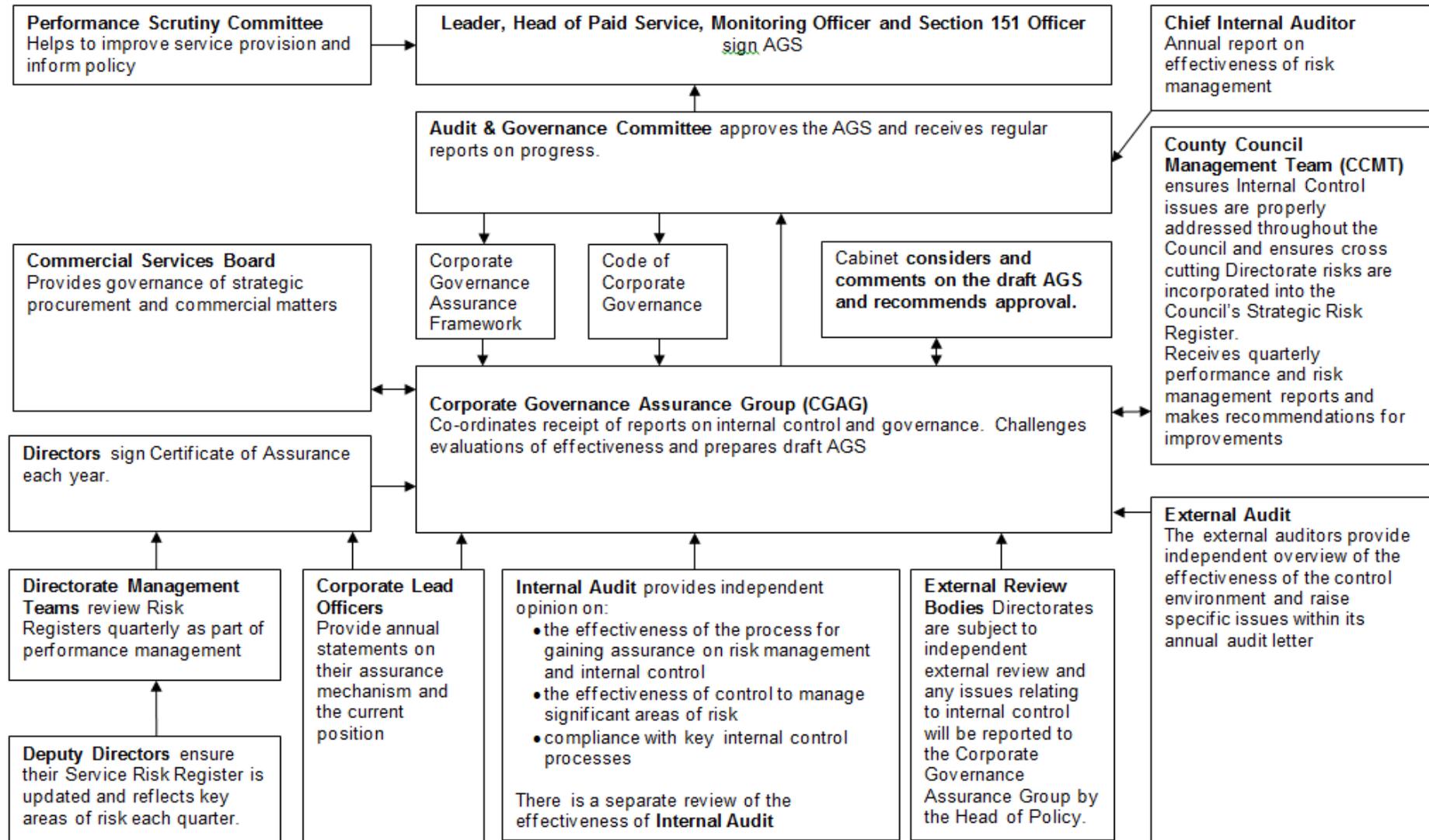
## ANNUAL GOVERNANCE STATEMENT

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

- Oxfordshire Local Enterprise Partnership (OxLEP)
- Oxfordshire Skills Board
- Oxfordshire Growth Board
- Oxfordshire Local Transport Board.
- Oxfordshire Safeguarding Children Board (OSCB),
- Oxfordshire Safeguarding Adults Board
- Oxfordshire Health and Wellbeing Board
- Oxfordshire Stronger Communities Alliance
- Oxfordshire Safer Communities Partnership

# ANNUAL GOVERNANCE STATEMENT

## Overview of Corporate Governance Assurance Framework



## 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.

		2015/16	2016/17	
<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	91	1	99
	Oxford Boys	26	0	0
	Criminal Injuries Compensation Awards	21	4	21
	Other (under £10,000)	14	2	11
Corporate Services	Bequest of Property at Watlington	88	1	78
<b>Total</b>		<b>240</b>	<b>8</b>	<b>209</b>

		2015/16	2016/17	
<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	0	0	0
	Other (under £10,000)	1	1	1
	Junior Citizens Trust	7	1	7
<b>Total</b>		<b>8</b>	<b>2</b>	<b>8</b>

		2015/16	2016/17	
<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	355	1	356
	City Lectureship Scholarship	18	1	18
	Other (under £10,000)	31	6	24
	Other (under £10,000)	9	1	9
<b>Total</b>		<b>413</b>	<b>9</b>	<b>407</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.

**Commutation Factor**

Factor used to determine the amount of lump sum payable from the amount of annual pension commuted.

**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.

**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 e.g. cash.

**Curtailement**

Early retirement costs calculated in accordance with accounting standard IAS19.

**Debtors**

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

**Deferred Income**

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

**Depreciation**

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

**Derecognition**

Removal of an asset or liability from the Balance Sheet.

**Equity instrument**

A contract such as an equity share in a company.

**Fair value**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

**Financial asset**

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

**Financial liability**

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

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a

## GLOSSARY

financial liability or equity instrument of another. Financial instruments include bank deposits, investments, debtors, long-term debtors, creditors, temporary loans and borrowings.

### **Financial Year**

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

### **Fixed Asset**

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

### **General Government Grants**

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

### **Hedge Fund**

A hedge fund is a form of investment partnership.

### **Impairment**

A reduction in the carrying value of an asset arising from physical damage, obsolescence or a significant decline in market value.

### **Inventories**

Raw materials and stores which the County Council has bought and holds in stock for use as required.

### **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**

S1NA, S1PA and S2PA - mortality tables issued as part of the "S1" and "S2" series of mortality tables produced by the Continuous Mortality Investigation. The "S1" mortality tables are based on mortality experience from UK self-administered pension schemes between 2000 and 2006. The "S2" mortality tables are based on mortality experience from UK self-administered pension schemes between 2004 and 2011.

### **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 e.g. insurance provision for claims awaiting resolution.

**Public Works Loan Board (PWLB)**

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 functions transferring to another organisation. It reflects the difference between the liability transferred (calculated in accordance with accounting standard IAS19) and the assets transferred to settle the liability.

**Specific Grants**

Grants paid by the Government in respect of specific services.

**Strategic Measures**

This comprises interest on balances and capital financing charges. The former involves surplus cash from the County Fund which is either invested or used to reduce the need to borrow externally. The interest received is credited to the County Fund. Capital financing charges include the minimum revenue provision required and interest on outstanding debt, together with a general revenue contribution to finance capital spending.

## GLOSSARY

### **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.

Alternative formats of this publication can be made available on request.

For further information please email: [accounts@oxfordshire.gov.uk](mailto:accounts@oxfordshire.gov.uk)