

**OXFORDSHIRE COUNTY COUNCIL**

**STATEMENT OF ACCOUNTS**

**2017/18**

## CONTENTS

	Page
Narrative Report by the Director of Finance	1
Statement of Responsibilities for the Statement of Accounts	33
Expenditure and Funding Analysis	34
Comprehensive Income and Expenditure Statement	35
Movement in Reserves Statement	36
Balance Sheet	37
Cash Flow Statement	38
Notes to the Core Financial Statements (see table on next page)	39
<u>The Fire-fighters' Pension Fund Accounts:</u>	
Fund Account	137
Net Assets Statement	138
Notes to the Fire-fighters' Pension Fund Accounts	139
<u>The Local Government Pension Fund Accounts:</u>	
Fund Account	141
Net Assets Statement	142
Notes to the Local Government Pension Fund Accounts	143
Local Government Pension Fund Actuarial Valuation	175
Independent Auditor's Report to the Members of Oxfordshire County Council	177
Annual Governance Statement	184
Trust Funds	205
Glossary	206

## 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

**Notes to the Core Financial Statements Cont.**

- 50. Capital Adjustment Account
- 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**

This Narrative Report sets out information intended to increase readers' understanding of the financial position and performance of Oxfordshire County Council (OCC) during 2017/18.

## **ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT**

Local government is a 'two-tier' system in Oxfordshire. This means that there is a county council providing services across the whole county, and five district councils which provide services to residents in their geographic areas.

The five district councils in Oxfordshire are Oxford City, Cherwell, West Oxfordshire, South Oxfordshire, and Vale of White Horse.

The county council is responsible for 80% of local government spending in Oxfordshire. This provides (for example) children's services; some education services; fire and rescue; services for public health; libraries and museums; coroners' and registration services; roads and transport planning; adult social care; trading standards; and waste disposal.

Services provided by the district and city councils include (for example) housing and benefits, local planning, street cleaning, waste collection and electoral registration.

In Oxfordshire, parishes and town councils also play an important role in the local community, looking after local amenities, and providing a vital link to district and county councils on local issues. Oxfordshire has 15 town councils, 233 parish councils and 68 parish meetings. Parish and town councils increasingly deliver services, such as grass cutting in public spaces, in partnership with the county council.

### **Oxfordshire County Council's vision**

Our vision is of a county where local residents and businesses can flourish – "thriving communities for everyone in Oxfordshire". 'Thriving communities' was chosen during the first half of 2017/18 after feedback from residents who are passionate about where they live. The vision was published in a new Prospectus in October 2017, and set out our priorities:

- We listen to residents so that we can continue to improve our services and provide value for money.

### **Thriving communities**

- We help people live safe, healthy lives and play an active part in their community.
- We provide services that enhance the quality of life in our communities and protect the local environment.

### **Thriving people**

- We strive to give every child a good start in life and protect everyone from abuse and neglect.

- We enable older and disabled people to live independently. We care for those in greatest need.

### **Thriving economy**

- We support a thriving local economy by improving transport links to create jobs and homes for the future.

## **Thriving communities for everyone in Oxfordshire**

**We listen to residents so we can continuously improve our services and provide value for money**



Our vision statement provides further details of the council's long term aims and main priorities over the next few years.<sup>1</sup> This is critically important to the council, as we put residents at the heart of everything we do. We exist to serve our residents and communities: not only do they pay (directly or indirectly) for the services we deliver, they also receive and use our services.

Our communities may be ones of place – from inner city areas through to historic market towns, villages to rural hamlets – or ones based on age, race, religion and many other factors. Our approach to supporting thriving communities must be as diverse as our communities themselves. We must listen to ensure that we are responsive to local issues and local need. It is also important that people see the council as providing value for money, constantly challenging itself to improve and

<sup>1</sup><https://www2.oxfordshire.gov.uk/cms/sites/default/files/folders/documents/aboutyourcouncil/plansperformancepolicy/Prospectus.pdf>

## NARRATIVE REPORT BY THE DIRECTOR OF FINANCE

embracing new opportunities and ways of working to help deliver effective and efficient services that make best use of public resources.

The new vision is an ambitious step forward from our current Corporate Plan.<sup>2</sup> The latter has guided our work during 2017/18 and will remain relevant and in place for the immediate future. A new Corporate Plan for 2018/19 and beyond is in preparation and will in explain in more detail how we will work with partners and communities to achieve our vision.

### Our values

We have core values that guide the way we work to deliver our vision:

#### Our core value: We do the best we can for residents

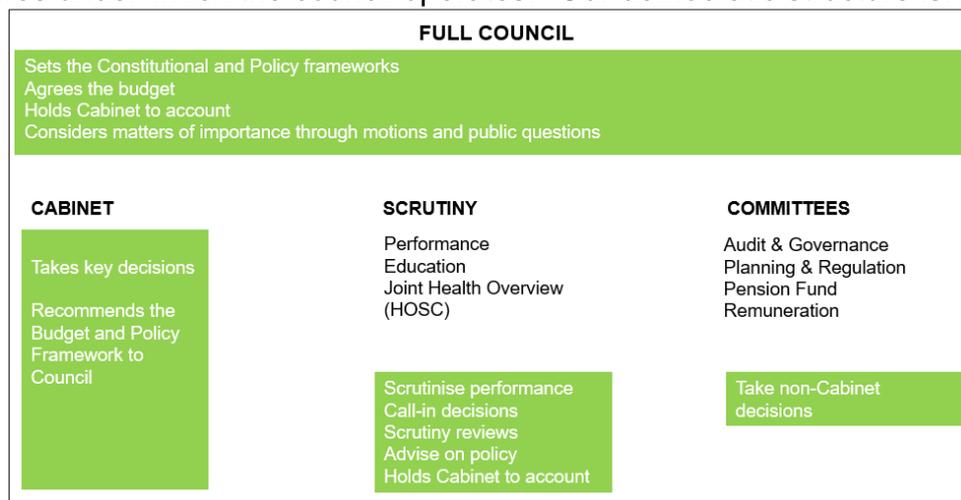
This means we:

- work together in a supportive and honest way
- strive to find the best solutions
- are open to change and doing things differently.

We ensure all our activities support equality, diversity and fairness, both in our own workforce and the services we commission and deliver for local residents.

### How OCC is organised and managed

The County Council has 63 elected members, 9 of whom make up the Cabinet, and others of whom may serve on committees to help improve or steer aspects of the council's business. The council has a Constitution which sets out the rules and procedures under which the council operates.<sup>3</sup> Our democratic structure is:



#### Full Council

Oxfordshire County Council's 63 elected members, also known as Councillors, are each elected by local people in Oxfordshire to represent a particular local area, or 'Division'. Details of the results of county council elections in May 2017 can be found

<sup>2</sup> <https://www2.oxfordshire.gov.uk/cms/content/corporate-plan>

<sup>3</sup> <https://www2.oxfordshire.gov.uk/cms/content/council-constitution>

on our website<sup>4</sup>. Collectively, councillors are responsible for setting the democratic structure of the council as well as the constitutional and policy framework for the organisation. They are also the ultimate policy-makers for the council, making major decisions on the services the council provides, setting the budget and overseeing how services are run.

Decision-making in the council is made up of executive functions, with decisions by the Cabinet, individual cabinet members and officers under delegated authority, and non-executive or Council functions undertaken through scrutiny and other non-executive committees.

### Cabinet

A Conservative Independent Alliance (Conservative councillors plus three Independent councillors) forms the current administration. The Cabinet, responsible for key decisions, currently consists of the Leader of the council and eight other councillors. Details of their responsibilities can be found on our website.<sup>5</sup>

### County Leadership Team

The County Leadership Team (CLT) is the most senior group of council officers (i.e. employees, not elected members). CLT is led by the Chief Executive and includes the senior officers listed on the organisation chart.<sup>6</sup> CLT supports Cabinet and Council in their work and manages the council's services and operations.

CLT members include the council's three Strategic Directors (for People, Communities and Resources) and Directors of our main service areas (such as, for example, Children's Services and highways and infrastructure). These officers and responsibilities are set out in an organisational chart on our website.<sup>7</sup>

### Scrutiny

The council's scrutiny function involves non-Cabinet members in examining the county council's functions and performance, and in challenging and holding to account the Cabinet's plans and decisions. There are currently three scrutiny committees: an overarching Performance Scrutiny Committee, an Education Scrutiny Committee and the Joint Health Overview Scrutiny Committee (jointly with Oxfordshire district councils and other co-opted members).

### Councillors' local and national role

Locally, our councillors work on Oxfordshire's behalf in many forums, including council committees and working groups and extending to parish activities, voluntary and community groups. More information on your councillors can be found on our website.<sup>8</sup> Councillors also work on engaging national decision-makers and opinion-formers, such as our local MPs in Westminster and Ministers in central Government. The council monitors parliamentary questions and debates, Select Committees and

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<sup>4</sup> <http://mycouncil.oxfordshire.gov.uk/mgElectionResults.aspx?ID=10&RPID=8387746>

<sup>5</sup> <https://www2.oxfordshire.gov.uk/cms/content/cabinet>

<sup>6</sup> [https://www2.oxfordshire.gov.uk/cms/sites/default/files/folders/documents/aboutyourcouncil/manager\\_sanddepartments/tier1and2.pdf](https://www2.oxfordshire.gov.uk/cms/sites/default/files/folders/documents/aboutyourcouncil/manager_sanddepartments/tier1and2.pdf)

<sup>7</sup> <https://www2.oxfordshire.gov.uk/cms/content/senior-managers-oxfordshire-county-council>

<sup>8</sup> <https://www.oxfordshire.gov.uk/cms/public-site/about-your-council>

information from government and other bodies, to make sure Oxfordshire's issues are raised in national debates.

### Partners

We work with partners in the public, private and voluntary sector to achieve the best outcomes for our residents. The partnership landscape in which we work to deliver long-term visions can be complicated, but is becoming increasingly important with the trend towards more collaborative, cross-organisational approaches to meeting the needs of Oxfordshire residents. Our partnership working includes day-to-day partnering with voluntary and community groups, parish and town councils, businesses and other local organisations, and more formal partnerships, which include:

- Oxfordshire Health and Wellbeing Board (statutory)
- Oxfordshire Safeguarding Children Board (statutory)
- Oxfordshire Safeguarding Adults Board (statutory)
- Thames Valley Emergency Services Collaboration (statutory)
- Oxfordshire Growth Board
- Oxfordshire Local Enterprise Partnership
- Oxfordshire Environment Partnership
- England's Economic Heartland
- The East West Rail Consortium
- Oxford to Cambridge Expressway Stakeholders
- Safer Oxfordshire Partnership
- Oxfordshire Stronger Communities Alliance
- Oxfordshire Strategic Schools Partnership Board
- Oxfordshire Early Years Board

Underpinning these formal partnerships is a network of informal and formal working relationships, working groups and contractual agreements that help to deliver services in line with our partnership strategies and priorities.

In addition, the Council has, and is putting in place, joint working arrangements which promote efficiency and effectiveness within the Council's management and support functions. The partnership with Hampshire County Council for the delivery of transactional Finance and HR functions has been in place since July 2016. On 10 July 2018, Council agreed to enter into a Section 113 Agreement and appoint a Joint Chief Executive with Cherwell District Council. This arrangement will come into effect during 2018.

### **GOVERNANCE**

Our Annual Governance Statement for 2017/18 is published alongside this Statement of Accounts. The Annual Governance Statement is required by Regulation 6(1)(b) of the Accounts and Audit (England) Regulations 2015. It provides an opinion on the Council's governance arrangements from the Council's senior managers and the

Leader of the Council, and a review of the effectiveness of the Council's governance arrangements.

### **Our “Fit For The Future” transformation programme**

The council's “Fit For The Future” (FFF) programme, began in earnest during 2017/18, is a long-term programme of fundamental change to how we are structured and how we operate.

The FFF programme is aimed at ensuring the council is sustainable, resilient and can achieve better outcomes for local residents. It will also address the financial pressures we face as an organisation, making substantial financial savings and helping us to invest in dealing with rising demand for services.

The programme will play a key role in delivering the council's new vision by empowering residents to resolve their own issues, enhancing service performance, empowering staff to help us deliver our ambitions and positioning us to exploit the local advantages Oxfordshire possesses

Towards the end of the year the programme moved into a phase of “operating model” design, which is expected to be complete by July 2018. An operating model is a term that describes the way an organisation works. It is comprised of key components (e.g. people, process and technology), the interactions among those components and the ways we measure performance. It will allow us to deliberately design, in detail, how we want to use our resources to interact with customers and develop our business capabilities and corporate structure to deliver the best possible outcomes for our residents, and our Thriving Oxfordshire vision.

In agreeing the appointment of the new Joint Chief Executive, effective from 1 October 2018, Council has taken into account that the Council is at an important stage of the design and implementation plan of its Fit for the Future programme and recognises that the next two to three years are critical to ensuring the success of the programme.

### **OPERATING MODEL**

As noted above, “operating model” is a term that describes the way an organisation works. Our “Fit For The Future” programme is looking at how to achieve the right operating model for the council for the future.

#### **Structural operating model**

The council is structured around three strategic directorates, for People, Communities and Resources. A Strategic Director oversees each of these three areas of business, enabling clear oversight of the council's priorities and business.<sup>9</sup> This structure was in place from 1 April 2017 following the County Council's Senior Management Review which was approved by Council in December 2016.

Resources comprises:

- Finance, Human Resources and ICT
- Law and Governance

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<sup>9</sup> The role of Strategic Director of Resources is held by the council's Chief Executive.

- Libraries, cultural and registration services

People comprises:

- Children's Services
- Adults' Services
- Public Health

Communities comprises:

- Infrastructure Delivery
- Planning and Place
- Property, Assets and Investment
- Community Safety (including Oxfordshire Fire & Rescue Service)

With the exception of libraries, cultural and registration services each of these business areas is led by a Director who is a member of the County Leadership Team.<sup>10</sup>

Directorates are responsible for setting their strategies and business objectives for the year ahead and the longer term, in support of ambitions and commitments set out in the Corporate Plan.

Common approaches to performance reporting, risk management and assurance are in place to ensure consistency and cohesive business management across the council. The performance dashboards later in this Narrative Statement are one of the visible outputs of this approach.

Accountability for performance sits both with Directors – who may operate a Directorate Leadership Team comprising senior service managers and business partners for Finance and Human Resources – and potentially with external partners, delivery bodies and contractors. County Leadership Team holds collective accountability for the council's business and performance as a whole.

### **Financial operating model**

The Council sets a revenue budget, medium-term financial plan (MTFP) and capital programme in the February preceding the start of the financial year. These are underpinned by a Financial Strategy, Treasury Management Strategy and a risk assessment of the level of balances required. Construction of the budget and budget proposals are subject to challenge by the Council's Leadership Team and the Director of Finance. Councillors have the opportunity to question and challenge the proposals through engagement sessions and member presentations. The Performance Scrutiny Committee scrutinises the budget proposals at its meeting in December before Cabinet propose the budget, MTFP and capital programme in January.

Throughout the year, regular financial monitoring reports are presented to Cabinet.

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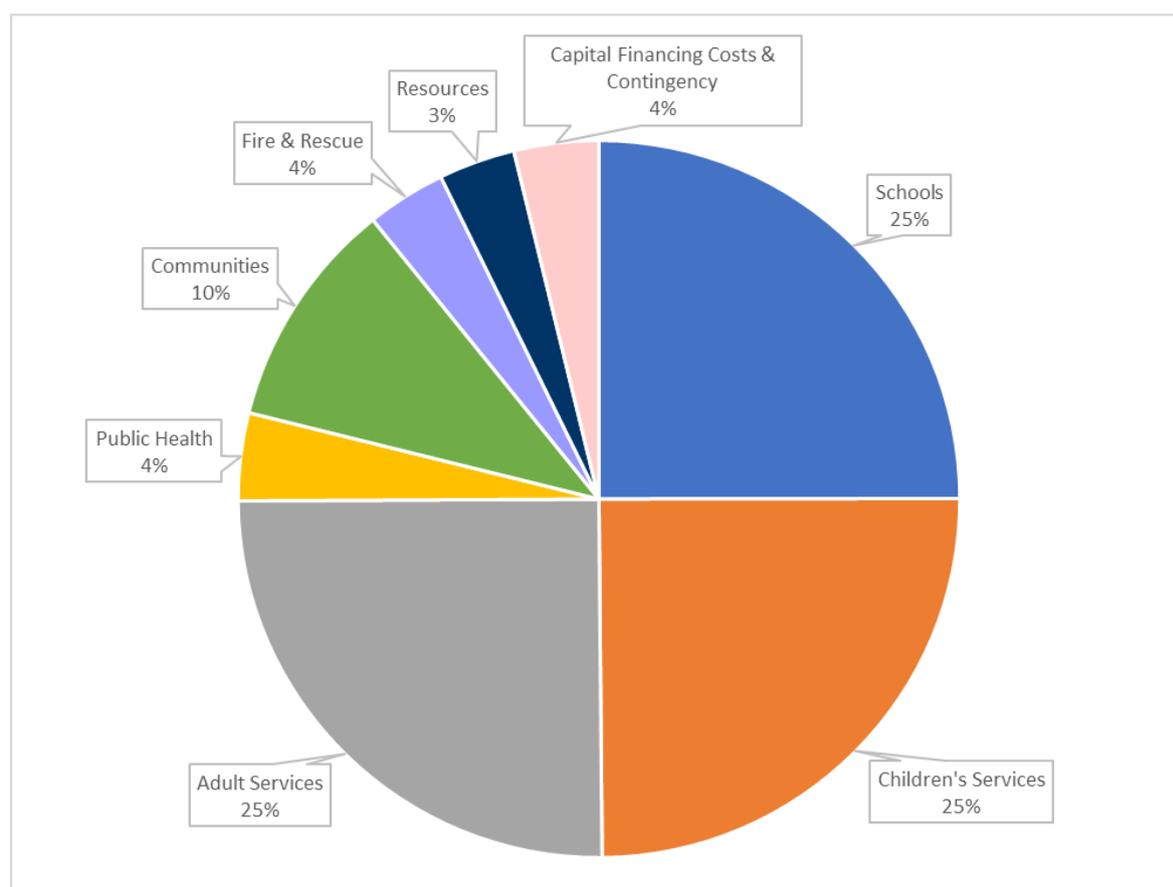
<sup>10</sup>[https://www2.oxfordshire.gov.uk/cms/sites/default/files/folders/documents/aboutyourcouncil/manage\\_rsanddepartments/tier1and2.pdf](https://www2.oxfordshire.gov.uk/cms/sites/default/files/folders/documents/aboutyourcouncil/manage_rsanddepartments/tier1and2.pdf)

**Revenue spending plans for 2017/18**

Our budget for the provision of services in 2017/18 was set against a sound financial footing, with a four-year funding settlement agreed with government, a robust MTFP and the difficult decisions of previous years holding the organisation in a good stead for the future. There is still considerable financial challenge due to the Government’s on-going austerity programme of national reductions in public sector spending and an increasing demand for our services, however, the budget and MTFP set a clear direction for the future and place the Council in a sensible position to meet the challenges ahead.

Our Government funding will have reduced by a total of 49% (£169m per annum) between 2010/11 and 2019/20. As demand for statutory social care services has continued to rise, this has resulted in the need to deliver significant savings. By the start of the year 2017/18, savings had been made of £300m per year compared with our spending in 2010 (of which 40% was due to the reduced government grant and 60% due to the rise in demand for statutory services). The 2017/18 budget agreed by Council in February 2017 included further savings of £61m.

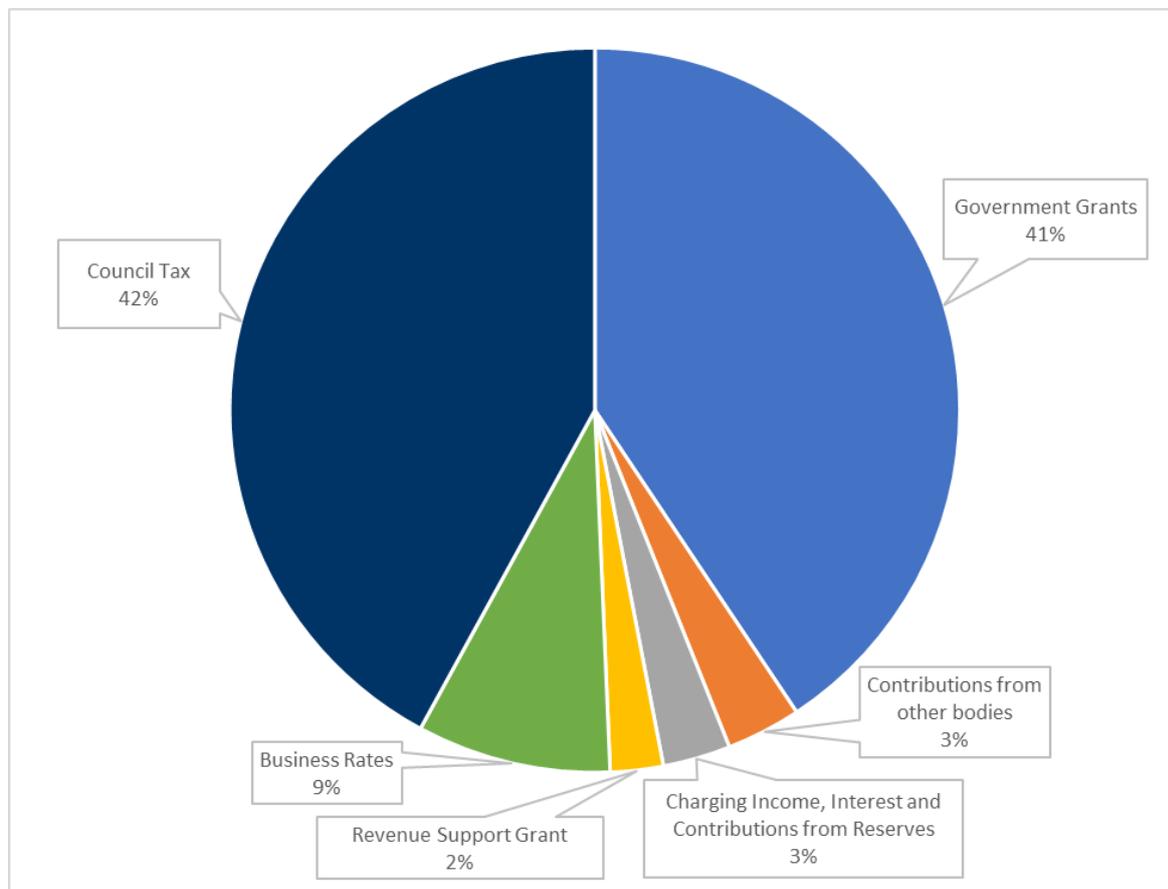
In total, we planned to spend £797.1m on delivering services this year:



We intended to finance £374.6m of our spending plan from specific and general government grants, contributions from other bodies, charging and interest income and a contribution from reserves and balances. Therefore, our budgeted net operating budget totalled £422.5m.

## NARRATIVE REPORT BY THE DIRECTOR OF FINANCE

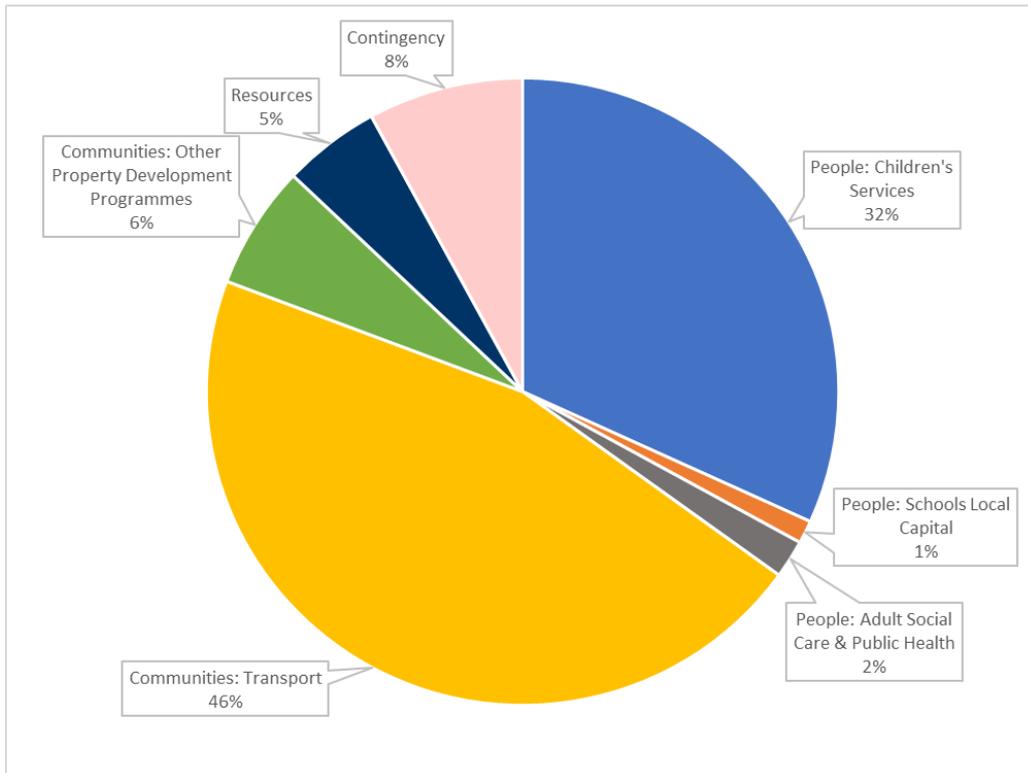
The net operating budget was financed from: Revenue Support Grant (£18.7m); Business Rates (£68.5m); and Council Tax (£335.3m). Council tax for a Band D property was set at £1,345.59 (this was a 4.99% increase from 2016/17), 1.99% relating to the general council tax and 3% for the Adult Social Care precept.



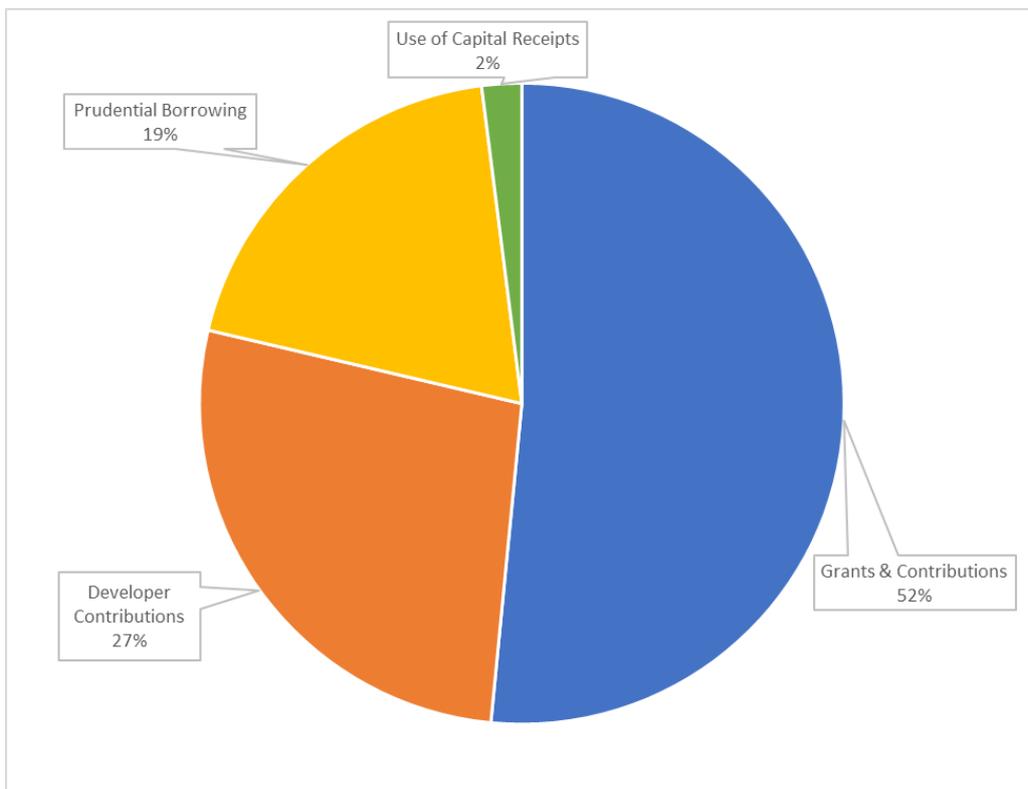
### Capital Spending Plans for 2017/18

We planned to spend £118.2m on our assets in 2017/18. This included £37.6m on providing additional school places and new schools in housing developments and £54.1m on large road improvement schemes and road maintenance.

## NARRATIVE REPORT BY THE DIRECTOR OF FINANCE



We planned to fund this from grants and contributions (£93m), prudential borrowing (£22.8m) and capital receipts (£2.4m).



## OPPORTUNITIES AND CHALLENGES IN OXFORDSHIRE

We celebrate Oxfordshire's many positive attributes, but we also recognise the many issues and challenges we face. Over recent years, we have risen to national economic challenges by creating and making the most of opportunities. As a result, between 2009 and 2015 our economy grew by over 30% in cash terms.

Our ambitions for growth will bring benefits and opportunities, but also challenges: transport congestion, rising property prices, shortages of appropriate sites for growing businesses, rising demand for public services such as education and health, and a strong desire to protect our natural environment. Among the challenges we now need to respond to are:

***Rapidly growing and ageing population.*** As of mid-2015, the Office for National Statistics (ONS) estimated the total population of Oxfordshire was 677,900 residents (including students and armed forces). Population forecasts, based on expected housing growth, predict an increase in the number of Oxfordshire residents of +183,900 people (+27%) between 2015 and 2030, taking the total population of the county to 864,200. This is more than double the growth of the previous 15 year period (2000 to 2015). Our population is not only growing but ageing too: each district in Oxfordshire has seen an historic growth in the number of residents who are 85 years and over, increasing 47% over the 15 years to 2015. This age group is predicted to rise over the next 15 years by 92%, which is very likely to place increased demand on our services, as well as potential new opportunities for older people's roles in society.

***Growing demand and cost of housing.*** The Oxfordshire Strategic Housing Market Assessment sets out a need for 100,000 new homes between 2011 and 2031 (of which 11,000 have been built to date). Our forecasting suggests this will result in a 27% increase in the population by 2031. The growing population and resulting demand for housing in the county is driving up the cost of houses at a higher rate than earnings and the Centre for Cities ranks Oxford as the least affordable UK city for housing. In Oxford city, social rents in 2015 were 18% above the national average. Buying a family home now requires the equivalent of 2-3 average earners per household in each district in Oxfordshire.

***Reducing public funds alongside a growing demand for services.*** As a result of reduced Government grant funding, OCC has had to make savings of more than £350m over the last seven years. The need for our most expensive services continues to rise steeply. As people live longer, with more long-term health conditions, we are anticipating that more people and their families and carers will need local authority help. We are also seeing increasing numbers of adults with a learning disability presenting to the county council. Demand for children's services is rising too. Between March 2010 and March 2017 the number of children in Oxfordshire who were the subject of a child protection plan rose from 266 to 609 (a 139% rise), while nationally the figures rose by 30%. Last year locally the figures rose again to 725. Numbers of children who were looked after rose between March 2010 and March 2017 from 450 to 667 (a 42% rise), while nationally the figures rose by 13%. Last year locally the figures rose again to 691.

***Pressure on our transport and infrastructure.*** The growth in housing and population presents a challenge to provide sufficient transport infrastructure to support connectivity between housing and jobs and community hubs like GP surgeries and

schools. Additionally, the overall condition of the A and B highways network has declined beyond the target set at the start of the year, and is in need of significant ongoing maintenance and renewal. We estimate that around £8bn of investment will be required to ensure Oxfordshire's physical, social, and environmental infrastructures are fit to deal with the scale of planned development.

**Workforce challenges.** The thriving local private sector economy has led to challenges recruiting staff at all levels in the public sector, due to the high cost of housing relative to earnings and very low levels of unemployment in the county. This has affected public services, from frontline care workers to GPs, head teachers and our on-call firefighters who need to live in the local community.

**Deprivation and inequality.** While we are generally a prosperous county, there are some significant pockets of deprivation. Fifteen local areas within Oxfordshire fall within the 20% most deprived neighbourhoods in England (for context, 193 fall within the 20% least deprived). Of these, the majority are within Oxford City, with others in Banbury and Abingdon. We will also need to continue to ensure we provide information and services in languages and formats which meet the changing needs of our local population.

**Local response to Brexit.** The opportunities and challenges arising from Brexit are currently unclear for Oxfordshire and its public services. Withdrawal from the EU is likely to have implications for public services, such as those provided by the council, and for the county more widely. The county seems well placed economically to adapt to any changes, whether positive opportunities or less desirable outcomes. Pressures on public services are likely to be felt in procurement, workforce, environmental, waste, and employment regulations. Additionally, Brexit could have implications for the patterns of enterprise and trade in the private sector, and for Oxford's universities.

**Collaboration and integration between health and social care.** The local health and social care systems continue to work together to ensure that people are discharged from hospital as soon as it is safe to do so, and that the care and support they need is available. Improvements have been made, but there is still much more to do in this area and all partners remain focused on this.

**Educating the next generation.** Educational attainment continues to improve, but remains below the levels we would expect and aspire to achieve. The proportion of pupils taught in schools rated as good or excellent by Ofsted continues to rise and we are working with our partners to improve attendance as this is known to have a positive impact on attainment.

**Prevention and early intervention.** Significant changes have been made to the way that early help is provided for people, with a far greater emphasis on taking a partnership approach rather than being the sole responsibility of the county council. We are working with partner organisations, community groups, and people, families and carers themselves to identify how best to access the support people need, as early as possible, to prevent needs escalating.

**Rurality.** The rural nature of the county can be a barrier for people accessing services. Embracing digital solutions to customer contact and service delivery can help tackle this, but it requires a shift in culture and expectations for the county council and

residents alike. We cannot completely replace traditional approaches including phone and face-to-face contact without affecting access to services in different ways.

***Innovation and enterprise.*** Oxfordshire will develop a Local Industrial Strategy as part of its Growth Deal commitments with Government. This will be an excellent opportunity to promote key growth and innovation sectors of our local economy and an opportunity for the county council to support and invest these growth sectors, as well as supporting local innovation that can help meet Oxfordshire's future needs.

### PERFORMANCE MANAGEMENT

The Corporate Plan reflects our vision for delivering excellent public services to the people of Oxfordshire this year.

To measure progress towards the priorities and outcomes set out in the Corporate Plan, OCC uses a performance management framework, centred on quarterly reporting (i.e. four times per year) to senior management, elected members and the public. Performance indicators which most clearly demonstrate progress towards the outcomes are developed with directorates as part of our service and resource planning process early in the year. Performance against each indicator and outcome is then compiled on a quarterly basis in dashboards. Supporting narrative is added to provide context and explanation where needed.

Senior officers responsible for the delivery of work included in the dashboards provide quarterly ratings for each outcome. Ratings – based on the commonly-used Red, Amber, Green (or 'RAG') model – provide a short-hand view of performance:

- 'green' would indicate sound progress towards the relevant outcome, or that the outcome has been achieved;
- 'amber' would indicate difficulties, or dips in performance below intended levels, which will be resolved soon and usually without additional resources;
- 'red' would indicate significant doubt that an intended performance level or outcome will be achieved, or that targets set for particular activities are not being met at the time.

Using RAG ratings enables exception-based escalation of issues as needed. In reporting an outcome as 'Red' in a quarterly report, the relevant director also sets out the reasons for their assessment, what steps have been taken to seek improvement, and what the next steps might be. This enables collective decision-making to be undertaken by County Leadership Team or Cabinet, or for the council to be held to account for its performance by (for example) one of its three scrutiny committees, the public, or the press.

Quarterly reports on performance are considered in public by Performance Scrutiny Committee. Performance Scrutiny Committee met 7 times in 2017/18 to consider performance across the council, focusing on matters of high priority or variable performance. The Committee can also call for additional reports from directors as required – known as 'deep dives' – to help them examine issues in detail to ensure that improvements are being made. The Committee also challenges proposed indicators and targets to ensure they are realistic and in line with strategic priorities.

### Performance summary 2017/18

The following summarises our performance this year as measured against our three Corporate Plan priorities: a thriving economy, protecting vulnerable people, efficient public services. The summary also reflects the performance information set out in the dashboards towards the end of this section.

#### Priority: A Thriving Economy

Oxfordshire's economy is doing well, with the county's economy generating output to the value of £21.9bn per year from 400,000 jobs and more than 30,000 businesses. A thriving economy gives everyone in Oxfordshire more opportunities, and creates the jobs, the housing and the infrastructure that help people and communities thrive. The work we have undertaken this year has aimed to secure investment in housing and infrastructure, support the development of skills, business and employment and deliver strategic infrastructure such as highways or transport schemes.

- We received good news in the Budget Statement in November that Oxfordshire has secured an additional investment of £215 million over the next five years as part of a Housing and Growth Deal. This money will support the acceleration of housing growth and associated infrastructure and will boost economic productivity across the county. The Deal includes £150m for infrastructure; £60m for affordable housing, and £5m capacity funding to support the delivery of the Deal including the development of a joint statutory spatial plan for the whole county.
- Following extensive engagement with stakeholders and the public, who also helped shape the document, the Oxfordshire Infrastructure Strategy was approved by the Oxfordshire Growth Board in September 2017. This is now a live document which will provide a framework that enables the county's planned growth, and is already proving important in underpinning the evidence base for the Oxfordshire Housing and Growth Deal referred to above. It will be updated at regular intervals alongside the Joint Statutory Spatial Plan.
- OCC has a strong track record of securing funding for innovative projects, many of which have been made as part of the Smart Oxford programme and our own Innovation & Research project. In total, 16 innovation bids were submitted this year.
- We have been successful in 7 innovation bids, predominantly from Innovate UK, but also Department for Transport innovation calls and recently the Small Business Research Initiative (SBRI). 4 recent bids will start in summer 2019 and will bring in £1m to OCC over project period which range from 12 months to 32 months. 3 of the new projects are in the Connected Autonomous Vehicle (CAV) sector: these projects, with 2 existing projects, have helped reinforce Oxfordshire as a true world leader in this sector, while exploring wider benefits from CAV such as automated highway asset condition monitoring, and real time data from vehicles to inform network management. The work also helps to put Oxfordshire in a good place to benefit from Industrial Strategy sector deals, particularly Mobility and Artificial Intelligence (AI), by already delivering and supporting a network for place-based Innovation.

## NARRATIVE REPORT BY THE DIRECTOR OF FINANCE

- We have attracted a total of 179 inward investment successes to the county this year, supporting in excess of 1450 jobs. Oxfordshire has so far benefited from 80 foreign direct investments with the final results to be published by the Department of International Trade by July 2018.
- In the face of a continuing increase in the volume of major planning applications on which we are consulted by our District colleagues (which are now running at three times the level of a few years ago), coupled with an upsurge in planning appeals and some internal staff resourcing issues, we have struggled to consistently meet our target of responding to a minimum of 80% of applications within the required timescales. However, we are continuing to look for ways of sustaining our previous, consistently high performance levels on an ongoing basis.
- As regards those planning applications for which the County Council is itself the relevant planning authority – mostly minerals and waste management proposals – our performance has been excellent. Over the year, 92% of applications received (35 of 38) were dealt with on time.
- Oxfordshire Fire and Rescue Service (OFRS) provides support to business in the form of fire risk inspections for high-risk properties, primarily non-residential new-builds, significant alterations and refurbishments non-residential premises. Throughout the year a continuously high level of demand on our Fire Protection Team to advice on unwanted fire signals, post fire audits and complaints. Meant that we were unable to fully commit resources to the programme of proactive inspections of high-risk premises.
- The number of fire safety building regulation consultations received by OFRS was lower than expected. However, we processed 203 more consultations than last year and we continued to deal with them within the 15 day statutory timescale
- During the year we saw a steady improvement in the number and impact of interventions by our Trading Standards Team under the council's Notified Body status. This has been achieved through proactively establishing new working relationships with local supply/import businesses to verify accuracy of their measuring equipment. During the year we verified 810 weighing machines in 92 visits to businesses, compared with 541 machines in 2016/17.
- Educational attainment in Oxfordshire improved during the year. The 2016/17 validated education results show that Oxfordshire's pupils continue to improve and attainment remains above the national average for children aged 5 (Early Years Foundation Stage) and Key Stage 4. Oxfordshire ranks within the top 25% of local authorities achieving grades 5-9 in both English and maths. In addition, the county ranks 30th out of 152 local authorities for pupils achieving grades 5-9 in maths. Attainment for Key Stage 2 children has increased in 2017 but remains slightly below national average.
- The percentage of good and outstanding secondary schools at the end of March 2018 (85.7%) in the county remains above the national average (80.5%), but the percentage in good and outstanding primary schools is below at 88.3% compared with 89.9% nationally.

- Ensuring all pupils are included in education is a priority, particularly regarding attendance, exclusions and pupils missing out. A series of breakfast meetings between head teachers and local authority officers were held in order to raise awareness of these issues and to develop a countywide commitment and strategy to improve inclusion.
- Despite national headlines about the drop in apprenticeship numbers, OCC now has more apprentices in our workforce than ever before. By year end we were employing 48 apprentices, either in the council itself or in county schools. This is three times the number we employed in 2015/16. Current apprentice roles include Paralegals assigned to our Children's Legal Services and new Customer Service Delivery Assistants working between our libraries and the Customer Service Centre. We also have apprentices working in diverse roles such as ICT, Business Administration, Civil Engineering and Digital Marketing. Additionally, our maintained schools have stepped up recruitment of apprentice Teaching Assistants and Early Years Educators. Our services' recruitment and continuous professional development plans indicate that numbers of apprentices are likely to grow again by at least 20% in 2018/19.
- We undertook a public consultation on recycling and household waste. Titled "Talk rubbish with us", the consultation will help to inform our 2018 Waste Strategy and help give people ideas of how to reduce the amount we all throw away, and to recycle more.
- The council's flagship Central Library re-opened in Oxford's regenerated Westgate Centre in December. The library offers a range of familiar and new features including a 'Makerspace' for community activities and special events, and a much larger children's library. It will also serve as a 'front door' for visitors to access council services online and get the support they may need to do this.

### **Priority: Protecting Vulnerable People**

We do all we can to keep people well, particularly those who may be vulnerable. We work to ensure that children and young people can experience a safe and supportive life, whether as newborns, or later at home or in school. We want to help older or disabled people to live safely at home and to avoid, reduce and delay the need for more complex care further down the line. Our Public Health team works in partnership with others across the county to help people to help themselves, and our Community Safety Services, which includes Oxfordshire Fire and Rescue Service, works proactively to ensure people are as safe as possible in their homes and in their everyday lives.

- We continue to promote healthy lifestyles and all our public health measures were met during the year. This includes over 97% of the eligible population (adults aged 40-74) being invited for an NHS Health Check since OCC took on responsibility for this, which represents a major transformation and improvement. Over 47% took up the offer, which is designed to spot early signs of (for example) stroke, kidney disease, heart disease, type 2 diabetes or dementia, and to help find ways to lower this risk.

## NARRATIVE REPORT BY THE DIRECTOR OF FINANCE

- The proportion of serious users of drugs and alcohol who leave treatment successfully (free of dependence) and who don't represent to services within 6 months is within the best quartile in England.
- Our commissioned Health Visiting services continue to outperform both the National and South-East average for all of the mandated reviews.
- Social care services in Oxfordshire are of a high standard. 88% of social care providers are rated as 'good' or 'outstanding' by the care quality commission compared to 81% nationally.
- The level of satisfaction with our adult social care services is higher than the national average. The last published figures (2016/17) showed 90% of people who use services in Oxfordshire are satisfied and 68% saying they are very satisfied. This remains above the national average. Results from the 17/18 survey suggest satisfaction has risen again, with 93% of people satisfied with services and over 70% of people extremely satisfied.
- Direct payments enable adults requiring social care to choose and buy the services they need directly instead of getting them from the council. On average we continue to support more people via a direct payment than other authorities: at the end of March 2018 34.6% of people locally received a direct payment compared with the latest national figure (March 2017) of 28.3%. This gives people who use social care more choice and control over their care provision.
- Our Children's Services directorate embarked on a major change programme during the year to develop early help services and reduce the demand on social care services. This is now delivering results. The number of enquiries coming into the Multi Agency Safeguarding Hub (MASH) dropped from 19,417 in 2016/17 to 15,970 in 2017/18; and there were fewer referrals to social care, dropping from 7066 to 6285 in the same period. Outcomes are being sustained, as fewer children are being re-referred to social care: 14.5% in 2017/18, compared to 19.9% in the previous year.
- The previous increase in demand for our children's services had a knock-on impact on the timeliness of assessments. This was addressed in-year, and at the end of the year 90% of current assessments were within timescales. The timeliness of completing child protection cases, which has traditionally been much better than elsewhere, has also improved in the year.
- The number of looked after children rose in the year by 3.6%, compared to an average of 13% per year over the previous 4 years. The effect of this on directorate overspend at year end is noted below. Our work on improving early help, combined with the work we are undertaking to ensure that where possible, children are returned to their families, was having a positive impact by year end.
- Although adoption numbers fell in the year (from 14.6% of children leaving the looked after system in 2016/17 to 11.6% in 2017/18) this has more than been offset by an increase in special guardianship orders from 7.2% to 13.2%. The average time between a child in Oxfordshire entering care and moving in with its adoptive

family is 439 days locally, compared with 520 days nationally i.e. 15% less time here than nationally.

- There has been an increase in Oxfordshire in the number of care leavers in employment, education and training (64%, compared with 50% nationally) and more are in suitable accommodation (88% compared to 84% nationally).
- Emergency call attendance rates remained high during the year as they included the provision of emergency medical response on behalf of South Central Ambulance Service, which helped to exceed the target of 250 more people being alive as a result of OFRS's interventions. There was one fatality as a result of fire in Oxfordshire, which is significantly fewer than the past few years.
- The council continues to remain proactive in managing flooding across the county. During 2017/18 we undertook many localised schemes and increased gully cleansing to reduce incidents of localised flooding. This will be continued through the current year. The council, in its role as Lead Local Flood Authority, has been working in partnership with the Environment Agency and other partners to develop the Oxford Flood Alleviation Scheme, which is a major infrastructure project in the county. Funding has now been secured for the project, including a £6.5m contribution from the council in order to take it forwards to the construction phase. The council also continues to respond to all major planning applications with regard to ensuring that developments have sustainable drainage systems in place that do not increase the potential of flood risk in the local community.
- OFRS extended the reach of its activities to promote safety in Oxfordshire. This is largely down to the service's new 'campaign approach' developed over 2016/17, and a more effective social media presence which, together, are more effectively engaging communities and individuals on public safety matters. Proactive campaigns around Christmas safety and water safety were particularly effective.
- Safe and Well visits by our firefighters helped more people this year than we targeted at the outset. Safe and Well visits involve firefighters visiting homes to help reduce risks relating to fire (including the testing or fitting of smoke alarms), and also risk of falls, flood, power cuts or crime as well as promoting healthy living, signposting individuals for smoking cessation and concerns in relation to excess alcohol consumption. These visits provide a vital face to face contact, in particular for vulnerable older or disabled people.
- As previously stated, OFRS undertook a trial working alongside the South Central Ambulance Service to provide a Co-Responder scheme for Oxfordshire utilising fire appliances at strategic locations. The aims of the trial were to ensure that an appropriately trained person – which can include our firefighters – was on scene as quickly as possible providing necessary 'first response' to specific medical emergencies where there was an immediate threat to life prior to an emergency ambulance arriving on scene. This trial increased the number of individuals alive due to an emergency response. However, the impact of the national dispute on pay has resulted in the trial being suspended at a number of locations.

**Priority: Efficient Public Services**

OCC has a strong track record of managing the impacts of reduction in government funding and meeting demand pressures. However, in recent years, the funding decisions taken by national government, along with the need to address rising demand for social care services, has meant that we have faced a much greater financial squeeze. Savings – totalling more than £350 million over the last seven years – have been achieved by transforming the way the council operates, through new models of service delivery including increased community involvement and new approaches to partnership working. During the year we have worked hard to make sure the services we provide to the residents and communities of Oxfordshire are delivered as efficiently as possible, making best use of available resources and targeting residents' needs as closely as possible.

- In February the Council agreed our budget for 2018/19. We are in a sounder financial position than in previous years, allowing us to continue to provide critical services and giving us the opportunity to improve how we work better for the residents and communities of Oxfordshire.
- During Quarter 3 of the year (October-December 2017) the council was in the process of exiting from our contract with Carillion for a range of services. Robust business continuity arrangements meant that we were able to manage the impacts of Carillion's subsequent liquidation in January. We have now fully exited the contract and have made cost-effective arrangements for services formerly provided by Carillion to our council buildings and schools.
- Our performance relating to highways has two elements. Very positively, 99.87% of highway defects posing an immediate risk of injury were repaired within 24 hours, and 98.6% of highway defects that create a potential risk of injury were repaired within 28 calendar days. Our performance this year was in line with national indicators for these aspects of highway repair.
- Less positively, the overall condition of the A and B highways network has declined beyond the target set at the start of the year. This decline has primarily arisen as a result of a harsher and more extended winter period than is typical, which resulted in a significant increase in the number of potholes arising last year. An unanticipated increase of failures around older utility reinstatement works has also contributed to the decline. Carriageway decline is a national issue, as was reflected by the government's decision to make £221m available to repair potholes, for which the council received just over £2.7m. The service is working closely with utility companies, both locally and at a regional level, to improve the quality of their first time repairs.
- Changes to waste collection methods by the district councils contributed to a slight reduction in performance levels during the year compared with targets. However, we remain among the very best authorities in the country at recycling household waste, with over 58% recycled.
- A 20% reduction in green waste collected for composting followed the introduction of charges for green waste by West Oxfordshire District Council. Some of this green

## NARRATIVE REPORT BY THE DIRECTOR OF FINANCE

waste is now collected at the recycling centres and there has not been a noticeable increase in residual rubbish.

- Challenges at our Household Waste Recycling Centres saw a reduction in performance over the first 6 months of the year. A new contract which started on 1 October has begun to drive up performance, and to ensure that appropriate charges are made for non-household wastes.
- Oxfordshire Fire & Rescue Service (OFRS) continued to meet its emergency service response standards throughout the year, making a highly effective use of our resources.
- The number of reported fatalities on the road was 27, slightly lower than last year and in line with the 5-year average of 26. During the year we trialled advanced water rescue techniques to enhance our ability to rescue casualties from water in emergencies.
- Earlier in the year OFRS undertook a range of actions in the immediate aftermath of the tragic Grenfell Tower fire in London. Our firefighters attended residents' meetings for each of our tower blocks and provided support to partner organisations, stakeholders and communities. This included creating evacuation guides for residents and conducting a "safe and well visit" in 80% of residences.
- Each of the tower blocks was also subjected to a full fire safety audit which demonstrated that the General Fire Precautions within the building, and the actions of the landlord (Oxford City Council) were appropriate. We remain in close partnership with Oxford City Council over the required remedial works.
- OFRS have continued to work alongside the Oxford University Hospitals NHS Trust and PFI companies responsible for buildings on both the John Radcliffe and Churchill Hospital sites. We worked to assess fire risks in their buildings, to support their decision to evacuate patients from the building of most concern and to ensure that any ongoing remedial works are appropriate and maintain the safety of the patients undergoing medical care within those structures.
- Although satisfaction with services in adult social care remains high, and care providers in the county are rated highly by the Care Quality Commission, Oxfordshire has a significant workforce issue and faces challenges sourcing care. Demand for adult social care continues to grow both with the changing demographic profile and increased expectations of local authority funded care. These factors have led to people having to wait for care, both in hospitals and their own home. A successful health and social care recruitment programme has helped alleviate this pressure. At the start of the year we set a target to reduce delays due to social care from 28 to 14 in the year. In agreement with NHS England and to help alleviate pressures on hospital we subsequently agreed to stretch this target further to a reduction of 14 by December 2017 and 10 by March 2018. Although the stretched target has not been fully met, the number of people delayed in hospital awaiting social care has almost halved from 28 in March 2017 to 16 in March 2018.

- When someone needs help after they leave hospital, we want them to receive reablement – a short term service to help people return to their previous level of functioning. In Oxfordshire, this service is commissioned by both the council and clinical commissioning group and provided by the Oxford University Hospital trust. As the same time as stretching the target for social care delays; we agreed a stretched target of reducing delays for this service from 68 to 35, with an interim target of 41 by the end of December 2017. At the end of March 50 people were delayed. This improved performance has been supported by 35% increase in the hours of care provided by our reablement service in the last 12 months.
- Throughout the year we have involved over 60 service users to work with us on a programme of co-produced service changes in adult social care. Co-production ensures that our services are tailored as closely as possible to the individual's needs, bringing better care outcomes and reducing the inefficiency or providing less effective services. We have a co-production board; a champions network; 5 live projects and a further 7 projects in the pipeline; and we are also developing internal toolkits and organising a number of local and national events promoting co-production. We are working closely with the Social Care Institute for Excellence on developing this programme, which includes co-producing the first national evaluation of co-production and its impact.
- Our Children's Services directorate's major change programme is being co-ordinated through the Children's Trust.<sup>11</sup> This is already bearing fruit with the number of early help assessments more than doubling, allowing the number of enquiries coming into the Multi Agency Safeguarding Hub to fall by 18% and the subsequent number of social care assessments required to fall by 7.5%. These changes are bucking the trend nationally – in 2016/17, the last year for which there is comparative data, the number of assessments rose by 6.2%.
- More children's cases are being held by permanent staff than previously, and there is less use of agency staff. Caseloads are also being reduced. This focus on a stable and supported workforce means that our staff can form meaningful relationships with children and their families and support real change.
- We continued to reduce our carbon footprint over the year through investments in lighting and our streetlighting estate delivered in late 16/17 and 17/18, together with asset disposals and a reduction in emissions from our electricity use (due to the changing fuel mix used to generate electricity nationally). Reporting will follow in late 2017/18 and we anticipate our emissions reduction will be in line with our annual target.

### **Financial outturn position**

Through careful financial planning and control, at the end of 2017/18 the Council's finances remain robust, investing across the county to help achieve thriving communities for everyone in Oxfordshire, including a thriving economy, protection for vulnerable people, and efficient public services.

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<sup>11</sup> <https://www2.oxfordshire.gov.uk/cms/content/childrens-trust>

## NARRATIVE REPORT BY THE DIRECTOR OF FINANCE

### Revenue

As set out in the table below there was a revenue underspend of £1.0m in 2017/18. This was made up of an overspend of £7.0m on service expenditure offset by additional grant funding, additional interest, unused contingency and business rates of £8.0m. This underspend represents 0.2% of net expenditure.

	Original Budget  £'000	Final Budget  £'000	Actual Net Expenditure  £'000	Variation against Final Budget £'000
<b>Directorates</b>				
Communities	91,801	93,022	94,208	1,186
People	300,746	302,432	308,094	5,662
Resources	19,815	18,096	18,204	108
	<b>412,362</b>	<b>413,550</b>	<b>420,506</b>	<b>6,956</b>
<b>Strategic Measures</b>				
Capital Financing	25,561	25,561	25,087	-474
Interest on Balances	-4,773	-4,773	-7,602	-2,829
Unringfenced Government Grants	-19,226	-20,625	-22,036	-1,411
Contingency	4,377	4,567	400	-4,167
Past Pension Deficit	830	830	830	0
Public Health Saving Recharge	-500	-500	0	500
	<b>6,269</b>	<b>5,060</b>	<b>-3,321</b>	<b>-8,381</b>
<b>Contributions to/from Corporate Reserves</b>				
Contributions to (+) / from (-) reserves	-800	-779	29	808
	<b>-800</b>	<b>-779</b>	<b>29</b>	<b>808</b>
<b>Funding</b>				
Revenue Support Grant	-18,665	-18,665	-18,665	0
Business Rates Top-up Grant	-37,821	-37,821	-37,821	0
Business Rates	-30,704	-30,704	-31,136	-432
Council Tax Requirement	-328,064	-328,064	-328,064	0
Council Tax Surpluses	-7,277	-7,277	-7,277	0
	<b>-422,531</b>	<b>-422,531</b>	<b>-422,963</b>	<b>-432</b>
<b>Overall Surplus (-) / Deficit (+)</b>	<b>-4,700</b>	<b>-4,700</b>	<b>-5,749</b>	<b>-1,049</b>
Planned Contribution to balances	4,700	4,700		-4,700
<b>Overall Increase (-) / Decrease (+) in General Balances</b>	<b>0</b>	<b>0</b>	<b>-5,749</b>	<b>-5,749</b>

## NARRATIVE REPORT BY THE DIRECTOR OF FINANCE

As highlighted throughout the year in the Financial Monitoring reports to Cabinet there have been significant expenditure pressures within Children's Services, predominantly arising from the increased numbers of looked after children. The final overspend position for Children's Services was £6.9m, with £5.6m of this relating to external placements.

The Adult Services budget underspent by £1.3m. An overspend of £1.6m on services for adults with Learning Disabilities was offset by underspends in services across the directorate.

The Communities directorate overspent by £1.2m. This position included £0.9m relating to the known costs of the Carillion contract before the services transferred back to the Council, as well as the initial costs to bring the services back in house and operating the first phase of the new operating model.

All over and under spends were transferred into general balances. This additional contribution, along with the planned contribution of £4.7m, means that General balances are £25.7m. This is £7.9m above the 2017/18 risk assessed level of balances agreed as part of the 2017/18 Service & Resource Planning Process. This reinforces the sound financial position the Council is in.

Reserves have reduced from £104.4m to £96.6m at 31 March 2018. In accordance with the Balances and Reserves Policy which was agreed by Cabinet on 23 January 2018, the majority of the directorate reserves have been transferred into the Budget Priorities Reserve (note 44 contains further details).

### Capital

The total capital programme expenditure for the year 2017/18 was £94.7m. This was funded from £70.2m of capital grants and other external contributions, £18.5m of developer contributions, prudential borrowing of £3.1m, revenue contributions of £2.4m and capital receipts of £0.5m.

Expenditure on 11 school expansion projects will create an additional 1,124 pupil places when completed. The new Aureus Secondary School in Didcot was completed during the year and a second primary school on the Great Western Park development in Didcot is also on track to open in September 2018 as planned.

Within the Transport programme, £25.7m was spent on road maintenance. £6.9m was spent on the new Harwell Link Road which opened in March 2018 and £3m on projects in and around Headington to improve access.

Included within the capital expenditure is £9.4m paid to Carillion to settle the final accounts of over 50 major property projects and numerous minor works projects. This payment was due to Carillion, and was agreed in December prior to the company's liquidation.

**NARRATIVE REPORT BY THE DIRECTOR OF FINANCE**

**PERFORMANCE DASHBOARDS – HIGH-LEVEL CORPORATE PLAN PRIORITIES AND OUTCOMES MEASURED IN 2017/18**

**PRIORITY: A STRONG AND THRIVING ECONOMY**

<b>Outcomes</b>	3,332 businesses given advice and support to grow	Increase school attendance - leading to improved attainment	An Infrastructure Strategy for Oxfordshire is delivered	High-quality jobs, and a skilled workforce, are created and sustained	Funding for public services is maximised	OCC's responsibilities for spatial planning are executed	Highways are adequately maintained
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**PRIORITY: PROTECTING VULNERABLE PEOPLE**

<b>Outcomes</b>	14,168 children and young adults (to include looked after children) to be better educated to lead safer and healthier lives	Number of preventative "safe and well" visits carried out by OCC FRS and Community Safety teams (target -1,562 per quarter) to help vulnerable children and adults lead a more independent and secure life.	To deliver 266,664 specific safety messages to contribute towards promoting a safer community, across all social media platforms	Ensuring all children have a healthy start in life	Preventing early death and promoting healthy lifestyles	Safely reducing the number of looked after children - providing support to enable families to care	To deliver sustained and improved experience for people who access our services	To deliver Sustainable, good quality adult social care services
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**PRIORITY: EFFICIENT PUBLIC SERVICES**

<b>Outcome</b>	1,000 more people alive as a result of our prevention, protection and emergency response activities	When a fire occurs we aim to send the nearest fire engine in the quickest time possible	Helping early – most effective, least intrusive, solutions to children's and families' problems	Improving the confidence and capability of the whole children's services workforce	Working with the NHS, private and voluntary sector providers to deliver effective adult social care services	Use the expertise of our customers and other key stakeholders to design, procure and evaluate adult social care services	Household waste is disposed of efficiently and effectively	Year on year reduction in OCC's carbon equivalent emissions
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**OUTLOOK KEY:**    ↑ the outlook is positive/improving    ↓ the outlook is negative/deteriorating    ↔ the outlook is stable

**NARRATIVE REPORT BY THE DIRECTOR OF FINANCE**

**SOCIAL AND COMMUNITY SERVICES – PERFORMANCE DASHBOARD 2017/18 – END OF YEAR**

	Outcome	Success Indicator	Target	Cumulative Target Y/N	Q1 RAG	Q2 RAG	Q3 RAG	Q4 RAG	Outlook	
PROTECTING VULNERABLE PEOPLE	Deliver sustained and improved experience for people who access our services	1	Maintain the high level of user satisfaction	67%	N	G	G	G	G	↔
		2	Maintain the high level of people using social care who receive a direct payment	>28%	N	G	G	G	G	↑
	Deliver sustainable, good quality services	3	The proportion of social care providers rated as 'outstanding' or 'good' by the care quality commission in Oxfordshire remains above the national average	80%	N	G	G	G	G	↑
		4	Increase the number of quality and monitoring checks that have been undertaken in the quarter	159	Y	G	A	G	G	↔
EFFICIENT PUBLIC SERVICES	Work with the NHS, private and voluntary providers to deliver effective services	5	Reduce the number of people delayed in hospital awaiting social care from an average of 28 in March 2017 to 14 at the end of March 2018	14	N	A	A	G	A	↑
		6	Reduce the delayed transfers of care that are attributable to adult social care from an average of 67 in March 2017 to 66 at the end of March 2018	66	N	G	G	A	A	↑
		7	Increase the number of hours from the hospital discharge and reablement service to 8920 hours per month	8920	N	R	R	A	A	↑
	Use the expertise of customers and other key stakeholders to design, procure and evaluate services	8	Involve more people in co-producing service redesign with the council and ensure at least 5 co-production products are delivered in 2017/18	5	Y	G	G	G	G	↔

**OUTLOOK KEY:**    ↑ the outlook is positive/improving    ↓ the outlook is negative/deteriorating    ↔ the outlook is stable

**NARRATIVE REPORT BY THE DIRECTOR OF FINANCE**

**CHILDREN, EDUCATION AND FAMILIES – PERFORMANCE DASHBOARD 2017/18 – END OF YEAR**

	Outcome	Success Indicator	Target	Cumulative Target Y/N	Q1 RAG	Q2 RAG	Q3 RAG	Q4 RAG	Outlook	
THRIVING ECONOMY	Increase school attendance - leading to improved attainment	9	Persistent absence rates to be in the top quartile nationally by 2018 for secondary schools	Top quartile	N	n/a	n/a	A	A	↔
		10	Permanent exclusions to remain in the top quartile nationally	Top quartile	N	n/a	n/a	R	R	↔
PROTECTING VULNERABLE PEOPLE	Safely reducing the number of looked after children - providing support to enable families to care	11	Reduce the number of looked after children from 667 at March 2017 to the average of our statistical neighbours (582) by March 2019, with an interim target of 629	629	N	A	R	R	G	↑
		12	Reduce the number of children becoming looked after in 2017/18 by 15%. This is a reduction from 371 to new looked after cases to 316. (This is the equivalent of reducing avoidable demand from 36% to 25%)	316	Y	A	R	A	A	↑
		13	Increase the number of children leaving the looked after service in 2017/18 by 36%. This is an increase from 266 children to 362	362	Y	A	A	A	A	↑
EFFICIENT PUBLIC SER	Helping early – most effective, least intrusive, solutions to problems	14	Increase the number of early help assessments from 458 in 16/17 to 3000 in 18/19, with an interim target of 1750 in 2017/18	1750	Y	A	A	A	A	↑
		15	Reduce the level of enquiries to the MASH from 19,417 in 2016/17 to 9,500 in 2018/19, with an interim target of 12,000 for 2017/18	12,000	Y	A	A	A	A	↑
		16	Reduce the level of social care assessments from 6650 in to 3600 in 2018/19, with an interim target of 4,500 in 2017/18	4,500	Y	A	A	A	G	↔
	Improving the confidence and capability of the whole workforce	17	Reduce caseloads so that by March 2018 over 75% of staff have caseloads at or below the agreed target level	75%	N	G	G	G	G	↑
		18	Invest in the workforce so that by March 2018 80% of cases are held by permanent staff	80%	N	G	G	G	G	↔

**OUTLOOK KEY:**    ↑ the outlook is positive/improving    ↓ the outlook is negative/deteriorating    ↔ the outlook is stable

**NARRATIVE REPORT BY THE DIRECTOR OF FINANCE**

**PUBLIC HEALTH – PERFORMANCE DASHBOARD 2017/18 – END OF YEAR**

Outcome	Success Indicator	Target	Cumulative Target Y/N	Q1 RAG	Q2 RAG	Q3 RAG	Q4 RAG	Outlook	
Ensuring all children have a healthy start in life	19	Number of mothers who receive a universal face to face contact at 28 weeks or above	70%	N	G	G	G	G	↔
	20	Percentage of births that have received a face to face New Birth Visit	95%	N	G	G	G	G	↔
	21	Percentage of children who received a 12 month review	93-95%	N	G	G	G	G	↔
	22	Percentage of children who received a 2-2.5 year review	93-95%	N	G	G	G	G	↔
	23	Babies breastfed at 6-8 weeks of age (County)	60-63%	N	G	G	G	G	↔
	24	% of Mothers who received a Maternal Mood Review in line with the local pathway by the time the infant is aged 8 weeks.	95%	N	G	G	G	G	↔
Prevent early death and promote healthy lifestyles	25	% of eligible population 40-74 who have been invited for a NHS Health Check since 1/4/2013	84%	Y	G	G	G	G	↑
	26	% of eligible population 40-74 who have received a NHS Health Check since 1/4/2013	42%	Y	G	G	G	G	↑
	27	Rate of successful quitters per 100,000 smokers 18+ (reported a quarter in arrears)	>2315	N	G	A	A	G	↑
	28	Number of users of OPIATES that left drug treatment successfully (free of drug(s) of dependence) who do not then re-present to treatment again within 6 months as a percentage of the total number of opiate users in treatment.	>6.8%	N	G	G	G	G	↔
	29	Number of users on NON-OPIATES that left drug treatment successfully (free of drug(s) of dependence) who do not then re-present to treatment again within 6 months as a percentage of the total number of non-opiate users in treatment.	>37.3%	N	G	G	G	G	↔
	30	Number of users on ALCOHOL ONLY that left treatment successfully (free of alcohol dependence) who do not then re-present to treatment again within 6 months as a percentage of the total number of ALCOHOL ONLY users in treatment.	>50%	N	G	G	G	G	↔

**OUTLOOK KEY:**    ↑ the outlook is positive/improving    ↓ the outlook is negative/deteriorating    ↔ the outlook is stable

**NARRATIVE REPORT BY THE DIRECTOR OF FINANCE**

**COMMUNITIES – PERFORMANCE DASHBOARD 2017/18 – END OF YEAR**

	Outcome	Success Indicator	Target	Cumulative Target Y/N	Q1 RAG	Q2 RAG	Q3 RAG	Q4 RAG	Outlook
THRIVING ECONOMY	An Infrastructure Strategy is delivered	31 A prioritised infrastructure strategy for Oxfordshire, providing a framework that enables the county's planned growth, will be produced and developed by Sept 2017	Completion	N	A	G	G	G	COMPLETE
	High-quality jobs, and a skilled workforce, are created and sustained	32 Oxfordshire is chosen for 60 new investors / re-investors, 20 of which are 'high value' (as defined by Department for International Trade)	60/20	Y	G	G	G	G	↔
		33 We participate in 15 funding bids for innovation submitted to support the Smart Oxford programme	15	Y	G	G	G	G	↑
	Funding for public services is maximised	34 Value of monies secured in s106 / s278 agreements as a % of requirements identified through the Single Response process	80%	Y	G	G	G	G	↔
		35 No more than 20% of s106 monies are held within 2 years of potential payback	<20%	Y	G	G	G	G	↔
	OCC's responsibilities for spatial planning are executed	36 80% of District Council planning applications are responded to within the agreed deadline	80%	Y	G	A	G	A	↔
		37 50% of Mineral and Waste applications are determined within 13 weeks	50%	Y	G	G	G	G	↑
	Highways are adequately maintained	38 100% of highway defects posing an immediate risk of injury are repaired within 24 hours	100%	Y	A	G	G	G	↔
		39 90% of highway defects that create a potential risk of injury repaired within 28 calendar days	90%	Y	G	G	G	G	↔
		40 28% of the A and B Classified road network where carriageway maintenance should be considered.	28%	Y	G	R	R	R	↓
EFFICIENT PUBLIC SERVICES	Household waste is disposed of efficiently and effectively	41 59% of household waste is reused, recycled or composted	59%	Y	G	A	A	A	↔
		42 60% of waste from HWRC which is recycled	60%	Y	A	A	A	A	↔
	Year on year reduction in OCC's carbon equivalent emissions	43 Average 3% year on year reduction in carbon equivalent emissions from OCC estates and activities	3%	Y	G	G	G	G	↔

**OUTLOOK KEY:**    ↑ the outlook is positive/improving    ↓ the outlook is negative/deteriorating    ↔ the outlook is stable

**NARRATIVE REPORT BY THE DIRECTOR OF FINANCE**

**COMMUNITY SAFETY SERVICES – PERFORMANCE DASHBOARD 2017/18 – END OF YEAR**

	Outcome	Success Indicator	Target	Cumulative Target Y/N	Q1 RAG	Q2 RAG	Q3 RAG	Q4 RAG	Outlook
THRIVING ECONOMY	3,332 businesses given advice and support to grow	44 833 businesses given advice and support, per quarter.	833	Y	G	G	G	G	↔
PROTECTING VULNERABLE PEOPLE	14,168 children and young adults (to include looked after children) to be better educated to lead safer and healthier lives	45 3,542 children and young adults to be better educated to lead safer and healthier lives, per quarter	3,542	Y	G	G	G	G	↔
	6,248 vulnerable children and adults helped to lead more secure and independent lives, supported by Safe and Well visits	46 1,562 vulnerable children and adults helped to lead more secure and independent lives, supported by safe and wellbeing visits per quarter	1,562	Y	R	G	G	G	↔
	To deliver 266,664 specific safety messages to contribute towards promoting a safer community, across all social media platforms	47 To deliver 66,666 specific safety messages across all social media platforms, per quarter.	66,666	Y	G	G	G	G	↔
	1,000 more people alive as a result of our prevention, protection and emergency response activities	48 250 more people alive as a result of our prevention, protection and emergency response activities per quarter	250	Y	G	G	G	G	↔
EFFICIENT PUBLIC SERVICES	When a fire occurs we aim to send the nearest fire engine in the quickest time possible	49 80% of emergency call attendances to be made within 11 minutes, per quarter	80%	Y	G	G	G	G	↔
		50 95% of emergency call attendances to be made within 14 minutes, per quarter	95%	Y	G	G	G	G	↔

**OUTLOOK KEY:**    ↑ the outlook is positive/improving    ↓ the outlook is negative/deteriorating    ↔ the outlook is stable

## **OUTLOOK**

The 2018/19 budget and Medium Term Financial Plan to 2021/22 agreed by Council on 13 February 2018 addresses the demand pressures that are expected to continue into the medium term. The Children's Social Care budget has been increased by £7.5m to address the pressure from 2017/18. A Children's Services transformation programme has been established with a focus on addressing demand management and strengthening early help and prevention including closer partnership working, strengthening staff resources and building community resilience. Whilst the programme will take time to deliver, it is anticipated that there will be a financial impact in 2018/19. Numbers of mainstream looked after children (LAC) are showing a reduction from 621 at the beginning of December 2017 to 593 at the end of March 2018. Whilst it is still early days, it appears that the work of the programme is beginning to have an effect.

The budget also includes reductions in funding to 2019/20 and sets out a plan to ensure that the Council can deliver the 2018/19 budget within estimated available resources.

Savings of £15m from the Fit for the Future Programme need to be delivered over the period 2019/20 to 2021/22, as well as £2.4m in the MTFP relating to ICT. Whilst there is some funding set aside to deliver the next phase of the programme, any investment funding required as part of the implementation phase will need to be met from reserves. If any expenditure beyond the existing provision is required during 2018/19, and future requirements set out as part of the Service & Resource Planning process in 2019/20. This will either need to be met from reserves or be the first call against the savings made.

The risks in the budget largely relate to the demand led budgets in particular children's social care. There is also a range of pressures and uncertainties in adult social care, particularly in relation to growing demand and the potential consequences of pressures on the health system. To help mitigate these risks, a contingency budget of £6.0m (0.6% of the gross budget excluding schools), has been built into 2018/19, which will provide some degree of a safety net.

The level of the Council's total reserves is sufficient to provide both general balances to manage the impact of unexpected events in line with the risk assessment; and the setting aside of earmarked reserves to meet known or anticipated liabilities.

## **BASIS OF PREPARATION AND PRESENTATION**

The council produces a Statement of Accounts to provide transparency about the council's finances, to give assurance to stakeholders that public money has been properly accounted for and that the financial standing of the council is on a secure basis.

The accounts (including notes to the accounts) for 2017/18 are set out on pages 34 to 176.

The accounts bring together all the council's financial statements for the year 2017/18 and show its financial position as at 31 March 2018. The statements reflect both revenue and capital elements for the General Fund, including transactions relating to joint operations with other local authorities and health bodies. The County Council is the administering authority for the Oxfordshire Local Government Pension Fund. As such, the Fund accounts are included as a disclosure within the Council's accounts.

### **Expenditure and Funding Analysis**

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (ie 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 authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### **Financial Statements**

Comprehensive Income and Expenditure Statement (pg. 35)	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. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement
Movement in Reserves Statement (pg. 36)	Shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'useable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves' (for example the Revaluation Reserve which holds unrealised gains and losses or the Capital Adjustment Account which holds adjustments between the accounting basis and funding basis under regulations). This statement shows how the movements in year of the authority'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 Net Increase/Decrease line shows the statutory General Fund Balance in the year following those adjustments.
Balance Sheet (pg. 37)	The balance sheet shows the values as at 31 March 2018 of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority, analysed between 'useable' and 'unusable' reserves.
Cash Flow Statement (pg. 38)	This summarises the changes in cash and cash equivalents during 2017/18. The statement shows how the authority 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

	<p>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 authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.</p>
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### **Notes to the accounts**

The Notes to the Accounts explain and provide further detail behind the key items and entries within the Financial Statements. They consist of:

- **Expenditure and Funding Analysis** – Compares the net expenditure as funded by taxation with the accounting cost of providing services as presented in the Comprehensive Income and Expenditure Statement.
- **Notes to the Accounts** – Which explain some of the key items and disclosures in the accounts.
- **Pension Fund Accounts** – These are the accounts of the Pension Fund, which is operated for employees of the County Council, district councils and other bodies.
- **Statement of Responsibilities for the Statement of Accounts** – Outlines the key responsibilities in respect of the accounts, together with statements from the Chief Finance Officer and Chairman of the Audit & Governance Committee.

## 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 Chairman to approve the statement of accounts on its behalf.

Signed: .....

Date .....

Chairman of the Audit & Governance Committee

### 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 2017/18 ('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 2018.

Signed: .....

Date .....

LORNA BAXTER  
Director of Finance

## EXPENDITURE AND FUNDING ANALYSIS

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

2016/17 Restated *				Notes	2017/18		
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	
90,526	27,288	117,814	Communities	94,208	41,290	135,498	
303,045	45,154	348,199	People	308,094	70,061	378,155	
21,409	-4,019	17,390	Resources	18,204	2,052	20,256	
	-11,198	-11,198	Other corporate costs		-2,778	-2,778	
<b>414,980</b>	<b>57,225</b>	<b>472,205</b>	<b>Service costs</b>		<b>420,506</b>	<b>110,625</b>	
-415,966	-32,108	-448,074	Other income and expenditure not charged to services		-426,255	-50,897	
<b>-986</b>	<b>25,117</b>	<b>24,131</b>	<b>Surplus(-) or Deficit(+)</b>	4	<b>-5,749</b>	<b>53,979</b>	

18,984	Opening County Fund balance at 1 April	19,970
986	Add surplus (+)/deficit (-) on the County Fund for the year	5,749
<b>19,970</b>	<b>Closing County Fund Balance at 31 March</b>	<b>25,719</b>

\*Note: 2016/17 comparator figures have been restated to reflect the Directorate restructure agreed by Council in December 2016 and implemented from 1 April 2017.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2016/17 Restated*				Notes	2017/18		
Gross Expenditure £'000	Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Income £'000	Net Expenditure £'000
139,159	-21,345	117,814	Communities	7	157,881	-22,383	135,498
699,439	-351,240	348,199	People	8	713,953	-335,798	378,155
25,729	-8,339	17,390	Resources	9,10	28,311	-8,055	20,256
-11,124	-74	-11,198	Other corporate costs		-2,061	-717	-2,778
<b>853,203</b>	<b>-380,998</b>	<b>472,205</b>	<b>Cost of Services</b>		<b>898,084</b>	<b>-366,953</b>	<b>531,131</b>
69,958	-2,095	67,863	Other Operating Expenditure	14	32,401	-2,564	29,837
47,315	-7,640	39,675	Financing and Investment Income and Expenditure	15,16,17	41,474	-8,425	33,049
0	-555,612	-555,612	Taxation and Non-Specific Grant Income	19,20	0	-540,038	-540,038
<b>970,476</b>	<b>-946,345</b>	<b>24,131</b>	<b>Surplus(-) or Deficit(+) on Provision of Services</b>	5,6	<b>971,959</b>	<b>-917,980</b>	<b>53,979</b>
			<b>Items that will not be reclassified to the Surplus(-) or Deficit(+) on Provision of Services:</b>				
		-31,316	Surplus or deficit on revaluation of non-current assets	49			-39,621
		1,728	Impairment losses on non-current assets charged to the revaluation reserve	49			1,101
		261,312	Remeasurements of the net defined benefit liability (asset)	18			-103,436
		231,724					-141,956
			<b>Items that may be reclassified to the Surplus(-) or Deficit(+) on Provision of Services:</b>				
		-804	Surplus or deficit on revaluation of available for sale financial assets				-1,316
		-742	Other gains or losses				-1,335
		-1,546					-2,651
		<b>230,178</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>-144,607</b>
		<b>254,309</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>-90,628</b>

\*Note: 2016/17 comparator figures have been restated to reflect the Directorate restructure agreed by Council in December 2016 and implemented from 1 April 2017.

## 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 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>
<b>Movement in reserves during 2017/18</b>								
Total Comprehensive Income and Expenditure		-53,979	1,335			-52,644	143,272	90,628
Adjustments between accounting basis and funding basis under statutory provisions	6	50,578		2,435	5,885	58,898	-58,898	0
Transfers to/from earmarked reserves	44	9,150	-9,150			0	0	0
<b>Increase (+)/Decrease (-) in Year</b>		<b>5,749</b>	<b>-7,815</b>	<b>2,435</b>	<b>5,885</b>	<b>6,254</b>	<b>84,374</b>	<b>90,628</b>
<b>Balance at 31 March 2018</b>		<b>25,719</b>	<b>96,566</b>	<b>22,580</b>	<b>48,070</b>	<b>192,935</b>	<b>-184,875</b>	<b>8,060</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 2017		Notes	As at 31 March 2018	
£'000			£'000	£'000
	<b>Long Term Assets</b>			
1,124,875	Property, Plant and Equipment	22	1,140,086	
7,223	Investment Property	23	17,937	
1,909	Intangible Assets	25	1,656	
75,000	Long Term Investments	33,38	55,000	
6,552	Long Term Debtors	35	6,398	
<b>1,215,559</b>	<b>Total Long Term Assets</b>			<b>1,221,077</b>
	<b>Current Assets</b>			
696	Assets Held for Sale	24	0	
64,747	Debtors	36	53,999	
251,851	Short Term Investments	33,38	296,356	
47,638	Cash and Cash Equivalents	37	24,664	
<b>364,932</b>	<b>Total Current Assets</b>			<b>375,019</b>
	<b>Current Liabilities</b>			
-47,144	Short Term Borrowing	33,38	-49,269	
-91,450	Short Term Creditors and Revenue Receipts in Advance	39	-87,687	
-4,232	Provisions due within 1 year	40	-4,451	
-15,907	Short Term Finance liability	28,38	-454	
-24,523	Short Term Capital Grants Receipts in Advance	42	-30,037	
<b>-183,256</b>	<b>Total Current Liabilities</b>			<b>-171,898</b>
	<b>Long Term Liabilities</b>			
-5,950	Long Term Creditors and Revenue Receipts in Advance	39	-7,745	
-4,678	Provisions due over 1 year	40	-4,772	
-342,383	Long Term Borrowing	33,38	-323,383	
-1,033,469	Pension Liability	18	-980,258	
-23,989	Long Term Finance Liability	28,38	-18,018	
-3,131	Deferred Income	41	-8,359	
-66,203	Long Term Capital Grants Receipts in Advance	42	-73,603	
<b>-1,479,803</b>	<b>Total Long Term Liabilities</b>			<b>-1,416,138</b>
<b>-82,568</b>	<b>Net Assets</b>			<b>8,060</b>
	<b>Financed from:</b>			
<b>186,681</b>	<b>Usable Reserves</b>	43-46	<b>192,935</b>	
<b>-269,249</b>	<b>Unusable Reserves</b>	47-52	<b>-184,875</b>	
<b>-82,568</b>	<b>Total Reserves</b>			<b>8,060</b>

## CASHFLOW STATEMENT

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

2016/17 £'000		Notes	2017/18 £'000
24,131	Net (surplus) or deficit on the provision of services		53,979
-70,059	Adjust net surplus or deficit on the provision of services for non-cash movements	53	-111,723
71,411	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		88,189
25,483	Net cash flows from Operating Activities	54	30,445
-69,198	Investing Activities	55	-32,035
8,863	Financing Activities	56	24,564
<b>-34,852</b>	<b>Net increase (-) or decrease (+) in cash and cash equivalents</b>		<b>22,974</b>
12,786	Cash and cash equivalents at the beginning of the reporting period		47,638
<b>47,638</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>24,664</b>

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

### **General**

The Statement of Accounts summarises the County Council's transactions for the 2017/18 financial year and its position at the year-end 31 March 2018. It has been compiled in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* (the *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 2018) 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. For manually raised accruals a guideline threshold of £10,000 is used for inclusion within the accounts.

### **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 by Greg Stacy MRICS (Registered Internal Valuer), The valuation work was completed using internal valuation supplemented by registered Quantity Surveyors from Gleeds. The annual valuations are provided as follows:

	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	2017/18	2022/23
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

Material changes to asset valuations are adjusted in the interim periods.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 and deferred income where the operator part funds the assets from income from third parties. 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.

Deferred income is released to the relevant directorate in the Comprehensive Income and Expenditure Statement on a straight line basis over the service concession period.

(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

## NOTES TO THE CORE FINANCIAL STATEMENTS

accounted for in the same way as other Property, Plant and Equipment, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

(See also the accounting policy on debt redemption.)

Where the County Council is the lessee, operating lease rentals are charged to the relevant 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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 within 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### **Debt Redemption**

The County Council complies with legislation to charge a Minimum Revenue Provision (MRP) to the County Fund revenue account for the repayment of debt by making a straight-line charge of the outstanding pre-2008 capital expenditure as at 1 April 2017 calculated over a 50-year period 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 liabilities 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.

This policy has been changed from a reducing balance basis (applied prior to 1 April 2017) resulting in a change to the profile of the charge. The total amount of MRP charged against revenue remains the same but this change reduces the MRP charges in the short-medium term and increase the charges made in the longer term.

### **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 2017/18 the County Council did not have any such interests that are considered material 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 People 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, corporation tax and from capital gains tax.

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 (Local Government Pension Scheme) 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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

- The County Council has made an assessment of the balance sheet treatment of schools' non-current assets in accordance with IAS 16 Property, Plant and Equipment and IAS17 Leases. Where assets are owned by the Council and used by maintained schools, the economic benefits and service potential of the asset is considered to be within the control of the Council and therefore the assets are recognised on the Council's balance sheet. Where they are owned by trustees and used by maintained schools (in most cases Voluntary Aided and Voluntary Controlled schools) the Council has assessed that the trustees permit the assets to be used for voluntary education and have not reassigned rights to the assets to the school or governing body. Therefore the assets are not recognised on the Council's balance sheet. In some cases school sites are part owned by the Council and part by trustees. These assets are treated in line with the above. In accordance with the Schools Standards and Framework Act 1998, ownership of playing fields rests with the Council and these are therefore recognised on the Council's balance sheet (subject to de-minimis valuations). The property valuers, Capita, are informed of changes to the ownership of Council assets by the Council's Legal Services department, and any adjustments to the value of assets as a consequence are reflected in the Council's balance sheet.
- 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. Newly constructed School land and buildings that are the subject of short-term lease/license agreements with academy trusts but are expected to transfer under 125 year leases have also been written out of the County Council's Balance Sheet based on this assessment.
- 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 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 £30.857m as at 31 March 2018) 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 (Company Registration Number 09519056). 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 therefore OxLEP's transactions have been included in the County Council's accounts. OxLEP's expenditure is funded by government grants for which the County Council is the accountable body and the Council remains exposed to significant risks such as the repayment of grants in the event of misuse. In addition, the council is undertaking borrowing on behalf of OxLEP in advance of receipt of Business Rates in the Enterprise Zone, this generates a requirement to increase the Council's Capital Financing Requirement. This means that the Council is not simply acting as an intermediary by passporting funds to OxLEP and is acting beyond the remit of an agent. OxLEP received £8.370m of Growing Places Fund from the Ministry for Housing, Communities and Local Government (MHCLG) in 2011/12 to spend on capital projects to address infrastructure needs, the remaining £1.004m has been recognised as a capital grant receipt in advance as at 31 March 2018. The Council also received £14.015m Local Growth Fund in 2017/18 on behalf of OxLEP, which was applied to capital expenditure during the year. In respect of revenue, the Council received £0.500m core funding from MHCLG, £0.203m relating to European Regional Development Fund grants from MHCLG, £0.245m from the Department for Business, Energy and Industrial Strategy and £0.120m from the Skills Funding Agency. OxLEP has prepared financial accounts for 2017/18, along with the Letter of Representation, which will be considered by the OxLEP Board on 12 June 2018. The Board expects to formally adopt these financial accounts at the company's Annual General Meeting in September 2018.
- 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 2017/18. 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 County Council has two pooled budgets with the Oxfordshire Clinical Commissioning Group (OCCG) and one with Oxford Health NHS Foundation Trust. These pooled budgets operate to deliver better outcomes for people supported by Adult Social Care within the People Directorate. Based on an assessment in accordance with IFRS 11 Joint Arrangements and IAS 18 Revenue (in relation to principal and agent transactions), the Pooled Budgets are considered to be joint operations. This means that only expenditure and income attributable to the County Council (and equal to the authority's contribution as set out in Note 8) is included in the Council's accounts.
- The 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

contribution to the Better Care Fund Pooled Budget and as such is reported within the OCCG'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 2018 for which there is significant risk of material adjustment in the forthcoming year are as follows:

#### Property, Plant and Equipment

The financial year 2017/18 was year four of a five-year cycle, a total of £90,157,000 Property, Plant & Equipment assets were re-valued by Greg Stacy MRICS. As at 31 March 2018 the County Council had £581.169m of operational land and buildings on its Balance Sheet. The Council's Property, Plant and Equipment have been valued on one of the following three bases under IFRS: Fair Value (Existing Use Value (EUJ)) – method used to value operational property assets other than specialised property assets. Depreciated Replacement Cost (DRC) - method used to value operational property assets of a specialised nature. Fair Value (Market Value) – method used to value property assets held as investments, surplus or for sale. Due to valuation techniques used a 1% Movement in values since the last valuation date would change the reported value of other land and buildings and surplus assets by £5.812m (£5.781m in 2016/17). 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 £0.420m for every year that useful lives had to be reduced.

#### Debtors

As at 31 March 2018 the County Council had a balance for current debtors of £65.914m and had estimated an impairment allowance for doubtful debts of £11.915m. The impairment allowance comprises £2.731m for the County Council's own debts based on the age and type of each debt and £9.004m 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 £0.273m to be set aside as an allowance by the County Council and £0.900m from the Collection Funds.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Provisions

As at 31 March 2018 the County Council made a provision of £5.619m 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 £0.562m effect on the provision required.

### Pensions Liability

Estimation of the net liability to pay pensions (£980,258m as at 31 March 2018) 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, Hymans Robertson LLP, 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.

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 2017/18, the County Council's actuaries advised that the net pension liability had decreased by £7.425m as a result of the return on plan assets and further decreased by £72.251m 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

<b>2017/18</b>	<b>Adjustments for Capital Purposes (Note 1)</b>	<b>Net change for the Pensions Adjustments (Note 2)</b>	<b>Other Differences (Note 3)</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Communities	29,635	8,348	3,307	41,290
People	50,994	16,892	2,175	70,061
Resources	1,745	2,120	-1,813	2,052
Other Corporate Costs	-11	-3,033	266	-2,778
<b>Service costs</b>	<b>82,363</b>	<b>24,327</b>	<b>3,935</b>	<b>110,625</b>
Other income and expenditure not charged to services	-84,384	25,899	7,588	-50,897
<b>Surplus (-) or Deficit (+)</b>	<b>-2,021</b>	<b>50,226</b>	<b>11,523</b>	<b>59,728</b>

<b>2016/17</b>	<b>Adjustments for Capital Purposes (Note 1)</b>	<b>Net change for the Pensions Adjustments (Note 2)</b>	<b>Other Differences (Note 3)</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Communities	25,654	2,164	-530	27,288
People	44,022	52	1,080	45,154
Resources	1,328	389	-5,736	-4,019
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>

#### 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 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

<b>2017/18</b>	<b>£'000</b>
Fees, charges & other service income	-65,475
Government grants and contributions	-481,083
Interest and investment income	-3,346
Income from council tax and non-domestic rates	-365,512
Proceeds from the disposal of non-current assets	-2,564
<b>Total Income</b>	<b>-917,980</b>
Employee expenses	345,337
Other service expenses	513,038
Depreciation, amortisation, impairments and revaluations	33,004
Interest payable and similar charges	19,828
Net interest expense on the pension defined liability	28,351
Costs from the disposal of non-current assets	32,401
<b>Total Expenditure</b>	<b>971,959</b>
<b>Surplus (-) or deficit (+) on the provision of services</b>	<b>53,979</b>

<b>2016/17</b>	<b>£'000</b>
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 benefit 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>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**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.

<b>2017/18</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	50,226				-50,226
Financial instruments transferred to the Financial Instrument Adjustment Account	-2				2
Council Tax and Business Rates transferred to the Collection Fund Adjustment Account	965				-965
Holiday pay transferred to the Accumulated Absences Account	-36				36
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure to the Capital Adjustment Account	108,821				-108,821
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds to the Capital Receipts Unapplied Reserve	-2,436		2,436		
Useable Capital Receipts applied to finance capital expenditure			-514		514
Statutory provision for the repayment of debt transferred to the Capital Adjustment Account	-10,015				10,015
Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	-2,386				2,386
Capital grants and contributions applied transferred to the Capital Adjustment Account	-73,521			-15,154	88,675
Capital grants and contributions receivable not applied to finance capital expenditure	-21,039			21,039	
Donated assets fair value less consideration transferred to the Capital Adjustment Account	0				0
<b>Adjustments to Capital Resources</b>					
Repayment of loans			513		-513
<b>Total</b>	<b>50,577</b>	<b>0</b>	<b>2,435</b>	<b>5,885</b>	<b>-58,897</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2016-17</b>	<b>County Fund Balance £'000</b>	<b>Earmarked Reserves £'000</b>	<b>Capital Receipts Unapplied £'000</b>	<b>Capital Grants &amp; Contribns Unapplied £'000</b>	<b>Unusable Reserves £'000</b>
<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**

**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 2017/18 (with comparative figures for 2016/17) are as follows:

2016/17				2017/18		
Central Expenditure	ISB	Total		Central Expenditure	ISB	Total
£'000	£'000	£'000		£'000	£'000	£'000
		438,055	Final DSG before academy recoupment			451,295
		-201,396	Less academy figure recouped for the year			-230,890
		236,659	Total DSG after academy recoupment			220,405
		8,770	Brought forward from previous year			7,452
		-8,551	Less carry forward to next year agreed in advance			-6,748
45,226	191,653	236,878	Agreed initial budgeted distribution	37,670	183,439	221,109
0	-2,218	-2,218	In year adjustments	0	-865	-865
0	0	0	Prior year adjustments	0	-1,702	-1,702
45,226	189,435	234,660	Final budget distribution	37,670	180,872	218,542
-46,324	0	-46,324	Less actual central expenditure	-40,593		-40,593
0	-189,435	-189,435	Less actual ISB deployed to schools		-180,636	-180,636
		0	County Council contribution			0
<b>-1,098</b>	<b>0</b>	<b>7,452</b>	<b>Carry forward to next year*</b>	<b>-2,923</b>	<b>236</b>	<b>4,765</b>

\*Note: Totals include the "carry forward to next year agreed in advance" amount

**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 2017/18 are provided in the table below, together with comparative data for 2016/17.

<b>2017/18</b>	<b>Purpose</b>	<b>Lead</b>	<b>Pool Gross income £000</b>	<b>Pool Gross Expenditure £000</b>	<b>Council's net Contribution £000</b>
<u>Pooled budgets with Oxfordshire Clinical Commissioning Group (OCCG)</u>					
Better Care Fund	Commissioning service provision for residential, nursing and continuing care for older people, and equipment	County Council	178,520	178,520	76,449
Adults with Care and Support Needs	Commissioning both care and support and residential/supported living placements for people with learning disabilities and commissioning mental health services	County Council	145,794	145,794	83,007
<u>Pooled budget with Oxford Health NHS Foundation Trust (OHFT)</u>					
Mental Health Provider	Providing mental health services	OHFT	11,381	11,381	2,390
<b>Total</b>			<b>335,695</b>	<b>335,695</b>	<b>161,846</b>

<b>2016/17</b>	<b>Purpose</b>	<b>Lead</b>	<b>Pool Gross income £000</b>	<b>Pool Gross Expenditure £000</b>	<b>Council's net Contribution £000</b>
<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	11,215	11,215	2,390
<u>Pooled budget with Oxford Health NHS Foundation Trust (OHFT)</u>					
Mental Health Provider	Providing mental health services	OHFT	54,327	55,507	9,118
<b>Total</b>			<b>371,999</b>	<b>373,179</b>	<b>166,315</b>

## 9. Members' Allowances

<b>Allowances &amp; expenses</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Allowances	886	900
Travel & Subsistence	31	29
<b>Total</b>	<b>917</b>	<b>929</b>

Allowances rise annually by the pay award for staff – an index set by full council three years ago after an independent remuneration panel recommendation (1% for 2017/18).

## 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.

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Code of Practice Work	110	94
Statutory Inspection	0	0
Certification of Grant Claims and Returns	35	12
Other Related Costs	5	0
<b>Total</b>	<b>150</b>	<b>106</b>

There was no statutory inspection work in 2016/17 or 2017/18.

## 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.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

Band (£)	Number of Employees					
	School	Non-School	Total	School	Non-School	Total
	2016/17	2016/17	2016/17	2017/18	2017/18	2017/18
50,000-54,999	65	110	175	60	124	184
55,000-59,999	46	48	94	39	45	84
60,000-64,999	35	33	68	30	37	67
65,000-69,999	19	12	31	19	11	30
70,000-74,999	7	14	21	9	8	17
75,000-79,999	5	27	32	6	18	24
80,000-84,999	3	4	7	1	2	3
85,000-89,999	2	4	6	4	3	7
90,000-94,999	2	1	3	0	3	3
95,000-99,999	0	1	1	0	5	5
100,000-104,999	0	2	2	1	3	4
105,000-109,999	0	1	1	0	0	0
110,000-114,999	0	0	0	0	0	0
115,000-119,999	0	0	0	0	0	0
120,000-124,999	0	0	0	0	0	0
125,000-129,999	0	0	0	0	0	0
130,000-134,999	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>2017/18</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 2017/18</b>	<b>Employers Pension Contribution</b>	<b>Total Remuneration Including Pension Contributions 2017/18</b>
<b>Post Holder Information</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive - Peter Clark	180,752	0	0	0	180,752	35,970	216,722
Strategic Director for People - Jonathan McWilliam	183,517	0	0	0	183,517	22,248	205,765
Director for Children's Services	126,250	0	0	0	126,250	25,124	151,374
Director for Adult Services	126,250	0	0	0	126,250	25,124	151,374
Deputy Director for Public Health	105,453	0	0	0	105,453	15,080	120,533
Strategic Director for Communities	141,400	0	0	0	141,400	28,139	169,539
Director for Planning and Place	98,986	0	0	0	98,986	19,698	118,684
Director for Infrastructure Delivery	98,773	0	0	0	98,773	19,656	118,429
Director for Property, Assets and Investment	97,862	0	0	0	97,862	19,474	117,336
Director for Community Safety & Chief Fire Officer	135,350	0	0	2,218	137,568	29,370	166,938
Director of Finance	123,636	0	0	0	123,636	24,603	148,239
Director of Human Resources	123,636	0	0	0	123,636	24,603	148,239
Director of Law and Governance	129,128	0	0	0	129,128	25,696	154,824
Assistant Chief Executive	116,062	0	0	0	116,062	23,096	139,158
<b>Total</b>	<b>1,787,055</b>	<b>0</b>	<b>0</b>	<b>2,218</b>	<b>1,789,273</b>	<b>337,881</b>	<b>2,127,154</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

For 2016/17, 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.

2016/17 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
	£	£	£	£	£	£	£
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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2016/17 Continued</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>
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
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
Assistant 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

## 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 2017/18					
	Compulsory		Other		Total	
	No.	£'000	No.	£'000	No.	£'000
0 - 19,999	70	328	40	160	110	488
20,000 - 39,999	8	215	2	46	10	261
40,000 - 59,999	6	292	2	97	8	389
60,000 - 79,999	8	568	1	75	9	643
80,000 - 99,999	1	81	0	0	1	81
100,000 - 149,999	1	109	0	0	1	109
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>94</b>	<b>1,593</b>	<b>45</b>	<b>378</b>	<b>139</b>	<b>1,971</b>
Add new provisions created						14
Less amounts provided for in previous year						-114
Add unused amount of previous year's provision						0
Adjust for differences between payments and accruals						-262
<b>Total cost of exit packages in the Comprehensive Income and Expenditure Statement</b>						<b>1,609</b>

\* Other comprises of 12 voluntary redundancies/retirements, and 33 settlements.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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>

### 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 2016/17.

	2016/17		2017/18	
	Plant, vehicles & equipment £'000	Land and buildings £'000	Plant, vehicles & equipment £'000	Land and buildings £'000
Minimum lease payments charged in year	1,566	2,370	1,723	1,646
Contingent rents charged in year	425	133	328	97
Sublease payments received in year	0	-66	0	-724
Future minimum lease payments:				
Within 1 year	1,454	1,785	1,585	1,530
Within 2nd - 5th years	1,832	4,959	752	3,780
6th year and beyond	2	3,108	648	2,420
Total commitments	3,288	9,852	2,985	7,730
Total future sublease payments receivable	0	-86	0	-517

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 2016/17. The County

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2016/17		2017/18	
	Plant, vehicles & equipment £'000	Land and buildings £'000	Plant, vehicles & equipment £'000	Land and buildings £'000
Minimum lease payments receivable in year	0	1,679	0	2,485
Contingent rents receivable in year	0	688	0	679
Future minimum lease payments receivable:				
Within 1 year	0	1,202	0	1,788
Within 2nd - 5th years	0	3,378	0	5,704
6th year and beyond	0	22,158	0	41,212
<b>Total receivable</b>	<b>0</b>	<b>26,738</b>	<b>0</b>	<b>48,704</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.

	2016/17 £'000	2017/18 £'000
Capital receipts	-1,898	-2,465
Disposal costs charged against capital receipts	42	29
Net capital receipts	-1,856	-2,436
Other receipts	-239	-128
	-2,095	-2,564
Carrying value of non-current assets derecognised	69,888	32,339
Disposal costs charged to the County Fund	70	62
	69,958	32,401
<b>Other Operating Expenditure</b>	<b>67,863</b>	<b>29,837</b>
Adjustments between accounting basis and funding basis	-68,032	-29,903
<b>Net charge to County Fund</b>	<b>-169</b>	<b>-66</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:

	2016/17 £'000	2017/18 £'000
Surplus/deficit on trading operations	740	2,209
Interest payable and similar charges	20,165	19,826
Interest receivable and similar income	-3,857	-3,346
Income and expenditure in relation to investment properties and changes in their fair value	-489	-10,396
Net pensions interest expense	25,652	28,351
Net fire-fighters Pension Fund Top-Up Grant	-2,536	-3,595
<b>Total Financing and Investment Income &amp; Expenditure</b>	<b>39,675</b>	<b>33,049</b>

### 16. Trading Operations

The County Council operates trading accounts for a number of services within the authority. Details of their financial performance during 2017/18 are as follows:

2016/17		2017/18		
Surplus (-) / Deficit (+) £'000	Trading Operation	Turnover £'000	Expenditure £'000	Surplus (-) / Deficit (+) £'000
348	<b>Legal Services</b> Provision of legal support to services within the authority	4,354	5,147	793
372	<b>Community Support Services (Internal)</b> Provision of day services to learning disability clients	4,015	5,289	1,274
20	<b>Shared Lives</b> Provision of services to supported adults and their carers	2,184	2,327	143
<b>740</b>	<b>Total</b>	<b>10,553</b>	<b>12,763</b>	<b>2,210</b>

The Community Support Service and Shared Lives are internal services but are subject to commercial risk. Service users purchase the service using a 'Personal Budget'. Service users could choose to request a Direct Payment from the Council and choose a different service that could meet their needs.

Deficits have arisen on traded services 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**

	<b>2017/18</b>				
	<b>Financial Liabilities</b>	<b>Financial Assets</b>			<b>Total</b>
	<b>Liabilities at amortised cost</b>	<b>Loans and receivables</b>	<b>Available-for-sale assets</b>	<b>Assets at fair value through profit &amp; loss</b>	
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Interest expense	19,388				19,388
Reductions in fair value					0
Impairment losses		439			439
Fee expense			182		182
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>19,388</b>	<b>439</b>	<b>182</b>	<b>0</b>	<b>20,009</b>
Interest income		-2,216			-2,216
Interest income accrued on impaired financial assets					0
Increases in fair value				0	0
Gains on derecognition			-1,130		-1,130
Fee income					0
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>-2,216</b>	<b>-1,130</b>	<b>0</b>	<b>-3,346</b>
Gains/losses on revaluation			-1,316		-1,316
Amounts recycled to the Surplus or Deficit on the Provision of Services			0		0
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>			<b>-1,316</b>		<b>-1,316</b>
<b>Net gain(-)/loss for the year</b>	<b>19,388</b>	<b>-1,777</b>	<b>-2,264</b>	<b>0</b>	<b>15,347</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

Comparative figures for 2016/17 are as follows:

	<b>2016/17</b>				
	<b>Financial Liabilities</b>	<b>Financial Assets</b>			<b>Total</b>
	<b>Liabilities at amortised cost</b>	<b>Loans and receivables</b>	<b>Available-for-sale assets</b>	<b>Assets at fair value through profit &amp; loss</b>	
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
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>

**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 141 onwards.

As Administering Authority to the Fund, the County Council, after consultation with the Fund Actuary (Hymans Robertson LLP) 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 2016 set the contribution rates 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 2018/19 are £27.516m for funded benefits (£27.953m was expected for 2017/18). For 2017/18 the estimated duration of the County Council's liabilities is 16.7 years for funded benefits and 3-5 years for unfunded benefits (19 years and 10 years respectively for 2016/17).

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.

Should the County Council's withdraw 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 £0.130m for 2017/18 (£0.394m for 2016/17). 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 £2.823m (£11.551m for 2016/17).

### **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 136 to 139. 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 still 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 2018/19 is £5.700m (£4.794m in 2017/18). The estimated duration of the County Council's combined liabilities for the fire-fighters' scheme for 2017/18 is 18.2 years (22 years for 2016/17).

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. The employer contribution rate for 2017/18 was 16.48% (in 2016/17 16.48%). The total expected payments to beneficiaries for 2018/19 is £3.765m (£3.660m 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.

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 & Teachers' Added Years		Fire Fighters' Pension Schemes		Total	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>						
<u>Cost of Services</u>						
Current service cost	34,529	56,267	3,602	7,000	38,131	63,267
Past service costs	158	80	144	0	302	80
(Gain)/loss from settlements	-11,551	-2,823	0	0	-11,551	-2,823
Administration Expenses	591	553	0	0	591	553
	23,727	54,077	3,746	7,000	27,473	61,077
<u>Financing and Investment Income &amp; Expenditure</u>						
Net Interest expense	18,403	20,551	7,249	7,800	25,652	28,351
Government Top-Up Grant/Surplus payable to Government	0	0	-2,536	-3,595	-2,536	-3,595
	42,130	74,628	8,459	11,205	50,589	85,833
<u>Surplus/Deficit on the Provision of Services</u>						
<u>Other Comprehensive Income and Expenditure</u>						
Return on plan assets	-157,297	-7,425	0	0	-157,297	-7,425
Actuarial gains (-) and losses (+) from demographic assumptions	-9,121	0	18,079	19,400	8,958	19,400
Actuarial gains (-) and losses (+) from financial assumptions	380,677	-75,951	59,418	-15,700	440,095	-91,651
Experience gains (-) and losses (+)	39,319	7,440	64	-31,200	39,383	-23,760
Other actuarial gains (-) and losses (+)	-69,827	0	0	0	-69,827	0
<b>Total retirement benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>225,881</b>	<b>-1,308</b>	<b>86,020</b>	<b>-16,295</b>	<b>311,901</b>	<b>-17,603</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	-8,798	-41,075	-6,407	-9,151	-15,205	-50,226
<b>Actual amount charged against the County Fund Balance for pensions in the year</b>	<b>33,332</b>	<b>33,552</b>	<b>2,052</b>	<b>2,054</b>	<b>35,384</b>	<b>35,606</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>2016/17</b> <b>£'000</b>	<b>2017/18</b> <b>£'000</b>
<b>Present value liabilities:</b>		
Local Government Pension Scheme (funded benefits)	1,823,299	1,816,463
Local Government Pension Scheme (unfunded benefits)	21,373	21,613
Fire-fighters' Pension Schemes	276,851	258,502
Teachers' Added Years	54,065	55,092
<b>Total present value liabilities</b>	<b>2,175,588</b>	<b>2,151,670</b>
<b>Fair value of assets in the Local Government Pension Scheme</b>	<b>1,142,119</b>	<b>1,171,412</b>
<b>Net liabilities in the scheme:</b>		
Local Government Pension Scheme (funded)	681,180	645,051
Local Government Pension Scheme (unfunded)	21,373	21,613
Fire-fighters' Pension Schemes	276,851	258,502
Teachers' Added Years	54,065	55,092
<b>Total Net Liabilities</b>	<b>1,033,469</b>	<b>980,258</b>

The total net liability is £980,258m at 31 March 2018 (2016/17 £1,033,469m). 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, Unfunded & Teachers' Added Years)		Fire-fighters' Pension Schemes		Total	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	1,459,253	1,898,737	192,883	276,851	1,652,136	2,175,588
Current service cost	34,529	56,820	3,602	7,000	38,131	63,820
Interest expense	50,488	51,299	7,249	7,800	57,737	59,099
Contributions by scheme participants	12,549	9,145	1,395	1,300	13,944	10,445
Actuarial gains and losses - demographic assumptions	-9,121	0	18,079	19,400	8,958	19,400
Actuarial gains and losses - financial assumptions	380,677	-75,951	59,418	-15,700	440,095	-91,651
Experience gains and losses	39,319	7,440	64	-31,200	39,383	-23,760
Other actuarial gains and losses	0	0	0	0	0	0
Benefits paid	-47,015	-48,281	-3,447	-3,354	-50,462	-51,635
Past service costs	158	80	144	0	302	80
(Gain)/loss from settlements	-22,100	-6,119	0	0	-22,100	-6,119
Fire-fighters pension scheme top-up grant	0	0	-2,536	-3,595	-2,536	-3,595
<b>Closing balance at 31 March</b>	<b>1,898,737</b>	<b>1,893,170</b>	<b>276,851</b>	<b>258,502</b>	<b>2,175,588</b>	<b>2,151,672</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 Hymans Robertson LLP, 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 2014 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>2016/17 £'000</b>	<b>2017/18 £'000</b>
Opening balance at 1 April	895,184	1,142,119
Interest income	32,085	30,748
Return on plan assets	157,297	7,425
Other actuarial gains and losses	69,827	0
Administration expenses	-591	0
Employer contributions	28,298	28,371
Contributions by scheme participants	12,549	14,326
Benefits paid	-41,981	-48,281
Settlements received/(paid)	-10,549	-3,296
<b>Closing balance at 31 March</b>	<b>1,142,119</b>	<b>1,171,412</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

Assets	At 31 March 2017			At 31 March 2018		
	£'000	£'000	%	£'000	£'000	%
<b>Equities</b>						
UK investments - quoted in an active market	231,829		21%	0		0%
UK investments - unquoted	147,320		13%	0		0%
Overseas investments - quoted in an active market	129,048		11%	0		0%
Overseas investments - unquoted	258,096		23%	0		0%
Consumer	0		0%	84,041		7%
Manufacturing	0		0%	82,333		7%
Energy and Utilities	0		0%	26,284		2%
Financial Institutions	0		0%	90,486		8%
Health and Care	0		0%	19,512		2%
Information and Technology	0		0%	17,525		1%
		766,293			320,182	
<b>Debt Securities</b>						
UK Government	97,728		10%	119,487		10%
Other	26,136		2%	20,947		3%
		123,864			140,435	
<b>Derivatives (quoted in an active market)</b>						
Foreign Exchange	0		0%	458		0%
UK corporate bonds	36,594		3%	0		
Overseas corporate bonds	1,144		0%	0		
		37,738			458	
<b>Cash and cash equivalents</b>						
Cash		51,027	4%		49,913	4%
<b>Private Equity</b>						
Quoted prices in active market	0			10,989		1%
Quoted prices not in active market	0			35,691		3%
		0			46,680	
<b>Investment funds &amp; unit trusts</b>						
Property		74,165	6%		0	0%
Limited Liability Partnerships		38,508	3%		0	0%
Equities		0	0%		360,407	31%
Infrastructure		0	0%		1,795	0%
Bonds		0	0%		87,422	7%
Other		0	0%		168,006	14%
Diversified Growth Fund		51,241	4%		0	0%
<b>Total</b>		<b>1,142,836</b>	<b>100%</b>		<b>1,175,297</b>	<b>100.0%</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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Longevity assumptions: Base Table*	S2PA with a 90% multiplier	S2PA with a 90% multiplier	S2PA with a 90% multiplier	S2PA with a 90% multiplier	S1NA with a 110% multiplier	S2NMA/S2NFA with a 80% multiplier	S2PA with a 90% multiplier	S2PA with a 90% multiplier
Men:								
Rate of improvement	1.50%	1.50%	1.50%	1.50%	1.50%	1.25%	1.50%	1.50%
Longevity from 65 (currently aged 65) (yrs)	23.4	23.4	23.4	23.4	21.7	29.5	23.4	23.4
Longevity from 65 (currently aged 45) (yrs)	25.6	25.6	25.6	25.6	23.8	30.8	25.6	25.6
Women:								
Rate of improvement	1.50%	1.50%	1.50%	1.50%	1.50%	1.25%	1.50%	1.50%
Longevity from 65 (currently aged 65) (yrs)	25.5	25.5	25.5	25.5	24.2	31.5	25.5	25.5
Longevity from 65 (currently aged 45) (yrs)	27.8	27.8	27.8	27.8	26.5	32.8	27.8	27.8
Financial Assumptions:								
Retail Price Index (RPI) increases	3.6%	3.4%	3.1%	3.4%	3.6%	3.4%	3.1%	3.4%
Consumer Price Index (CPI) increases	2.7%	2.4%	2.2%	2.4%	2.7%	2.4%	2.2%	2.4%
Rate of increase in salaries	4.2%	3.6%	n/a	3.6%	4.9%	3.4%	n/a	3.6%
Rate of increase in pensions and deferred pensions	2.7%	2.4%	2.2%	2.4%	2.7%	2.4%	2.2%	2.4%
Rate for discounting scheme liabilities	2.7%	2.6%	2.0%	2.6%	2.8%	2.7%	1.8%	2.6%

\*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 90% of the maximum tax free cash up to HMRC limits 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)		Fire-fighters' Pension Schemes	
	Approximate % increase to Employer Liability	Approximate monetary amount (£'000)	Approximate % increase to Employer Liability	Approximate monetary amount (£'000)
0.5% decrease in Real Discount Rate	9%	162,430	9%	24,479
0.5% increase in the Pension Increase Rate	8%	142,430	8%	20,048
0.5% increase in the Salary Increase Rate	1%	18,050	1%	2,328
1 year increase in member life expectancy	3-5%	54,150 to 90,250	3%	7,772

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Balance as at 1 April	-756,952	-1,033,469
Net charge made for retirement benefits in accordance with IAS19	-15,205	-50,226
Remeasurements of the net defined liability	-261,312	103,437
<b>Balance as at 31 March</b>	<b>-1,033,469</b>	<b>-980,258</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>2016/17 £'000</b>	<b>2017/18 £'000</b>
Council Tax income	312,618	333,213
Non-domestic rates	30,035	32,299
Non-ringfenced government grants	97,517	78,522
Capital grants and contributions	115,442	96,004
<b>Total Taxation and Non-Specific Grant Income</b>	<b>555,612</b>	<b>540,038</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

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

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Revenue Support Grant (MHCLG)	39,331	18,665
Business Rates Top-Up Grant (MHCLG)	37,394	37,821
Education Services Grant (DfE)	4,629	1,057
Transition Grant (MHCLG)	4,454	4,463
New Homes Bonus (MHCLG)	4,130	4,157
Independent Living Fund Grant (DoH)	3,803	3,678
Section 31 Grant - Business Rates and Other Reliefs (MHCLG)	1,506	2,485
Adult Social Care Support Grant (DOH)	0	2,302
Other revenue grants	2,270	3,893
Capital grants	73,571	73,464
Developer contributions	41,726	21,387
Other capital contributions	145	1,154
<b>Total</b>	<b>212,959</b>	<b>174,526</b>

#### Credited to Services:

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Dedicated Schools Grant (DfE)	234,441	217,837
Public Health Grant (DoH)	32,126	31,334
Pupil Premium Grant (DfE)	9,064	8,055
Universal Infant Free School Meals (DfE)	5,018	5,067
Sixth Form Funding (DfE)	2,395	1,231
Asylum Seekers (HO)	1,556	1,737
PE & Sports Grant (DfE)	1,545	2,238
Better Care Fund (DOH)	0	6,276
Other grants	5,964	5,810
<b>Total</b>	<b>292,109</b>	<b>279,585</b>

MHCLG	Ministry of Housing, 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 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. The Director for Planning & Place 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. This project came to end in 2017/18.

The County Council administers the Oxfordshire Pension Fund and this is a related party. During the year ended 31 March 2018, the County Council made employer contributions totalling £28.920m to the Fund (£28.343m in 2016/17). The County Council charged the Fund £1.301m (£1.195m in 2016/17) for expenses incurred in administering the Fund. As at 31 March 2018 £3.232m was due to the Pension Fund and £0.221m by the Pension Fund (£3.245m and £0.128m respectively as at 31 March 2017).

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 2017/18 are as follows:

Members who were also district councillors for all or part of the year:

2017/18

Cherwell

Councillor Hannah Louise Bainfield  
 Councillor Maurice Billington  
 Councillor Mark Cherry  
 Councillor Ian Corkin  
 Councillor Surinder Dhesi (to May 2017)  
 Councillor Carmen Griffiths  
 Councillor Timothy Hallchurch MBE (to May 2017)  
 Councillor Tony Ilott  
 Councillor Kieron Mallon  
 Councillor G.A. Reynolds  
 Councillor Dan Sames  
 Councillor Les Sibley

2016/17

Cherwell

Councillor Maurice Billington  
 Councillor Mark Cherry  
 Councillor Surinder Dhesi  
 Councillor Timothy Hallchurch MBE  
 Councillor Kieron Mallon  
 Councillor G.A. Reynolds  
 Councillor Les Sibley

## NOTES TO THE CORE FINANCIAL STATEMENTS

### West Oxfordshire

Councillor Louise Chapman (to May 2017)  
Councillor Ted Fenton  
Councillor Pete Handley  
Councillor Richard Langridge (to May 2017)  
Councillor Liz Leffman  
Councillor James F. Mills (to May 2017)  
Councillor Neil Owen (to May 2017)

### Vale of White Horse

Councillor Yvonne Constance OBE  
Councillor Jenny Hannaby  
Councillor Bob Johnston  
Councillor Sandy Lovatt (to May 2017)  
Councillor Judy Roberts  
Councillor Emily Jane Smith

### Oxford City

Councillor Jamila Azad  
Councillor Steve Curran (to May 2017)  
Councillor Jean Fooks (to May 2017)  
Councillor Mark Lygo  
Councillor Susanna Pressel  
Councillor Gill Sanders  
Councillor John Tanner (to May 2017)

### South Oxfordshire

Councillor Kevin Bulmer  
Councillor Steve Harrod (to September 2017)  
Councillor Stefan John Gawrysiak  
Councillor Jeanette Matelot  
Councillor David Nimmo Smith (to May 2017)  
Councillor Alan Roy Thompson

### Members of the Thames Valley Police & Crime Panel

Councillor Kieron Mallon

### West Oxfordshire

Councillor Louise Chapman  
Councillor Pete Handley  
Councillor Richard Langridge  
Councillor James F. Mills  
Councillor Neil Owen

### Vale of White Horse

Councillor Yvonne Constance OBE  
Councillor Jenny Hannaby  
Councillor Bob Johnston  
Councillor Sandy Lovatt

### Oxford City

Councillor Jamila Azad  
Councillor Steve Curran  
Councillor Jean Fooks  
Councillor Mark Lygo  
Councillor Susanna Pressel  
Councillor Gill Sanders  
Councillor John Tanner

### South Oxfordshire

Councillor Kevin Bulmer  
Councillor Steve Harrod  
Councillor David Nimmo Smith

### Members of the Thames Valley Police & Crime Panel

Councillor Kieron Mallon

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.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2017/18</b>	<b>Collection Fund Transactions</b>			<b>Other Transactions</b>	
	<b>Rates £'000</b>	<b>Rates Receipts £'000</b>	<b>Precepts £'000</b>	<b>Payments £'000</b>	<b>Receipts £'000</b>
<b>District Council</b>					
Cherwell	1,035	-8,849	-70,971	2,236	7,799
Oxford City	1,399	-9,134	-60,677	2,955	-1,028
South Oxfordshire	919	-4,239	-76,616	1,698	-160
Vale of White Horse	735	-4,987	-69,013	1,503	-143
West Oxfordshire	771	-3,736	-58,064	1,371	-316
<b>Total</b>	<b>4,859</b>	<b>-30,945</b>	<b>-335,341</b>	<b>9,763</b>	<b>6,152</b>

<b>2016/17</b>	<b>Collection Fund Transactions</b>			<b>Other Transactions</b>	
	<b>Rates £'000</b>	<b>Rates Receipts £'000</b>	<b>Precepts £'000</b>	<b>Payments £'000</b>	<b>Receipts £'000</b>
<b>District Council</b>					
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>

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**

<b>2017/18</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>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>
Additions	8,681	1,969	31,672		17,672	59,994	-549
Donations		22				22	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	29,178			-497		28,681	-292
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	-1,894			431		-1,463	-1,093
Derecognition - disposals	-2,191	-906				-3,097	
Derecognition - other	-25,267	-6,326			-18,560	-50,153	-578
Assets reclassified to / from Held for Sale							
Assets reclassified to / from Investment Properties	-366					-366	
Assets reclassified as intangible assets							
Transfers	-4,704	5,421	10,423	646	-11,786		
Other movements in cost or valuation					-3	-3	
<b>Cost or Valuation as at 31 March</b>	<b>584,192</b>	<b>113,476</b>	<b>604,951</b>	<b>3,484</b>	<b>28,318</b>	<b>1,334,421</b>	<b>30,856</b>
<b>Depreciation and Impairment as at 1 April</b>	<b>-2,700</b>	<b>-20,031</b>	<b>-153,203</b>	<b>3</b>		<b>-175,931</b>	<b>-36</b>
Depreciation charge	-8,129	-6,726	-17,276	-20		-32,151	-382
Depreciation and impairment written out to the Revaluation Reserve	10,934			6		10,940	246
Depreciation and impairment written out to the Surplus/Deficit on Provision of Services	1,017			13		1,030	173

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2017/18 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	-1,101					-1,101	
Impairment losses/(reversals) recognised in the Surplus/Deficit on Provision of Services	-169					-169	
Derecognition - disposals	11	834				845	
Derecognition - other	148	2,059		-5		2,202	
Assets reclassified to / from Held for Sale	-178					-178	
Assets reclassified to / from Investment Properties						0	
Transfers	-2,857	3,036		-1		178	
Other movements in depreciation and impairment						0	
<b>Depreciation and impairment as at 31 March</b>	<b>-3,023</b>	<b>-20,828</b>	<b>-170,479</b>	<b>-4</b>		<b>-194,334</b>	<b>1</b>
Net Book Value at 31 March 2017	578,055	93,265	409,653	2,907	40,995	1,124,875	33,332
Net Book Value at 31 March 2018	581,169	92,648	434,472	3,480	28,317	1,140,086	30,857

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2016/17</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>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 to/from intangible assets					-2,070	-2,070	
Transfers	17,726	-5,323	20,547	-76	-32,874	0	
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						0	
Assets reclassified to / from Investment Properties						0	
Transfers	-2,838	2,838				0	
Other movements in depreciation and impairment						0	
<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

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

	2016/17		2017/18	
	Non-Current	Current	Non-Current	Current
	£'000	£'000	£'000	£'000
Balance at 1 April	7,441	24	7,223	0
Derecognition				
Net gains (+)/losses (-) from fair value adjustments	412	-1	10,347	0
Assets reclassified to / from Investment Properties	-653	0	367	0
Other changes	23	-23	0	0
<b>Balance at 31 March</b>	<b>7,223</b>	<b>0</b>	<b>17,937</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 2018 £'000	Additional information for level 3 properties			
			Valuation technique	Unobservable inputs	Range (weighted average used)	Sensitivity
Agricultural units & other level 2 assets	2	16,286				
Office units	3	383	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	1,268		Discount rate	5% - 6% (5%)	
		<b>17,937</b>				

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

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.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	937	971
Net gains (+)/losses (-) from fair value adjustments	11	102
Transfers to/from Level 3	23	
Additions	0	601
<b>Balance at 31 March</b>	<b>971</b>	<b>1,674</b>

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

2016/17 £'000		2017/18 £'000
549	Balance at 1 April	696
	Assets newly classified as held for sale:	
972	- Property, Plant and Equipment	0
0	Revaluation gains/(losses)	0
	Impairment losses	
	Assets declassified as held for sale:	
0	- Property, Plant and Equipment	0
-825	Assets derecognised	-696
	Additions	
<b>696</b>	<b>Balance at 31 March</b>	<b>0</b>

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

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

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

	2016/17 £'000	2017/18 £'000
Gross Carrying Value at 1 April	1,923	3,993
Additions		
Transfers from Assets Under Construction	2,070	0
Derecognition		
<b>Gross Carrying Value at 31 March</b>	<b>3,993</b>	<b>3,993</b>
Amortisation and Impairment at 1 April	-1,751	-2,084
Amortisation for the year	-333	-253
Impairment losses		
Derecognition		
<b>Amortisation and Impairment at 31 March</b>	<b>-2,084</b>	<b>-2,337</b>
Net Book at 1 April	172	1,909
<b>Net Book Value at 31 March</b>	<b>1,909</b>	<b>1,656</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 internal property valuer. They provide an annual valuation report and valuation certificate which give details of their opinion of the value of specific assets, basis of valuation, assumptions made and details of the rolling programme, additional and ad-hoc valuations. Valuations have been undertaken in accordance with the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors. The basis of valuations is set out in Note 1.

As part of the rolling programme Fire & Rescue Service and Community Safety premises, staff housing, central offices and highways depots were revalued as at 1 April 2017.

**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 2028. 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>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	25,676	24,850
Increase in liability in the year		
Transfer to Deferred Income	0	-6,154
Liability repaid in the year	-826	-356
<b>Balance at 31 March</b>	<b>24,850</b>	<b>18,340</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 2017	At 31 March 2018	At 31 March 2017	At 31 March 2018
	£'000	£'000	£'000	£'000
Service Concession Arrangement	23,961	17,938	889	402
Finance Leases	28	80	18	52
Investments - Forward Deal			15,000	0
<b>Total Finance Liability</b>	<b>23,989</b>	<b>18,018</b>	<b>15,907</b>	<b>454</b>

Details of payments due to be made under the service concession arrangement are as follows, with comparative figures for 2016/17 following on.

2017/18	Service Costs	Principal Repayments	Interest Costs	Lifecycle Replacement Payments	Total
	£'000	£'000	£'000	£'000	£'000
Within 1 Year	15,960	402	2,407	856	19,625
2 -5 Years	66,472	2,202	9,036	3,780	81,490
6 - 10 Years	58,683	15,736	7,651	4,421	86,491
<b>Total</b>	<b>141,115</b>	<b>18,340</b>	<b>19,094</b>	<b>9,057</b>	<b>187,606</b>

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>

## 29. Capital Spending

The County Council's total capital spend for 2017/18 was £94.718m. Details of the expenditure are set out in the table on the next page:

<b>Capital Spending</b>	<b>£'000</b>	<b>£'000</b>
<b>People - Children</b>		
Great Western Primary, Didcot	1,691	
Longford Park Primary School, Bodicote	998	
Hill View Primary School, expansion to 3 form entry	591	
Bicester Secondary School	799	
North West Bicester (Eco-Town) Primary No.1	720	
Great Western Park (Primary), Didcot	4,991	
Christopher Rawlins Primary School	1,879	
Mathew Arnold School, expansion to 1 form entry	834	
Chilton Primary School	1,456	
Sutton Courtenay Primary School	1,076	
West Kidlington Primary School	919	
Faringdon Community College	2,745	
Schemes under £500,000	11,316	
<b>Total Children</b>		<b>30,015</b>
<b>People - Adults</b>		
Better Care Fund - Disabled Facilities Grant	4,985	
Schemes under £500,000	715	
<b>Total Adults</b>		<b>5,700</b>
<b>Communities - Transport</b>		
Section 42 Routine Surface Dressing	509	
Harwell Link Road	6,934	
Eastern Arc Phase 1 Access to Headington	3,025	
Street Lighting (Challenge Fund)	3,050	
Drainage (Challenge Fund)	1,445	
Edge Strengthening (Challenge Fund)	2,030	
Surfacing (Challenge Fund)	1,060	
A40 Science Transit	1,508	
Skid Resistance Schemes 16-17	572	
Footway Reconstruction 16-17	574	
Street Lighting Column Replacement	811	
Street Lighting Maintenance	746	
Backhill Tunnel	746	
Carriageway Structural Maintenance 17-18	1,141	
Surface Dressing 17-18	1,861	
Surface Dressing pre-patching 17-18	712	
Structural Patching 17-18	3,321	
Micro Asphalt Programme 17-18	509	
Bridges cons Oxford Folly Bridge	743	
Henley Rd (Flowing Springs)	1,160	
Schemes under £500,000	8,388	
<b>Total Communities - Transport</b>		<b>40,845</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>Capital Spending</b>	<b>£'000</b>	<b>£'000</b>
Better broadband project	1,454	
Schemes under £500,000	1,659	
<b>Total Communities - Other</b>		3,113
<b>Resources</b>		
LGF - Didcot Station Car Park Expn	6,153	
Westgate Library Redevelopment	2,319	
Local Growth Fund - Adv Engineering & Tech Skills Centre	3,061	
Place based community hub	514	
Schemes under £500,000	1,608	
<b>Total Resources</b>		13,655
<b>Sub Total Capital Programme</b>		<b>93,328</b>
Capitalised Purchase of Vehicles / Equipment		1,233
Capitalised Loans		157
<b>Sub Total</b>		<b>1,390</b>
<b>Total</b>		<b>94,718</b>

**Summary of capital expenditure**

Capital expenditure by asset class is as follows:

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Property, Plant and Equipment	66,534	41,455
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute	45,107	53,823
Capital loans	55	157
Repayment of capital grants and contributions	0	0
	111,696	95,435
Less assets acquired under service concession arrangements	0	0
Less assets transferred from capital prepayment account	-386	-578
Less assets acquired under finance leases	-60	-139
<b>Total capital expenditure</b>	<b>111,250</b>	<b>94,718</b>

### 30. Capital Financing

The capital expenditure has been financed from the following sources:

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Prudential and other unsupported borrowing	8,729	3,141
Capital Receipts	0	514
Grants & Contributions	101,681	88,675
Revenue	844	2,388
<b>Total</b>	<b>111,254</b>	<b>94,718</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>2016/17 £'000</b>	<b>2017/18 £'000</b>
Capital Financing Requirement as at 1 April	<b>389,758</b>	<b>382,690</b>
New unsupported borrowing	8,729	3,141
Assets acquired under service concession arrangements	0	0
Assets acquired under finance leases	60	139
Service concession arrangements - lifecycle prepayments	791	823
Residual interest - asset accumulation prepayments	43	43
Loan repayments and other adjustments	11	-90
Reduction in underlying need to borrow arising from derecognition of finance leases	-8	0
Minimum Revenue Provision for the year	-16,694	-10,015
Increase (+)/decrease (-) in Capital Financing Requirement	-7,068	-5,959
<b>Capital Financing Requirement as at 31 March</b>	<b>382,690</b>	<b>376,731</b>

### 32. Capital Commitments

As at 31 March 2018 the Council was contractually committed to £12.383m (£30.503m as at 31 March 2017) on the following schemes:

	<b>2017/18 £'000</b>	
<b>People - Children</b>		
Great Western Park (Primary)	704	
Faringdon Community College - Expansion	2,112	
Schemes under £500,000	185	
		3,001
<b>People - Adults</b>		
Schemes under £500,000	0	
		0
<b>Communities - Property</b>		
Transport under £500k	417	
Better Broadband	5,650	
Other Property under £500k	46	
		6,113
<b>Resources</b>		
Didcot Station Car Park Expansion	2,216	
Bicester Library	790	
Schemes under £500,000	263	
		3,269
<b>TOTAL</b>		<b>12,383</b>

As at 31 March 2018 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 50 – 51 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 2017	At 31 March 2018	At 31 March 2017	At 31 March 2018
	£'000	£'000	£'000	£'000
Loans and receivables	78,211	57,769	220,790	252,510
Available-for-sale financial assets	0	0	109,950	84,342
Financial assets at fair value through profit and loss	0	0	0	10,038
<b>Total Financial Assets</b>	<b>78,211</b>	<b>57,769</b>	<b>330,740</b>	<b>346,890</b>
Financial liabilities at amortised cost	366,372	341,401	132,299	115,384
<b>Total Financial Liabilities</b>	<b>366,372</b>	<b>341,401</b>	<b>132,299</b>	<b>115,384</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 £7.009m of loans and receivables as at 31 March 2018 secured on property (£6.349m at 31 March 2017). Of this, £1.231m was new in 2017/18 (£1.165m in 2016/17). 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 2018, 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:

	2016/17 £'000	2017/18 £'000
Balance as at 1 April	4,864	4,482
Nominal value of new loans granted	55	153
Fair value adjustment on initial recognition	0	0
Loans repaid during the year	-102	-162
Impairment losses recognised	-49	-51
Interest credited to the Surplus/Deficit on Provision of Services	0	0
Other changes	-286	-211
<b>Balance as at 31 March</b>	<b>4,482</b>	<b>4,211</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 2018 was £4.211m (£4.482m at 31 March 2017).

### **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 2018, 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 2017 £'000	At 31 March 2017 £'000	At 31 March 2018 £'000	At 31 March 2018 £'000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB*	2	320,427	427,812	297,525	382,952
Long-term LOBO/money market loans*	2	25,278	42,862	30,444	49,652
Finance lease payables and service concession liabilities	3	23,989	34,089	18,017	441
<b>Total</b>		<b>369,694</b>	<b>504,763</b>	<b>345,986</b>	<b>433,045</b>
Liabilities for which fair value is not disclosed**		128,977		110,800	
<b>Total Financial Liabilities</b>		<b>498,671</b>		<b>456,786</b>	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		69,248		65,662	
Short-term borrowing		47,144		49,269	
Short-term finance liabilities		15,907		454	
Long-term borrowing		342,383		323,383	
Long-term finance liabilities		23,989		18,018	
<b>Total Financial Liabilities</b>		<b>498,671</b>		<b>456,786</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 2017 £'000	At 31 March 2017 £'000	At 31 March 2018 £'000	At 31 March 2018 £'000
<i>Financial assets held at fair value:</i>					
Money market funds	1	53,622		26,655	
Bond, equity and property funds	1	56,328		57,687	
<i>Financial assets held at amortised cost:</i>					
Long-term loans to local authorities*	2	75,462	76,541	55,173	54,162
Long-term debtors	3	3,211	2,923	2,769	2,873
<b>Total</b>		<b>188,623</b>	<b>189,414</b>	<b>142,284</b>	<b>141,377</b>
Assets for which fair value is not disclosed**		220,328		261,635	
<b>Total Financial Assets</b>		<b>408,951</b>		<b>403,919</b>	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		3,211		2,769	
Long-term investments		75,000		55,000	
Short-term debtors		32,151		25,129	
Short-term investments		251,851		296,357	
Cash and cash equivalents		47,638		24,664	
<b>Total Financial Assets</b>		<b>408,951</b>		<b>403,919</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 2017		At 31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and receivables	299,001	300,254	335,138	334,324
Financial Liabilities	498,671	633,740	455,040	542,100

**35. Long Term Debtors**

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

	<b>At 31 March 2017</b>	<b>At 31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>
Key Worker Loans	271	271
Car Loans to Employees	22	22
Chronically Sick & Disabled Persons Act – loans	2,003	1,880
Children’s Act: loans to foster carers	510	572
Loan to school trustees	350	0
Oxfordshire Local Enterprise Partnership loans	40	0
Other	15	24
	<b>3,211</b>	<b>2,769</b>
Capital Prepayment Account	3,341	3,629
<b>Total</b>	<b>6,552</b>	<b>6,398</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 (£0.578m was transferred in 2017/18). 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 2017</b>	<b>At 31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>
Government Departments	14,160	8,067
Other Local Authorities	21,528	14,383
Health Authorities	2,861	2,470
Public Corporations and Trading funds	0	0
Payments in Advance	4,670	6,323
Sundry	32,460	34,671
	<b>75,679</b>	<b>65,914</b>
Less Impairment Allowance Account	-10,932	-11,915
	<b>64,747</b>	<b>53,999</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
-10,480	Balance at 1 April	-10,932
136	Decrease in allowance	440
-588	Increase in allowance	-1,423
<b>-10,932</b>	<b>Balance at 31 March</b>	<b>-11,915</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:

	<b>At 31 March 2017 £'000</b>	<b>At 31 March 2018 £'000</b>
Cash at bank and in hand	-6,076	-2,163
Call Accounts	92	172
Money Market Funds	53,622	26,655
<b>Total</b>	<b>47,638</b>	<b>24,664</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 2018, 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 2018.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

Counterparty	Credit rating criteria met when investment placed?	Credit rating criteria met on 31 March 2018?	Balance invested as at 31 March 2018						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	-	-	-	-	-	-	-
Banks non-UK:									
Australia	Yes	Yes	-	10,000	-	-	-	-	10,000
Netherlands	Yes	Yes	-	-	5,000	5,000	-	-	10,000
Singapore	Yes	Yes	10,000	-	-	5,000	-	-	15,000
<b>Total Banks</b>			<b>10,000</b>	<b>10,000</b>	<b>5,000</b>	<b>10,000</b>	<b>0</b>	<b>0</b>	<b>35,000</b>
Local Authorities and Police Authorities	Yes	Yes	35,000	36,000	42,000	50,000	35,000	20,000	218,000
Building Societies - UK	Yes	Yes	-	-	-	-	-	-	-
Network Homes RCF	Yes	Yes	-	-	10,038	-	-	-	10,038
Notice Accounts	Yes	Yes	-	-	29,817	-	-	-	29,817
Short dated Bond Funds	Yes	Yes	19,529						19,529
Bond Funds	Yes	Yes	17,733						17,733
Property Funds	Yes	Yes	20,424						20,424
Money Market Funds	Yes	Yes	26,655						26,655
Call Accounts	Yes	Yes	172						172
<b>Total</b>			<b>129,513</b>	<b>46,000</b>	<b>86,855</b>	<b>60,000</b>	<b>35,000</b>	<b>20,000</b>	<b>377,368</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The above analysis shows that all deposits outstanding as at 31 March 2018 met the County Council's credit rating criteria at that date.

Within the £65.914m short-term debtors included in loans and receivables, £17.456m were past due at 31 March 2018 (£28.740m at 31 March 2017). The past due amount can be analysed by age as follows:

	<b>At 31 March 2017 £'000</b>	<b>At 31 March 2018 £'000</b>
Less than 1 month	14,398	5,078
Between 1 and 3 months	3,756	2,781
Between 3 and 6 months	2,275	1,725
Between 6 months and 1 year	2,271	2,242
Between 1 and 3 years	4,634	3,974
Over 3 years	1,406	1,656
<b>Total</b>	<b>28,740</b>	<b>17,456</b>

None of these past-due short-term debtors have been individually impaired. An impairment allowance of £2.911m has been provided for past due debtors that are financial instruments based on past and current experience (£2.918m at 31 March 2017). This is the County Council's estimate of maximum exposure to uncollectability. £2.312m 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), overpaid allowances to foster carers (£0.180m) and for overdue library fines (£0.131m). 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 2017 £'000		At 31 March 2018			
		Fixed Rate Borrowing £'000	Variable Rate Borrowing £'000	Other Finance Liabilities £'000	Total £'000
63,051	Less than 1 year	28,417	20,853	454	49,724
29,986	Between 1 and 2 years	2,000	5,000	512	7,512
38,339	Between 2 and 5 years	35,000	20,000	1,769	56,769
79,664	Between 5 and 10 years	77,000	0	15,736	92,736
218,383	More than 10 years	184,383	0	0	184,383
<b>429,423</b>		<b>326,800</b>	<b>45,853</b>	<b>18,471</b>	<b>391,124</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

	2016/17 £'000	2017/18 £'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	-853	-314
Increase in the gain arising from the revaluation of available for sale assets	-553	-563
<b>Impact on Comprehensive Income &amp; Expenditure Statement</b>	<b>-1,406</b>	<b>-877</b>

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

	2016/17 £'000	2017/18 £'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	511	202
Decrease in the gain arising from the revaluation of available for sale assets	553	563
<b>Impact on Comprehensive Income &amp; Expenditure Statement</b>	<b>1,064</b>	<b>765</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**

	<b>At 31 March 2017 £'000</b>	<b>At 31 March 2018 £'000</b>
<b>Receipts in Advance</b>		
Government Departments	1,208	1,686
Other Local Authorities	932	1,083
Health Authorities	182	100
Public Corporations and Trading Funds	0	0
Sundry	4,960	5,272
	<b>7,282</b>	<b>8,141</b>
<b>Creditors</b>		
Government Departments	10,053	7,508
Other Local Authorities	6,229	6,935
Health Authorities	2,522	3,074
Public Corporations and Trading Funds	7	0
Bodies external to general government (ie all other bodies)	65,357	62,029
	<b>84,168</b>	<b>79,546</b>
<b>Short Term Creditors and RIA</b>	<b>91,450</b>	<b>87,687</b>
<b>Long Term Receipts in Advance</b>	<b>5,950</b>	<b>7,745</b>
	<b>97,400</b>	<b>95,432</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**

	<b>Balance at 31 March 2017</b>	<b>Reclassification between short and long term</b>	<b>Additional provisions made in 2017/18</b>	<b>Amounts used in 2017/18</b>	<b>Unused amounts reversed in 2017/18</b>	<b>Balance at 31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Provision due within 1 year</b>						
Insurance	726	1,665	1,082	-946	-1,680	847
Pooled Budgets	436		1,039	-1,475	0	0
Redundancy	114		14	-114	0	14
MMI Scheme of Arrangement	180		45	-95	-76	54
Business Rates	2,776		3,536		-2,776	3,536
Joint Use	0				0	0
	<b>4,232</b>	<b>1,665</b>	<b>5,716</b>	<b>-2,630</b>	<b>-4,532</b>	<b>4,451</b>
<b>Provision due after 1 year</b>						
Insurance	4,678	-1,665	2,040	-219	-62	4,772
Redundancy	0			0	0	0
	<b>4,678</b>	<b>-1,665</b>	<b>2,040</b>	<b>-219</b>	<b>-62</b>	<b>4,772</b>
<b>Total</b>	<b>8,910</b>	<b>0</b>	<b>7,756</b>	<b>-2,849</b>	<b>-4,594</b>	<b>9,223</b>

	<b>Balance at 31 March 2016</b>	<b>Reclassification between short and long term</b>	<b>Additional provisions made in 2016/17</b>	<b>Amounts used in 2016/17</b>	<b>Unused amounts reversed in 2016/17</b>	<b>Balance at 31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Provision due within 1 year</b>						
Insurance	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>

Details of the provisions held at 31 March 2018 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 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 £0.054 million has been allocated as per the actuary's report of April 2018 and adjustment for updated outstanding claims figures.
- 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 £8.359m at 31 March 2018 (£3.131m at 31 March 2017) 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 2017/18, split between short term and long term is as follows:

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>2017/18</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 2017	4,300	18,880	1,343	24,523
Received/refunded during the year	11,677	-616	0	11,061
Transferred to the Comprehensive Income and Expenditure Statement during the year	-4,671	-16,311	-975	-21,957
Transfer between short and long term	0	16,410	0	16,410
<b>Balance at 31 March 2018</b>	<b>11,306</b>	<b>18,363</b>	<b>368</b>	<b>30,037</b>
<b>Long term:</b>				
Balance as at 1 April 2017	0	66,139	65	66,204
Received/refunded during the year	0	23,621	0	23,621
Transferred to the Comprehensive Income and Expenditure Statement during the year	0	188	0	188
Transfer between short and long term	0	-16,410	0	-16,410
<b>Balance at 31 March 2018</b>	<b>0</b>	<b>73,538</b>	<b>65</b>	<b>73,603</b>
<b>Total at 31 March 2018</b>	<b>11,306</b>	<b>91,901</b>	<b>433</b>	<b>103,640</b>

The balance at 31 March 2018 includes £1.004m Growing Places Fund grant held on behalf of the Oxfordshire Local Enterprise Partnership (OxLEP), for which the County Council is the accountable body (£1.750m at 31 March 2017).

**NOTES TO THE CORE FINANCIAL STATEMENTS**

The comparative amounts for 2016/17 are given in the following table:

<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
Reclassification 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 2015	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
Reclassification 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>

**43. County Fund Balance**

The balance on the County Fund at 31 March 2018 was £25.719m (£19.970m at 31 March 2017) as shown in the Movement in Reserves Statement on page 36.

**44. Earmarked Reserves**

	<b>Balance at 1 April 2016</b>	<b>In-year movement 2016/17</b>	<b>Balance at 31 March 2017</b>	<b>In-year movement 2017/18</b>	<b>Balance at 31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
School Reserves	20,684	-2,311	18,373	-3,196	15,177
Vehicle and Equipment Reserve	3,123	209	3,332	-572	2,760
Grants and Contribution Reserve	15,208	179	15,387	-1,848	13,539
Government Initiatives	865	-447	418	169	587
Trading Accounts	337	-44	293	365	658
Council Elections	487	231	718	-560	158
Partnership Reserves	199	0	199	455	654
On Street Car Parking	1,879	911	2,790	-479	2,311
Transition/ Transformation Reserve	0	2,122	2,122	360	2,482
Budget Prioritisation Reserve	13,001	3,870	16,871	95	16,966
Insurance Reserve	7,086	994	8,080	435	8,515
Business Rates Reserve	494	-377	117	33	150
Capital Reserve	34,058	418	34,476	-3,160	31,316
Budget Equalisation Reserve	8,711	-7,506	1,205	88	1,293
<b>Total Earmarked Reserves</b>	<b>106,132</b>	<b>-1,751</b>	<b>104,381</b>	<b>-7,815</b>	<b>96,566</b>

The purposes of the earmarked reserves are as follows:-

**School Reserves**

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at 31 March 2017		Balance at 31 March 2018	
	No. of schools	Balance £'000	No. of schools	Balance £'000
<b>Primary Schools</b>				
Schools in surplus	155	11,679	140	10,397
Schools in deficit	16	-546	16	-592
<b>Secondary Schools</b>				
Schools in surplus	0	0	1	182
Schools in deficit	3	-1,587	2	-2,239
<b>Special Schools</b>				
Schools in surplus	5	1,048	7	979
Schools in deficit	4	-161	2	-294
<b>Sub-Total Revenue</b>	<b>183</b>	<b>10,433</b>	<b>168</b>	<b>8,433</b>
Closed Schools, Schools Contingency & Schools Forum		7,851		6,571
<b>Total</b>		<b>18,284</b>		<b>15,004</b>

The reserve also contains a small balance of £0.173m of relating to miscellaneous education activities (£0.089m at 31 March 2017).

### **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. £4.365m of the balance at 31 March 2018 relates to the Dedicated Schools Grant.

### **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.

### **Trading Accounts**

This reserve holds funds relating to traded activities to help manage investment.

### **Council Elections Reserve**

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

### **Partnership Reserves**

This reserve holds funds relating to partnership arrangements.

### **On-Street Car Parking 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.

**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 2018 at £1.753m. In addition to these claims the actuaries have also highlighted an amount in respect of Municipal Mutual Insurance Plc (MMI) clawback and non-standard claims (for example exceptional and latent claims) which in total has been assessed at £1.807m. The sum of £0.849m has been included in the reserves to cover MMI clawback noted as a contingent liability.

	<b>At 31 March 2017 £'000</b>	<b>At 31 March 2018 £'000</b>
Standard claims likely to be received as at 31 March	1,845	1,753
Additional IBNR/Latent claims as assessed by Actuarial review	1,786	1,807
MMI clawback as assessed by actuarial review	937	849
Risk management	3,512	4,106
<b>Total</b>	<b>8,080</b>	<b>8,515</b>

**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.

**Capital Reserve**

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

**Budget Equalisation Reserve**

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

**Budget Prioritisation 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 45. Useable Capital Receipts

	2016/17 £'000	2017/18 £'000
Balance as at 1 April	18,094	20,145
Net receipts from sale of assets	1,856	2,436
Net receipts from repayment of loans	195	513
Receipts applied to finance capital expenditure	0	-514
<b>Balance as at 31 March</b>	<b>20,145</b>	<b>22,580</b>

This reserve has been established for the purpose of financing capital expenditure in future years. Unutilised capital receipts at 31 March 2018 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
St. Edburghs primary school site	1,417
Other receipts from sale of assets under £500,000	1,019
<b>Total</b>	<b>2,436</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.

	2016/17 £'000	2017/18 £'000
Balance as at 1 April	28,870	42,185
Applied during the year	-4,216	-15,154
Recognised as income but not applied during the year	17,531	21,039
<b>Balance as at 31 March</b>	<b>42,185</b>	<b>48,070</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 47. Unusable Reserves

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

	<b>Balance at 31 March 2017 £'000</b>	<b>Balance at 31 March 2018 £'000</b>
Available-for-Sale Financial Instruments Reserve	2,262	3,578
Pensions Reserve	-1,033,469	-980,258
Revaluation Reserve	158,413	189,036
Capital Adjustment Account	600,115	600,267
Financial Instruments Adjustment Account	-241	-239
Collection Fund Adjustment Account	6,826	5,860
Accumulated Absences Account	-3,155	-3,119
<b>Total</b>	<b>-269,249</b>	<b>-184,875</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>2016/17 £'000</b>		<b>2017/18 £'000</b>
1,458	Balance as at 1 April	2,262
1,566	Increase in value of available for sale financial assets	1,319
-310	Decrease in value of available for sale financial assets	-3
-452	Amounts recycled back to the CIES	0
<b>2,262</b>	<b>Balance as at 31 March</b>	<b>3,578</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**

2016/17 £'000			2017/18 £'000	
	142,005	Balance as at 1 April		158,413
20,695		Revaluation of assets	28,681	
-1,728		Impairment of assets	-1,101	
10,602		Write back of accumulated depreciation on revaluations	9,388	
19		Write back of accumulated impairment on revaluations	1,552	
	29,588	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		38,520
-2,814		Difference between fair value depreciation and historical cost depreciation	-3,220	
-10,366		Accumulated gains on assets sold or scrapped	-4,677	
	-13,180	Amounts written off to the Capital Adjustment Account		-7,897
	<b>158,413</b>	<b>Balance as at 31 March</b>		<b>189,036</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.

2016/17 £'000			2017/18 £'000	
	610,734	Balance as at 1 April		600,115
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
-31,829		Charges for depreciation for non-current assets	-32,151	
-444		Charges for impairment for non-current assets	-169	
4,382		Revaluation losses/subsequent gains on Property, Plant and Equipment	-433	
-333		Amortisation of Intangible Assets	-253	
-45,107		Revenue expenditure funded from capital under statute	-53,823	
-69,071		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on derecognition	-31,643	
8		Removal of finance liability on derecognition of assets held under finance leases	0	
	-142,394			-118,472

**NOTES TO THE CORE FINANCIAL STATEMENTS**

2016/17 £'000			2017/18 £'000	
2,814		Adjusting amounts written out of the Revaluation Reserve:	3,220	
9,916		Difference between fair value depreciation and historical cost depreciation	4,653	
		Accumulated gains on assets sold or scrapped		
	12,730			7,873
	481,070	Net written out amount of the cost of non-current assets consumed in the year		489,516
		Capital financing applied in the year:		
		Use of the Capital Receipts Reserve to finance new capital expenditure	514	
97,966		Capital grants and contributions credited to the CIES that have been applied to capital financing	75,031	
3,715		Application of grants to capital financing from the Capital Grants Unapplied account	13,644	
		Reversal of grants and contributions applied in previous years	0	
16,694		Statutory provision for the financing of capital investment charged against the County Fund balance	10,015	
844		Capital expenditure charged against the County Fund balance	2,388	
-16		Reversal of revenue applied to capital financing in previous years	-3	
	119,203			101,589
	412	Movements in the market value of Investment Properties debited or credited to the CIES		10,347
		Amounts of Investment Properties written off on disposal or sale as part of the gain/loss on derecognition		
		Movement in the Donated Asset Account credited to the CIES		
		Revaluation losses/subsequent gains on Assets held for Sale		
		Impairment losses on Assets held for Sale		
	450	Accumulated gains on Assets held for Sale sold or scrapped		24
	-825	Amounts of Assets held for Sale written off on disposal or sale as part of the gain/loss on derecognition		-696
	-195	Repayment of loans treated as capital receipts		-513
	<b>600,115</b>	<b>Balance as at 31 March</b>		<b>600,267</b>

**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:

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
4,987	Balance as at 1 April	6,826
-118	Decrease in Council Tax and Business Rate surpluses/increases in deficits	-1,589
1,957	Increases in Council Tax and Business Rate surpluses/reductions in deficits	623
1,839	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	-966
<b>6,826</b>	<b>Balance at 31 March</b>	<b>5,860</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.

<b>2016/17 £'000</b>		<b>2017/18 £'000</b>
-2,329	Balance at 1 April	-3,155
2,329	Settlement or cancellation of previous year's accrual	3,155
-3,155	Amount accrued at the end of the current year	-3,119
-826	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement differs from remuneration chargeable in the year under statute	36
<b>-3,155</b>	<b>Balance at 31 March</b>	<b>-3,119</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>2016/17 £'000</b>	<b>2017/18 £'000</b>
Depreciation/amortisation of fixed assets	-32,162	-32,404
Impairment charges/revaluation losses	3,938	-602
Retirement benefit adjustments	-15,205	-50,227
Debt write-offs and Impairment allowances	-658	-439
Other financial instrument adjustments	454	2
Provisions set aside in the year	1,148	-1,648
Deferred income released	330	-5,228
Movement in value of investment properties	412	10,347
Carrying amount of non-current asset sold	-69,888	-32,339
Transfers from Capital Grants Receipts in Advance	35,599	21,769
Previous years' capitalised spend written-off	-16	-3
Donated assets	0	22
Other non cash adjustment	0	296
Increase/decrease(-) in inventories	0	0
Increase/decrease(-) in debtors	11,314	-10,414
Increase(-)/decrease in creditors	-5,325	-10,855
<b>Total adjustments for non-cash movements</b>	<b>-70,059</b>	<b>-111,723</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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

The cash flows for operating activities are as follows:

2016/17 £'000		2017/18 £'000	
	<b>Cash outflows</b>		
340,914	Cash paid to and on behalf of employees	320,770	
494,708	Other operating costs	513,522	
835,622			834,292
	<b>Cash inflows</b>		
-312,751	Council Tax receipts	-335,341	
-26,780	Non-domestic rate income	-30,945	
-39,331	Revenue Support Grant	-18,666	
-37,394	Business Rates Top-Up Grant	-37,821	
-341,869	Other government grants and contributions	-332,565	
-67,896	Other cash received for goods and services	-63,516	
-826,021			-818,854
	<b>Cash outflows</b>		
17,614	Interest paid	15,797	
1,985	Interest element of finance lease rental payments	2,465	
19,599			18,262
	<b>Cash Inflows</b>		
-3,717	Interest received		-3,255
<b>25,483</b>	<b>Total operating activities</b>		<b>30,445</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.

	2016/17 £'000	2017/18 £'000
Purchase of property, plant and equipment, investment property and intangible assets	68,151	52,412
Purchase of short-term and long-term investments	211,041	278,000
Other payments for investing activities	889	1,023
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-1,856	-2,436
Capital grants	-109,790	-120,435
Proceeds from short-term and long-term investments	-237,452	-240,000
Other receipts from investing activities	-181	-599
<b>Total investing activities</b>	<b>-69,198</b>	<b>-32,035</b>

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

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

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Cash receipts of short- and long-term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet service concession arrangements	863	6,564
Repayments of short- and long-term borrowing	8,000	18,000
Other payments for financing activities	0	0
<b>Total financing activities</b>	<b>8,863</b>	<b>24,564</b>

**57. Contingent Liabilities and Assets**

**Carillion LGS**

On 31 January 2018 the Council formally terminated its contract for construction and facilities management services with Carillion LGS who went into liquidation on 25 January 2018. Prior to this, on the 31 December 2017, the Council, through the payment of a final settlement, partially terminated the contract relating to construction and hard Facilities Management services, minimising any potential unknown future financial liability. The Council, through a programme of planned project assessments and estate compliance audits, is now reviewing the impact following termination regarding construction works and facilities management previously undertaken by Carillion under the contract. At this stage initial values have been established for known defects, the programming of which will be prioritised in the Capital Programme over the next 36 months. Any potential expenditure relating to future latent defects or the impact of the estate compliance audits cannot be quantified, however these are being noted as a potential liability.

**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 30 September 2017 the Council has a potential liability of £3.227 million 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. This is in addition to the short-term provision of £0.054m recognised at year end for the 25% levy which will be due on outstanding claims figures.

**Mandatory Relief for NHS Trusts**

Along with other NHS Trusts across the Country, the Oxford Health NHS Foundation Trust has made a claim for backdated mandatory relief of business rates (NNDR). Business rates are collected by the District Councils and pooled with the County Council and Central Government. The County receives 10% of the rates collected and would be liable for 10% of the claim. The claim period is from February 2012 to 2018 and totals £25m. If the claim is successful, the County Council has a potential liability in excess of £2.5m and would see a future reduction in annual income from NNDR of about £0.400m.

**58. Material Post Balance Sheet Events**

Events after the balance sheet date have been considered up until 31 May 2018, when the accounts were authorised for issue.

Four schools converted to academy status since 31 March 2018, only three 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 2018/19 relating to these schools is £15.523m.

At their respective meetings on 10 and 16 July 2018 the elected members of Oxfordshire County Council and Cherwell District Council agreed to appoint to the post of 'Joint Chief Executive and Head of Paid Service' and to enter into a Section 113 Agreement.

In making this decision, the County Council's role of "Chief Executive and Head of Paid Service" is being deleted and a redundancy will occur. It is envisaged that the Notice of Termination will be served on 30 September 2018. It is considered necessary to maintain the current arrangements until that point in order to ensure continuity of service delivery, until the new Joint Chief Executive starts on 1 October.

At this stage, the savings for the County Council in the appointment of a Joint Chief Executive will be the contribution that Cherwell District Council will now be making towards the salary of the post. There may further efficiencies from joint working arrangements as they are agreed.

These are non-adjusting events.

**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 2018/19 (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 (2017/18).

New standards that have been adopted by the Code for 2018/19 which will apply from 1 April 2018 are as follows:

- IFRS 9 Financial Instruments (issued July 2014)
- IFRS 15 Revenue from Contracts with Customers (issued May 2014)
- Amendments to IFRS 15 (issued April 2016)

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (issued January 2016)
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative (issued January 2016)

There is current uncertainty on the impact of IFRS9 and the resulting accounting transactions, this is likely to be informed by a statutory override that will permit an accounting entry to remove the impact of specific value movements from the General Fund. We plan to elect to present in 'other comprehensive income' changes in the fair values of the CCLA Local Authorities Property Fund equity instruments but cannot currently assess the impact on the authority's financial statements.

Assessments of the impact of the of the other accounting standards to be adopted in 2018/19 have found that they are not expected to have a material impact.

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

The draft Statement of Accounts was authorised for issue by Lorna Baxter, Director of Finance on 31 May 2018.

These statements may be subject to amendment following the conclusion of the audit.

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

**Fire-Fighters' Pension Fund Accounts**

**Fund Account for the year ended 31 March 2018**

Fund Account	2016/17 £'000	2017/18 £'000
<b>Contributions Receivable</b>		
From employer		
- normal	-1,615	-1,600
- early retirements	0	0
Other (ill health retirement contribution)	-54	-59
From members	-1,419	-1,356
	-3,088	-3,015
<b>Transfers in</b>	-21	-1
<b>Benefits Payable</b>		
Pensions	4,972	5,211
Commutations and lump sum retirement benefits	609	1,192
Lump sum death benefits	0	0
Other (ill health lump sums)	0	90
	5,581	6,493
<b>Payments to and on account of leavers</b>		
Individual transfers out to other schemes	0	0
	0	0
<b>Miscellaneous</b>		
Annual Allowance Charge	0	84
Interest Payments	0	28
Refunds due to employee contribution holiday (including interest)	64	6
	64	118
<b>Net amount payable/receivable for the year before top-up grant receivable/amount payable to sponsoring department</b>	<b>2,536</b>	<b>3,595</b>
<b>Top-up grant receivable</b>	<b>-2,536</b>	<b>-3,595</b>
<b>Net amount payable/receivable for the year</b>	<b>0</b>	<b>0</b>

**FIRE-FIGHTERS' PENSION FUND ACCOUNTS NET ASSESTS STATEMENT**

<b>Net Assets Statement</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
<b>Net Current Assets and Liabilities</b>		
Contributions due from employer	0	0
Pension top-up grant receivable from sponsoring department	0	0
Other Current Assets	0	0
Pension top-up grant payable to sponsoring department	-492	1,317
Other current liabilities (other than liabilities to pay pensions and other benefits in the future)	-11	25
Cash balance	503	-1,342
<b>Total</b>	<b>0</b>	<b>0</b>

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

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

### 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 2018.

	1992 Scheme	2006 Scheme	2015 Scheme
Contributors	44	15	463
Pensioners	43	375	123
Preserved Pensions	309	50	3

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. All 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 2017/18.

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

**Local Government Pension Fund Accounts 2017/18**

<b>Fund Account for the Year Ended 31 March 2018</b>			
	Notes	<b>2017</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
<b>Contributions and Benefits</b>			
Contributions Receivable	6	-87,845	-95,440
Transfers from Other Schemes	7	-6,535	-7,562
Other Income	8	-336	-506
<b>Income Sub Total</b>		<b>-94,716</b>	<b>-103,508</b>
Benefits Payable	9	77,879	83,215
Payments to and on Account of Leavers	10	11,711	7,746
Management Expenses	11	9,203	10,925
<b>Expenditure Sub Total</b>		<b>98,793</b>	<b>101,886</b>
<b>Net (Additions)/Withdrawals From Dealings With Members</b>		<b>4,077</b>	<b>-1,622</b>
<b>Returns on Investments</b>			
Investment Income	12	-29,128	-75,246
Commission Recapture		-2	-1
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	-390,036	-21,600
Less Taxes on Income	12	258	239
<b>Net returns on Investments</b>		<b>-418,908</b>	<b>-96,608</b>
<b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>		<b>-414,831</b>	<b>-98,230</b>
Opening Net Assets of the Scheme		1,842,289	2,257,120
<b>Closing Net Assets of the Scheme</b>		<b>2,257,120</b>	<b>2,355,350</b>

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

<b>Net Assets as at 31 March 2018</b>			
	Notes	<b>2017 £'000</b>	<b>2018 £'000</b>
<b>Investment Assets</b>			
Bonds	16b	202,883	279,802
Equities	16b	780,002	713,313
Pooled Investments	16b	1,031,626	1,069,635
Pooled Property Investments	16b	144,421	161,441
Derivative Contracts	16c	522	480
Cash Deposits	16d	8,027	9,698
Other Investment Balances	16d	10,404	13,229
Long-Term Investment Assets	16b	0	840
<b>Investment Liabilities</b>			
Derivative Contracts	16c	-441	-752
Other Investment Balances	16d	-3,266	-5,821
<b>Total Investments</b>		<b>2,174,178</b>	<b>2,241,865</b>
<b>Assets and Liabilities</b>			
Current Assets	17	77,612	110,040
Current Liabilities	18	-3,404	-3,227
<b>Net Current Assets</b>		<b>74,208</b>	<b>106,813</b>
Long-Term Assets	19	8,734	6,672
<b>Net Assets of the scheme available to fund benefits at year end</b>		<b>2,257,120</b>	<b>2,355,350</b>

### Note 1 – Description of the fund

This description of the Fund is a summary only. Further details are available in the Fund's 2017/18 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.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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

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

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

	As at 31 March 2017	As at 31 March 2018
<b>Number of Contributory Employees in Scheme</b>		
Oxfordshire County Council	9,369	8,646
Other Scheduled Bodies	9,599	10,600
Admitted Bodies	829	764
	<b>19,797</b>	<b>20,010</b>
<b>Number of Pensioners and Dependants</b>		
Oxfordshire County Council	8,478	8,809
Other Scheduled Bodies	5,167	5,414
Admitted Bodies	867	931
	<b>14,512</b>	<b>15,154</b>
<b>Deferred Pensioners</b>		
Oxfordshire County Council	17,277	17,058
Other Scheduled Bodies	10,053	11,260
Admitted Bodies	1,180	1,360
	<b>28,510</b>	<b>29,678</b>

Unprocessed leavers are included as Deferred Pensioners.

Ten Admitted Bodies, joined the scheme in 2017/18. In addition, three admitted bodies left the scheme and three academies joined multi-academy trusts in 2017/18. There was no significant impact on the membership of the scheme because the Academies' members were transferred to a multi-academy trust employer 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 2018 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 01 April 2017. Employer contribution rates currently range from 12.0% to 28.4% 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 $1/80 \times$ final pensionable salary.	Each full-time year worked is worth $1/60 \times$ final pensionable salary.
Lump Sum	Automatic lump sum of $3 \times$ pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

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

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

### Note 2 – Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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 Pension Fund and detail the net assets of the Fund. 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 Fund which takes into account these obligations is dealt with in the Actuarial Statement on page 174.

**Note 3 – Summary of Significant Accounting Policies****Investments**

1. Investments are shown in the accounts at market value, which has been determined as follows:
  - (a) The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, as at 31 March 2018.
  - (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 2018.
  - (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 'Changes in Market Value of Investments'.

**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

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid or on receipt if earlier than the due date.

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

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

### **Benefits, Refunds of Contributions and Transfer Values**

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

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

### **Investment Income**

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Changes in Market Value of Investments'. 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 2018.

### **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. 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.

**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 and infrastructure investments at 31 March 2018 was £75.443m (£74.995m at 31 March 2017).

**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**

<b>Item</b>	<b>Uncertainties</b>	<b>Potential Impact</b>
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.	<p>The actuarial present value of promised retirement benefits included in the financial statements is £3,638m. There is a risk that this figure is under, or overstated in Note 26 to the accounts.</p> <p>Sensitivities to the key assumptions are as follows:</p> <p>A 0.5% p.a. increase in the pension increase rate would result in an approximate 9% increase to liabilities (£313m).</p> <p>A 0.5% p.a. increase in the salary increase rate would result in an approximate increase to liabilities of 1% (£35m).</p> <p>A 0.5% decrease in the real discount rate would result in an approximate 10% increase to liabilities (£364m).</p> <p>A one year increase in member life expectancy would approximately increase the liabilities by 3-5%.</p>
Unquoted Private Equity	Unquoted private equity and infrastructure 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 and infrastructure investments included in the financial statements total £75.443m. There is a risk these investments are under, or overstated in the accounts. The Pension Fund relies on specialists to perform the valuations and does not have the information (i.e. the assumptions that were used in each case) to produce sensitivity calculations.

**Note 6 – Contributions**

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
<b>Employers</b>		
Normal	-47,561	-50,903
Augmentation	0	0
Deficit Funding	-17,620	-21,099
Costs of Early Retirement	-967	-1,417
	-66,148	-73,419
<b>Members</b>		
Normal	-21,429	-21,771
Additional *	-268	-250
	-21,697	-22,021
<b>Total</b>	<b>-87,845</b>	<b>-95,440</b>

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Deficit recovery contributions are paid by employers based on the maximum 22 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.

	<b>Employer Contributions</b>		<b>Members Contributions</b>	
	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Oxfordshire County Council	-28,343	-28,920	-9,139	-8,943
Scheduled Bodies	-34,209	-41,098	-11,339	-11,872
Resolution Bodies	-772	-862	-231	-250
Community Admission Bodies	-1,551	-956	-541	-387
Transferee Admission Bodies	-1,273	-1,583	-447	-569
<b>Total</b>	<b>-66,148</b>	<b>-73,419</b>	<b>-21,697</b>	<b>-22,021</b>

### Note 7 – Transfers In

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Individual Transfers In from other schemes	-6,535	-7,562
<b>Total</b>	<b>-6,535</b>	<b>-7,562</b>

### Note 8 – Other Income

Other Income for 2017/18 of £0.506m (2016/17 £0.336m) includes £0.253m (2016/17 £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>2016/17 £'000</b>	<b>2017/18 £'000</b>
Pensions Payable	64,091	67,756
Lump Sums – Retirement Grants	11,361	13,866
Lump Sums – Death Grants	2,427	1,593
<b>Total</b>	<b>77,879</b>	<b>83,215</b>

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

	Pensions Payable		Lump Sums	
	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000
Oxfordshire County Council	32,169	33,541	6,158	6,523
Scheduled Bodies	27,910	29,841	6,450	7,273
Resolution Bodies	528	560	138	254
Community Admission Bodies	3,034	3,225	628	682
Transferee Admission Bodies	450	589	414	727
<b>Total</b>	<b>64,091</b>	<b>67,756</b>	<b>13,788</b>	<b>15,459</b>

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

	2016/17 £'000	2017/18 £'000
Refunds of Contributions	297	375
Payments for members joining state scheme	-32	-17
Group Transfers Out to other schemes	6,484	1,671
Individual Transfers Out to other schemes	4,962	5,717
<b>Total</b>	<b>11,711</b>	<b>7,746</b>

**Note 11 – Management Expenses**

	2016/17 £'000	2017/18 £'000
Administrative Costs	1,223	2,013
Investment Management Expenses	7,374	8,186
Oversight & Governance Costs	606	726
<b>Total</b>	<b>9,203</b>	<b>10,925</b>

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

**Note 12 – Investment Income**

	2016/17 £'000	2017/18 £'000
Bonds	-3,271	-3,979
Equity Dividends	-21,726	-66,460
Pooled Property Investments	-3,096	-3,126
Pooled Investments – Unit Trusts & Other Managed Funds	-770	-1,349
Interest on Cash Deposits	-215	-296
Other – Securities Lending	-46	-36
Other – Underwriting Commission	-4	0
	<b>-29,128</b>	<b>-75,246</b>
Irrecoverable Withholding Tax - Equities	<b>258</b>	<b>239</b>
<b>Total</b>	<b>-28,870</b>	<b>-75,007</b>

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

### Note 13 – Investment Management Expenses

	2016/17 £'000	2017/18 £'000
Management Fees	7,306	8,129
Custody Fees	68	57
<b>Total</b>	<b>7,374</b>	<b>8,186</b>

Investment Management & 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.

### Note 14 – Securities Lending

The Fund operated a securities lending programme with its custodian BNP Paribas Securities Services from April 2017 to November 2017. In November 2017 the Fund changed custodian to State Street Bank and Trust Company. The Fund commenced a securities lending programme with State Street in December 2017. Collateralised lending generated income of £0.036m in 2017/18 (2016/17 £0.046m). This is included within investment income in the Pension Fund Accounts. At 31 March 2018 £18.448m (31 March 2017 £18.975m) of stock was on loan, for which the fund held £20.157m (31 March 2017 £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 2017/18, 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 £0.109m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2016/17 £'000	2017/18 £'000
Short Term Benefits*	93	93
Long Term/Post Retirement Benefits	15	16
<b>Total</b>	<b>108</b>	<b>109</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.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

For the 12 months ended 31 March 2018, employer contributions to the Pension Fund from the County Council were £28.920m (2016/17 £28.343m). At 31 March 2018 there were receivables in respect of contributions due from the County Council of £3.232m (2016/17 £3.245m) and payables due to the County Council of £0.221m (2016/17 £0.128m) for support services.

The County Council was reimbursed £1.301m (2016/17 £1.195m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

### **Brunel Pension Partnership Ltd (Company Number 10429110)**

Brunel Pension Partnership Ltd (BPP Ltd) was formed on the 14th October 2016 and will oversee the investment of pension fund assets for the following LGPS funds: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire.

Each of the 9 Administering Authorities, including Oxfordshire County Council, and the Environment Agency own 10% of BPP Ltd. Pension Fund transactions with BPP Ltd are as follows:

	2016/17 £'000	2017/18 £'000
Income	0	-235
Expenditure	0	840
Receivables	0	235
Payables	0	0

### **Note 16 – Investments**

	Value at 31 March 2017 £'000	Value at 31 March 2018 £'000
<b>Investment Assets</b>		
Bonds	202,883	279,802
Equities	780,002	713,313
Pooled Investments	1,031,626	1,069,635
Pooled Property Investments	144,421	161,441
Derivatives:		
- Forward Currency Contracts	522	480
Cash Deposits	8,027	9,698
Long-Term Investments	0	840
Investment Income Due	4,303	5,076
Amounts Receivable for Sales	6,101	8,153
<b>Total Investment Assets</b>	<b>2,177,885</b>	<b>2,248,438</b>
<b>Investment Liabilities</b>		
Derivatives:		
- Forward Currency Contracts	-441	-752
Management Expenses Due	-1,446	-4,347
Amounts Payable for Purchases	-1,820	-1,474
<b>Total Investment Liabilities</b>	<b>-3,707</b>	<b>-6,573</b>
<b>Net Investment Assets</b>	<b>2,174,178</b>	<b>2,241,865</b>

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

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

	Value at 1 April 2017	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	202,883	512,013	-431,171	-3,923			279,802
Equities	780,002	113,944	-159,530	-21,103			713,313
Pooled Investments	1,031,626	262,237	-254,340	30,112			1,069,635
Pooled Property Investments	144,421	8,812	-6,461	14,669			161,441
Long-Term Investments	0	840					840
<u>Derivative Contracts</u>							
FX	81	607,381	-609,347	1,613			-272
<u>Other Investment Balances</u>							
Cash Deposits	8,027	220,748	-257,860	232	38,551		9,698
Amounts Receivable for Sales of Investments	6,101					2,052	8,153
Investment Income Due	4,303					773	5,076
Amounts Payable for Purchases of Investments	-3,266					-2,555	-5,821
<b>Total</b>	<b>2,174,178</b>	<b>1,725,975</b>	<b>-1,718,709</b>	<b>21,600</b>	<b>38,551</b>	<b>270</b>	<b>2,241,865</b>

Included within the above purchases and sales figures are transaction costs of £0.310m. 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.

Purchases and sales relating to derivative contracts consist of forward foreign exchange contracts that are used for the purpose of currency hedging. Further details are contained in note 16c.

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

	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>

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

**Note 16b – Analysis of Investments (Excluding Derivative Contracts)**  
**Long-Term Investment Assets**

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Brunel Pension Partnership Ltd	0	840
<b>Total</b>	<b>0</b>	<b>840</b>

**Bonds**

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
UK Public Sector	52,848	101,440
UK Other	-	-
Overseas Public Sector	45,331	41,106
UK Public Sector Index Linked	104,704	137,256
<b>Total</b>	<b>202,883</b>	<b>279,802</b>

**Equity Investments**

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
UK Equities	523,881	490,007
Overseas Listed Equities:		
North America	168,498	149,110
Japan	11,630	13,952
Europe	49,646	49,614
Pacific Basin	3,138	0
Emerging Markets	23,209	10,630
<b>Total</b>	<b>780,002</b>	<b>713,313</b>

**Pooled Investment Vehicles**

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
UK Registered Managed Funds – Property	26,118	29,184
Non UK Registered Managed Funds – Property	20,609	21,536
UK Registered Managed Funds – Other	530,889	589,352
Non UK Registered Managed Funds – Other	175,378	189,157
UK Registered Property Unit Trusts	77,074	87,015
Non UK Registered Property Unit Trusts	20,620	23,706
Non UK Registered Unit Linked Insurance Fund	325,359	291,126
<b>Total</b>	<b>1,176,047</b>	<b>1,231,076</b>

**Total Investments (excluding derivative contracts)**

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
	2,158,932	2,225,031

**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:

<b>Contract</b>	<b>Settlement Date</b>	<b>Currency Bought</b>	<b>Currency Sold</b>	<b>Asset value At year end £'000</b>	<b>Liability value at year end £'000</b>	<b>Net Forward currency Contracts £'000</b>
		<b>'000</b>	<b>'000</b>			
Forward OTC	1 month	195 EUR	173 GBP		-2	
Forward OTC	1 month	1,009 GBP	1,800 AUD	26		
Forward OTC	1 month	576 GBP	1,010 CAD	17		
Forward OTC	1 month	44,570 GBP	50,320 EUR	433		
Forward OTC	1 month	8,033 GBP	1,250,500 JPY		-352	
Forward OTC	1 month	78 GBP	875 SEK	4		
Forward OTC	1 month	19,342 GBP	27,600 USD		-315	
Forward OTC	1 month	11,700 USD	8,415 GBP		-83	
Forward Currency Contracts at 31 March 2018				<b>480</b>	<b>-752</b>	<b>-272</b>
Prior Year Comparative						
Forward Currency contracts at 31 March 2017				<b>522</b>	<b>-441</b>	<b>81</b>

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

**Note 16d – Other Investment Balances**

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
<b><u>Receivables</u></b>		
Sale of Investments	6,100	8,153
Dividend & Interest Accrued	4,246	5,007
Inland Revenue	54	69
Other	4	0
	<b>10,404</b>	<b>13,229</b>
<b><u>Payables</u></b>		
Purchase of Investments	-1,820	-1,474
Management Fees	-1,431	-4,335
Custodian Fees	-15	-12
	<b>-3,266</b>	<b>-5,821</b>
<b>Total</b>	<b>7,138</b>	<b>7,408</b>

**Cash Deposits**

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
Non-Sterling Cash Deposits	8,027	9,698
<b>Total</b>	<b>8,027</b>	<b>9,698</b>

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

	<b>2016/17 £'000</b>	<b>% of Total Fund</b>	<b>2017/18 £'000</b>	<b>% of Total Fund</b>
UBS Life Global Equities All Countries Fund	325,359	14.41	291,126	12.36
L&G World (ex-UK) Equity Index	207,026	9.17	212,755	9.03
L&G UK FTSE100 Equity Index	181,237	8.03	0	0.00
L&G UK FTSE All-Share Equity Index	0	0.00	182,948	7.77
L&G Core Plus Bond Fund	125,708	5.57	176,716	7.50

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

**Note 17 – Current Assets**

2017/18	Central Gov't Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Receivables:						
Employer Contributions	3,127	3,400	0	0	1,098	7,625
Employee Contributions	307	1,124	0	0	413	1,844
Rechargeable Benefits	74	960	0	0	11	1,045
Transferred Benefits	44	911	0	0	161	1,116
Costs of Early Retirement	36	480	0	0	191	707
Inland Revenue	185	0	0	0	0	185
Other	85	103	0	0	558	746
Cash Balances					96,772	96,772
<b>Total</b>	<b>3,858</b>	<b>6,978</b>	<b>0</b>	<b>0</b>	<b>99,204</b>	<b>110,040</b>

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>

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

**Note 18 – Current Liabilities**

<b>2017/18</b>	<b>Central Government Bodies</b>	<b>Local Authorities</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Transferred Benefits	0	-278	0	0	-278
Benefits Payable	0	-22	0	-896	-918
Inland Revenue	-899	0	0	0	-899
Costs of Early Retirement	-737	0	0	0	-737
Staff Costs	0	-81	0	-98	-179
Consultancy	-3	-25	0	-52	-80
Other	0	-104	-10	-22	-136
<b>Total</b>	<b>-1,639</b>	<b>-510</b>	<b>-10</b>	<b>-1,068</b>	<b>-3,227</b>

<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>

**Note 19 – Long-Term Assets**

<b>2017/18</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	6,169	0	0	0	17	6,186
Costs of Early Retirement	34	219	0	0	233	486
<b>Total</b>	<b>6,203</b>	<b>219</b>	<b>0</b>	<b>0</b>	<b>250</b>	<b>6,672</b>

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

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

Long-Term assets for 2017/18 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 £2,159.549m as at 31 March 2018. 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>31/03/2017</b>		<b>31/03/2018</b>	
	<b>Market Value £'000</b>	<b>%</b>	<b>Market Value £'000</b>	<b>%</b>
Baillie Gifford	411,258	19.99	417,824	19.35
Legal & General	722,543	35.13	867,755	40.18
UBS	444,117	21.59	423,662	19.62
Wellington	287,234	13.97	247,662	11.47
Insight	100,383	4.88	113,714	5.27
Adams Street Partners	41,395	2.01	40,499	1.87
Partners Group	50,011	2.43	48,433	2.24
<b>Total</b>	<b>2,056,941</b>	<b>100.00</b>	<b>2,159,549</b>	<b>100.00</b>

**Note 21 – Top 5 Holdings**

<b>Value of the Fund's Top Five Holdings at 31 March 2018</b>	<b>£'000</b>	<b>% of Fund</b>
HG Capital Trust	34,135	1.45
Royal Dutch Shell	19,032	0.81
Prudential Plc	18,669	0.79
UK Treasury 6% 2028	18,063	0.77
Ashtead Group	15,355	0.65

**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 Fund 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 2017 £'000</b>	<b>Market Value 31 March 2018 £'000</b>
Prudential	14,220	13,825

AVC contributions of £1.621m were paid directly to Prudential during the year. (2016/17 - £1.557m).

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. The Administering Authority does not handle these monies. Instead, if employees decide to pay AVCs, their employer (the member body) sends them to Prudential.

**Note 24 – Contingent Liabilities**

As at 31 March 2018 the fund had outstanding capital commitments (investments) totalling £92.602m (31 March 2017 - £35.878m). 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>2017 £m</b>	<b>2018 £m</b>
Present Value of Funded Obligation	3,596	3,638

The movement from March 2017 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 £163m (2017 - £124m increase).

There has been a decrease in the present value of the Funded Obligation of £121m (2017 - £608m increase) reflecting changes in the financial assumptions used by the actuary as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- A decrease in the assumed level of CPI and therefore pension increase to 2.4% from 2.7% (net effect a decrease in Present Value of Funded Obligation)
- A decrease in the assumed level of salary increases to 3.6% from 3.8% (net effect a decrease in Present Value of Funded Obligation)
- A reduction in the discount factor to 2.7% from 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**

	2016/17			2017/18		
	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>						
Bonds	202,882			279,802		
Equities	780,002			713,313		
Pooled Investments	1,031,626			1,069,635		
Pooled Property Investments	144,421			161,441		
Derivatives	522			480		
Cash		73,943			106,470	
Long-Term Investments				840		
Other Investment Balances	10,350			13,160		
Receivables		181			699	
	<b>2,169,803</b>	<b>74,124</b>	<b>0</b>	<b>2,238,671</b>	<b>107,169</b>	<b>0</b>
<b>Financial Liabilities</b>						
Derivatives	-441			-752		
Other Investment Balances	-3,266			-5,821		
Payables			-174			-375
	<b>-3,707</b>	<b>0</b>	<b>-174</b>	<b>-6,573</b>	<b>0</b>	<b>-375</b>
<b>Total</b>	<b>2,166,096</b>	<b>74,124</b>	<b>-174</b>	<b>2,232,098</b>	<b>107,169</b>	<b>-375</b>

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

	<b>31 March 2017 £'000</b>	<b>31 March 2018 £'000</b>
<b>Financial Assets</b>		
Fair Value through Profit and Loss	388,557	21,368
Loans and Receivables	1,479	232
<b>Financial Liabilities</b>		
Fair Value through Profit and Loss	0	0
Financial Liabilities Measured at Amortised Cost	0	0
<b>Total</b>	<b>390,036</b>	<b>21,600</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.

Value at 31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	925,581	1,202,455	110,633	2,238,669
Loans and Receivables	107,170	0	0	107,170
<b>Total Financial Assets</b>	<b>1,032,751</b>	<b>1,202,455</b>	<b>110,633</b>	<b>2,345,839</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit and Loss	-5,821	-751	0	-6,572
Financial Liabilities at Amortised Cost	-375	0	0	-375
<b>Total Financial Liabilities</b>	<b>-6,196</b>	<b>-751</b>	<b>0</b>	<b>-6,947</b>
<b>Net Financial Assets</b>	<b>1,026,555</b>	<b>1,201,704</b>	<b>110,633</b>	<b>2,338,892</b>

Value at 31 March 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<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>

**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>Pooled Infrastructure Funds</b>	<b>Long-Term Investments</b>
<b>Market Value 31 March 2017</b>	1,949	75,495	28,774	0	0
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Purchases	0	9,793	5,890	4,062	840
Sales	0	-18,157	-5,953	0	0
Unrealised Gains/(Losses)	-226	909	3,666	-416	0
Realised Gains/(Losses)	81	3,757	0	0	0
<b>Market Value 31 March 2018</b>	<b>1,804</b>	<b>71,797</b>	<b>32,377</b>	<b>3,646</b>	<b>840</b>

<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 2018 £'000</b>	<b>Valuation on Increase £'000</b>	<b>Valuation on Decrease £'000</b>
UK Equities	10%	1,804	1,984	1,624
Pooled Private Equity Funds	10%	71,797	78,977	64,617
Pooled Property Funds	3%	32,377	33,348	31,406
Pooled Infrastructure Funds	5%	3,646	3,828	3,464
Long-Term Investments	0%	840	840	840

<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:

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

- 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 policy on ensuring ESG factors are taken into account in investment decisions.

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 2018 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2017	31 March 2018
	£'000	£'000
UK Government Gilts	52,848	101,440
UK Corporate Bonds	125,708	176,716
UK Index Linked Gilts	104,704	137,256
Overseas Government Bonds	45,331	41,106
Non-Sterling Cash Deposits	8,027	9,698
Cash Balances	65,916	96,772
<b>Total</b>	<b>402,534</b>	<b>562,988</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 2018 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2017	Rating	Balance as at 31 March 2018
		£'000		£'000
<b>Money Market Funds</b>				
Standard Life	AAA	22,500	AAA	19,650
State Street Global Advisors		0	AAA	80,004
<b>Bank Current Accounts</b>				
Lloyds Bank Plc	A+	5,069	A+	6,548
BNP Paribas	A+	46,374		0
State Street Bank & Trust Co		0	AA+	268
<b>Total</b>		<b>73,943</b>		<b>106,470</b>

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

### Liquidity Risk

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

During 2017/18 the Pension Fund received/accrued income related to dealings with members of £103.5m (2016/17 - £94.7m) and incurred expenditure related to dealings with members of £101.9m (2016/17 - £98.8m). There were further receipts/accruals of £75.2m (2016/17 - £29.1m) in respect of investment income, against which need to be set taxes of £0.2m (2016/17 - £0.3m). The net inflow was therefore £76.6m (2016/17 - £24.7m).

The Fund received large one-off dividends from one of its equity holdings totalling £33.6m during 2017/18. Even allowing for this one-off income the 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 need to be of a scale 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. Market risk is generally managed through diversification of investments within the portfolio in terms of asset types, geographical and industry sectors, and individual securities.

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 2018	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	9,698	97	-97
Cash Balances	96,772	968	-968
Bonds	456,518	4,565	-4,565
<b>Total Change in Assets Available</b>	<b>562,988</b>	<b>5,630</b>	<b>-5,630</b>

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>

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

### Currency Risk

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

## NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 2018	Change in Year in the Net Assets Available to Pay Benefits	
		+10.0%	-10.0%
	£'000	£'000	£'000
Overseas Equities	223,306	22,331	-22,331
Pooled Overseas Equities	503,881	50,388	-50,388
Pooled Private Equity (LLPs)	63,750	6,375	-6,375
Pooled Property	45,242	4,524	-4,524
Infrastructure	3,646	365	-365
Cash	9,698	970	-970
<b>Total Change in Assets Available</b>	<b>849,523</b>	<b>84,953</b>	<b>-84,953</b>

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>

### 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 2018 £'000</b>	<b>Percentage Change  %</b>	<b>Value on Increase  £'000</b>	<b>Value on Decrease  £'000</b>
UK Equities	653,148	10.0	718,463	587,833
Pooled UK Equities (Small Cap)	16,932	10.0	18,626	15,239
Global Equities	243,113	10.0	267,425	218,802
Diversified Growth Fund	113,714	3.0	117,126	110,303
Pooled Global Equities	291,126	10.0	320,239	262,013
Pooled Overseas Equities	212,755	10.0	234,031	191,480
UK Bonds	101,440	5.0	106,512	96,368
Overseas Bonds	41,106	5.0	43,161	39,050
UK Index Linked Bonds	137,256	5.0	144,119	130,394
Pooled Corporate Bonds	176,716	5.0	185,552	167,880
Infrastructure	3,646	5.0	3,828	3,463
Pooled Private Equity (LLPs)	71,797	10.0	78,976	64,617
Pooled Property	161,440	3.0	166,284	156,597
Long-Term Investments	840	0.0	840	840
Cash	106,470	0.0	106,470	106,470
<b>Total Assets Available to Pay Benefits</b>	<b>2,331,499</b>		<b>2,511,652</b>	<b>2,151,349</b>

<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>

## LOCAL GOVERNMENT PENSION FUND ACTUARIAL VALUATION

### Actuarial Valuation

The contribution rates within the 2017/18 Pension Fund Accounts were determined at the actuarial valuation carried out as at 31 March 2016.

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 2018 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	12.9	774
West Oxfordshire District Council	15.8	457
Cherwell District Council	14.9	1,657
Oxford City Council	20.6	-
Vale of White Horse District Council	13.2	683
Oxford Brookes University	14.4	1,733

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 £1,842m. The smoothed market value<sup>1</sup> of the Fund's assets at the valuation date was £1,825m representing 90% of the Fund's accrued liabilities, allowing for future pay increases. The Actuary has certified contribution rates for all Fund employers from 1 April 2017, which subject to the financial assumptions contained in the valuation, would result in the deficit being recovered over a period of no more than 22 years.

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

**LOCAL GOVERNMENT PENSION FUND ACCOUNTS ACTUARIAL VALUATION**

<b>Assumptions for the 2016 Valuation</b>	<b>Annual Rate</b>
	<b>%</b>
Pension Increases	2.4
Short-Term Pay Increases*	2.4
Long-Term Pay Increases	3.9
Discount Rate	5.4

\*Short-term pay increases are for the period to 31 March 2020.

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.

**Note 29 – Material Post Balance Sheet Events**

There are no events after the Balance Sheet date that need to be reported.

## 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 firefighter's 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 2018 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Oxfordshire County Council as at 31 March 2018 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 2017/18.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

### **Other information**

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

#### **Arrangements to secure economy, efficiency and effectiveness in the use of resources**

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Oxfordshire County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### **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.

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

We have nothing to report in these respects

### **Responsibility of the Director of Finance**

As explained more fully in the Statement of the Director of Finance's Responsibilities set out on page 33, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **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 2017, 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 Comptroller and Auditor General 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 2018.

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

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.

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

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

### **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. There was also an objection to the 2016/17 Pension Fund accounts. It is our view that even if this objection was resolved in the objector's favour, this would not affect the Statement of Accounts.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

### **Use of our report**

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

Paul King (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)

Reading  
26 July 2018

## **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 2018 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 30. 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 2017/18.

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 2018 and the amount and disposition of the fund's assets and liabilities as at 31 March 2018; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the Oxfordshire County Council Statement of Accounts 2017/18 and our auditor's report thereon. The Director of Finance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **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

### **Responsibility of the Director of Finance**

As explained more fully in the Statement of the Director of Finance's Responsibilities set out on page 33, 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance

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

is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

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

Paul King (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Reading  
26 July 2018

The maintenance and integrity of the Oxfordshire County Council Pension Fund 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 2017/18

## INTRODUCTION

1. This is Oxfordshire County Council's Annual Governance Statement for 2017/18. 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 *conclusion* in relation to the effectiveness
  - A review of the *action plan* from last year's statement
  - An *action plan* for 2018/19
  - 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. 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 2017/18 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 2017/18 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2018/19.

## SIGNATURES

Signed on behalf of Oxfordshire County Council:

..... Date ..... Date .....

Peter Clark  
Chief Executive

Lorna Baxter  
Chief Finance Officer

..... Date ..... Date .....

Councillor Ian Hudspeth  
Leader of the Council

Nicholas Graham  
Monitoring Officer

APRIL 2018

**SIGNIFICANT GOVERNANCE ISSUES****Progress in 2017/18**

3. This is a review of the progress during 2017/18 on the priorities for that year:

<b>Actions that were planned for 2017/18</b>	<b>Timescale, Responsible Officer, Monitoring Body</b>	<b>Progress</b>	<b>Status</b>
<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>	<p>Business Continuity &amp; Resilience Officer</p> <p>Assistant Chief Fire Officer (as Chair of Business Continuity Steering Group)</p> <p>December 2017</p> <p>Corporate Governance Assurance Group (CGAG)</p>	<p>Recruitment of new Business Continuity manager (commencing March 2018)</p> <p>Supply Chain Business Continuity workshop planned for 2018</p> <p>Further Hydra exercises planned for 2018 in April</p> <p>Remaining actions prioritised for review by new BC Manager in Quarter 1 2018/19</p>	<p>In progress (risk reduced)</p>
<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:</p>	<p>Business Continuity &amp; Resilience Officer</p> <p>&amp; Assistant Chief Fire Officer (as Chair of Business Continuity</p>	<p>Actions prioritised for review by new BC Manager in Quarter 1 2018/19</p>	<p>In progress (risk reduced)</p>

**ANNUAL GOVERNANCE STATEMENT**

<b>Actions that were planned for 2017/18</b>	<b>Timescale, Responsible Officer, Monitoring Body</b>	<b>Progress</b>	<b>Status</b>
<p>a) refresh continuity priorities and vulnerabilities with key service continuity requirements i.e. through BIA</p> <p>b) provide training and exercise in major incident response for significant disruption (e.g. loss of site), managing agile pros/cons</p> <p>c) through senior management engagement ensure BC in subsequent reorganisation at service and team levels, including adaptation to agile.</p>	<p>Steering Group</p> <p>December 2017 = key service prioritisation, strategic training and exercising</p> <p>March 2018 = embedding business continuity</p> <p>CGAG</p>		
<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>	<p>Director for Property and Investment</p> <p>March 2018</p> <p>CGAG</p>	<p>Activities continued to build and test the council's corporate security (e.g. enhanced ID badge arrangements and enforcement; installation of the bollards at the entrance to County Hall; test exercises on in-building security; cyber security measures</p>	<p>In progress (risk reduced)</p>
<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>	<p>Assistant Chief Finance Officer</p> <p>31 December 2017</p> <p>Finance Leadership Team</p>	<p>The process has been reviewed and is subject to regular monitoring.</p> <p>The overarching strategy remains outstanding.</p> <p>The strategy will be developed next year but following the outcomes of the</p>	<p>In progress (risk reduced)</p>

**ANNUAL GOVERNANCE STATEMENT**

<b>Actions that were planned for 2017/18</b>	<b>Timescale, Responsible Officer, Monitoring Body</b>	<b>Progress</b>	<b>Status</b>
		Operating Model and the Financial Management Review.	
<p><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.</p>	<p>Deputy Director, Adult Social Care</p> <p>30 September 2017</p> <p>Adult Social Care Leadership Team</p>	<p>Follow up audit completed March 2018.</p> <p>A third of the actions from the original audit have been implemented, with the remaining still outstanding or have been replaced with new actions.</p>	<p>In progress (risk reduced) but Carried forward to next year's Action Plan for further monitoring</p>
<p><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.</p>	<p>Strategic Director of Communities/ Director of Finance</p> <p>30 September 2017</p> <p>CGAG</p>	<p>Governance has been reviewed and a new structure in place i.e. the Capital Investment Programme Board.</p>	<p>Completed</p>
<p><b>Target Operating Model</b> To develop a supporting governance framework in the context of delivering the Better Oxfordshire proposal.</p>	<p>Assistant Chief Executive</p> <p>30 September 2017</p> <p>CLT (County Leadership Team)</p>	<p>The Better Oxfordshire proposal was submitted to the Secretary of State during 2017/18 and remains with him for any decision in future.</p> <p>The Council chose to continue the momentum towards a sustainable operating model</p>	<p><b>Completed</b></p>

**ANNUAL GOVERNANCE STATEMENT**

Actions that were planned for 2017/18	Timescale, Responsible Officer, Monitoring Body	Progress	Status
		<p>under the <i>Fit for the Future</i> programme.</p> <p>A full project-managed <i>Fit for the Future</i> Programme, with support and challenge from PwC and with strands led by senior managers fully overseen by a strategic-level Board with five cross-cutting working groups feeding in to it. The programme is in place and now fully under way.</p>	

**Action Plan for 2018/19**

4. This is an Action Plan of particular governance priorities that the Council will address during 2018/19.

	<b>Action now planned for 2018/19</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>1</b>	<p><b>Mental Health:</b></p> <p>Carry out the remaining governance actions identified in the follow-up audit (March 2018)</p>	March 2019	Deputy Director, Adult Social Care	Adult Social Care Leadership Team
<b>2</b>	<p><b>General Data Protection Regulations:</b></p> <p>Action plan for ensuring compliance with the incoming GDPRs – including policy review, organisational awareness.</p> <p>Action plan for reviewing and monitoring ongoing compliance</p>	<p>May 2018</p> <p>March 2019</p>	Director for Law and Governance	CGAG

**ANNUAL GOVERNANCE STATEMENT**

	<b>Action now planned for 2018/19</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>3.</b>	<p><b>Fit for the Future Programme</b></p> <p>Implementation of the <i>Fit for the Future Programme</i> under sound project governance and to explore/feature governance as a key layer of the new Target Operating Model</p>	<p>July 2018 – decision making on preferred target operating model</p> <p>July 2018 – March 2019: implementation of the planned two-year delivery of the model</p>	Assistant Chief Executive	Fit for the Future Board
<b>4</b>	<p><b>Corporate Security:</b></p> <p>Early appointment of designated project lead to drive a planned series of activity to build and test the Council's corporate security.</p> <p>Delivery of the planned programme.</p>	<p>May 2018</p> <p>May 2018 – March 2019</p>	Director of Property and Investment & Chief Fire Officer & Director of Law and Governance	County Council Leadership Team
<b>5</b>	<p><b>Financial Management:</b></p> <p>Deliver a detailed refresh of the assurance framework to ensure its effectiveness; and to follow through the 'case for change' under the Fit for the Future Programme in respect of streamlining systems and processes.;</p>	April 2018 – March 2019	Assistant Chief Finance Officer	Finance Leadership Team

**ANNUAL GOVERNANCE STATEMENT**

	<b>Action now planned for 2018/19</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
<b>6</b>	<p><b>Property:</b></p> <p>Deliver property compliance project to review, monitor and prioritise via Key Performance Indicators. And, particularly in the post-Carillion environment, this will include:</p> <ul style="list-style-type: none"> <li>• a refresh, and strengthening, of systems for the assessment and tracking of health and safety risks across the Council's property and within schools</li> <li>• a refreshed approach to the effective use and management of the Council's properties</li> </ul>	April 2018 – March 2019	Strategic Compliance Manager	County Council Leadership Team
<b>7</b>	<p><b>External Reports</b></p> <p>Implement a robust and effective mechanism for the co-ordination and consideration of, and action plans for implementing, any governance issues arising from External Reports about the Council and its performance.</p>	December 2018	Assistant Chief Executive and Monitoring Officer	Corporate Governance Assurance Group

**ANNUAL GOVERNANCE STATEMENT**

	<b>Action now planned for 2018/19</b>	<b>Timescale for Completion</b>	<b>Responsible Officer</b>	<b>Monitoring Body</b>
8.	<p><b>Procurement:</b></p> <p>As part of the new Target Operating Model for the Council:</p> <ul style="list-style-type: none"> <li>• develop/implement a refreshed Procurement Strategy and Policy</li> <li>• develop and deploy the electronic Contract Management Systems (eCMS)</li> <li>• refresh contract management skills within the new Model</li> </ul>	<p>August 2018</p> <p>Jan 2019</p> <p>Aug – Dec 2018</p>	<p>Head of Procurement and Commercial</p> <p>Head of Procurement and Commercial</p> <p>Fit for the Future Transformation Leads for the Procurement and Head of Procurement and Commercial</p>	<p>Fit for the Future Transformation Board</p> <p>Fit for the Future Transformation Board</p> <p>Fit for the Future Transformation Board/Corporate Governance Assurance Group</p>

## REVIEWING OUR EFFECTIVENESS

5. We have reviewed our overall effectiveness. Key points are that:
- We have made progress on implementing our Action Plan for 2017/18 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.
6. The effectiveness of the Council's governance has been further demonstrated by the Council's active project-planning to meet in-year governance issues. For instance:
- The May 2017 full County Council elections were successfully held in compliance with electoral legislation and good practice (including project inspection) by the Electoral Commission; a full induction programme for councillors was implemented and members appointments to Cabinet and Committees duly made. Together, this ensured robust and seamless decision-making governance
  - During 2017/18 the Council laid clear, managed and communicated plans for dealing with governance issues arising from:
    - An in-year council decision to review the Council's political decision-making structures: consisting of a duly appointed cross-party working group to work through the various legal options, precedents and best practice, including direct consultation with councillors, liaison with specialist agencies (e.g. Local Government Association and Centre for Public Scrutiny) and visits to other authorities.
    - Active groundwork and preparation for the commencement of the General Data Protection Regulations: with a specifically tasked and resourced team, project plan, communication plan and actions to ensure organisational awareness and compliance; including networking with other authorities in the south east; and planned work with elected members; together with a full review of the Council's information assets and governance policies to ensure consistency with the incoming Data

## ANNUAL GOVERNANCE STATEMENT

Protection Act. The designation of a 'Data Protection Officer' will also feature.

7. Two further significant actions took place in-year which demonstrated the Council's approach to good governance and effective actions and interventions:
  - i. Planned and managed arrangements for decoupling from Carillion contract(s) even before the collapse of Carillion:
    - o The Council had already begun a managed withdrawal for its Carillion contracts and so was in a good position to act more swiftly following the collapse of the company
    - o The Council successfully managed its governance processes to:
      - Transfer 271 staff to the Council, without incident (400 in total, many of these transferred to academies), with all receiving uninterrupted pay
      - Taking over the supply chains and sub-contracts Carillion held for the delivery of Catering and Cleaning, ensuring uninterrupted service across the estate
      - Beginning to establish a baseline as regards property, construction and estate to enable an effective assessment and prioritisation of works.
      -
  - ii. The commencement of the Council's key change initiative, the *Fit for the Future* programme: this represents the Council's determination to develop an operating model which can fit the Council for the challenges ahead, which puts service delivery front and centre and which achieves better direction of the Council's resources, customer experience and digital offering. With assistance and challenge from consultants PwC, and engagement with staff, the Council has devised a targeted programme of activity, overseen by a Fit for the Future Board of senior managers: consistent of a set of work-programmes or layers, the governance of the project has been fully considered; and the project itself has a dedicated workstream to ensure that any resulting operating model has effective governance built-in from the outset. The furtherance of this project forms part of the Action Plan of this Statement for 2018/19.

### Conclusion

9. We consider that our governance arrangements are in sound shape, and have been demonstrably sufficient to meet the pressures, scale of change and challenges arising during the year.

### Measuring and Managing Service Performance

10. 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.

11. 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 7 times in 2017/18 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**

12. 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;
- Induction training for officers and managers on key governance responsibilities
- Specific 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;
- '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.

13. Guidance and advice on all our key policies and procedures are reviewed and updated on an ongoing basis. 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 and news items

14. 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.

15. 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

## ANNUAL GOVERNANCE STATEMENT

is or is likely to be unlawful and also to report on any investigation by the Local Government Ombudsman. No such reports have been necessary in 2017/18:

16. The Monitoring Officer undertakes a review of the County Council's annual governance arrangements. This review was formally reported to, and endorsed by, the Audit & Governance Committee in September 2017.

### Risks

17. 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 2017/18.
18. 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.
19. 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 2017/18 and each risk is owned by a member of CLT. CLT reviews the risk register quarterly.
20. 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

21. 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.
22. 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

23. 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

## ANNUAL GOVERNANCE STATEMENT

arrangements conform with the governance requirements of the CIPFA statement as our Chief Internal Auditor:

- Objectively assesses the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;
- Gives an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Is a Senior Manager with regular and open engagement across the organisation, including the Leadership Team and the Audit & Governance Committee; and
- Leads and directs an internal audit service that is resourced to be fit for purpose; and is professionally qualified and suitably experienced.

24. 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.

25. 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. It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. This was required by 31 March 2018 and took place in November 2017 and the results were reported to the Audit & Governance Committee in January 2018. This confirmed that the “service is highly regarded within the Council and provides useful assurance on its underlying systems and processes” Minor improvements required have been addressed

26. The Chief Internal Auditor prepared an Annual Report on the work of Internal Audit which concludes for the 12 months ended 31 March 2018, there is **satisfactory** assurance regarding Oxfordshire County Council's overall control environment and the arrangements for governance, risk management and control. Where weaknesses have been identified through internal audit review, they have worked with management to agree appropriate corrective action and timescale for improvement.

27. As part of governance arrangements developed when Oxfordshire County Council joined the Hampshire Integrated Business Centre (IBC) Partnership in July 2015 it was agreed that the Southern Internal Audit Partnership, (SIAP), would provide an annual assurance statement to Oxfordshire County Council on the adequacy and effectiveness of the framework of governance, risk management and control from the work carried out by the IBC. The Chief Internal Auditor takes account of the assurance obtained from SIAP, when forming the overall assurance opinion. For 2017/18 The statement of assurance report received from SIAP concluded that the framework of governance, risk management and management control is ‘Adequate’ and audit testing has demonstrated controls to be working in practice.

28. 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

29. 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. A report on the effectiveness of Internal Audit was received and endorsed by the Audit & Governance Committee in July 2017.

### Audit & Governance Committee

30. 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. The Chairman's report was considered and endorsed by Full Council in July 2017.

### Scrutiny Committees

31. 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.

32. 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. Full Council considered the annual report of scrutiny committees in May 2017. Scrutiny and Audit Committee Chairmen meet regularly to coordinate their work and forward plans.

**Corporate Governance Assurance Group (CGAG)**

33. 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 continues to identify, challenge and track improvements to any any 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 2017/18 Annual Governance Statement, other than to emphasise the importance of a clear conclusion arising from the 'review of effectiveness'.

**Key Deliverables**

34. Updates on projects are reported quarterly, with information reported through existing quarterly business management (performance/risk/projects) reporting procedures. The forecast financial position is reported monthly to Leadership Teams and through the regular Financial Monitoring and Business Strategy Delivery Reports to Cabinet which are considered by the County Leadership Team (CLT).
35. Further to these monitoring arrangements, the Chief Finance Officer and the Assistant Chief Executive 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 CLTT as required.

**Other external reviews**

36. 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 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 [2018-2021 Corporate Plan](#), is for a county where local residents and businesses can flourish - a thriving Oxfordshire.
2. In 2017/18 our Corporate Planning process was enhanced by the publication of a *Prospectus* to the Corporate Plan, effectively a summary of the Council's vision and priorities.

#### 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. The Council has an Equalities Policy and we 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. A public consultation has been held to inform the review of the Equalities Policy and to inform the newly issued Equalities Policy 2018-2022.

#### 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.

## ANNUAL GOVERNANCE STATEMENT

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 Director of Law and Governance who is also 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 Chief Executive.

### **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.
20. During 2017-2018, the Council's Audit & Governance Committee engaged with the consultation from the Committee on Standards in Public Life on *Ethical Standards in Local Government*.

## **WORKING WITH OTHERS**

### **Schools**

21. 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.
22. 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.

23. 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**

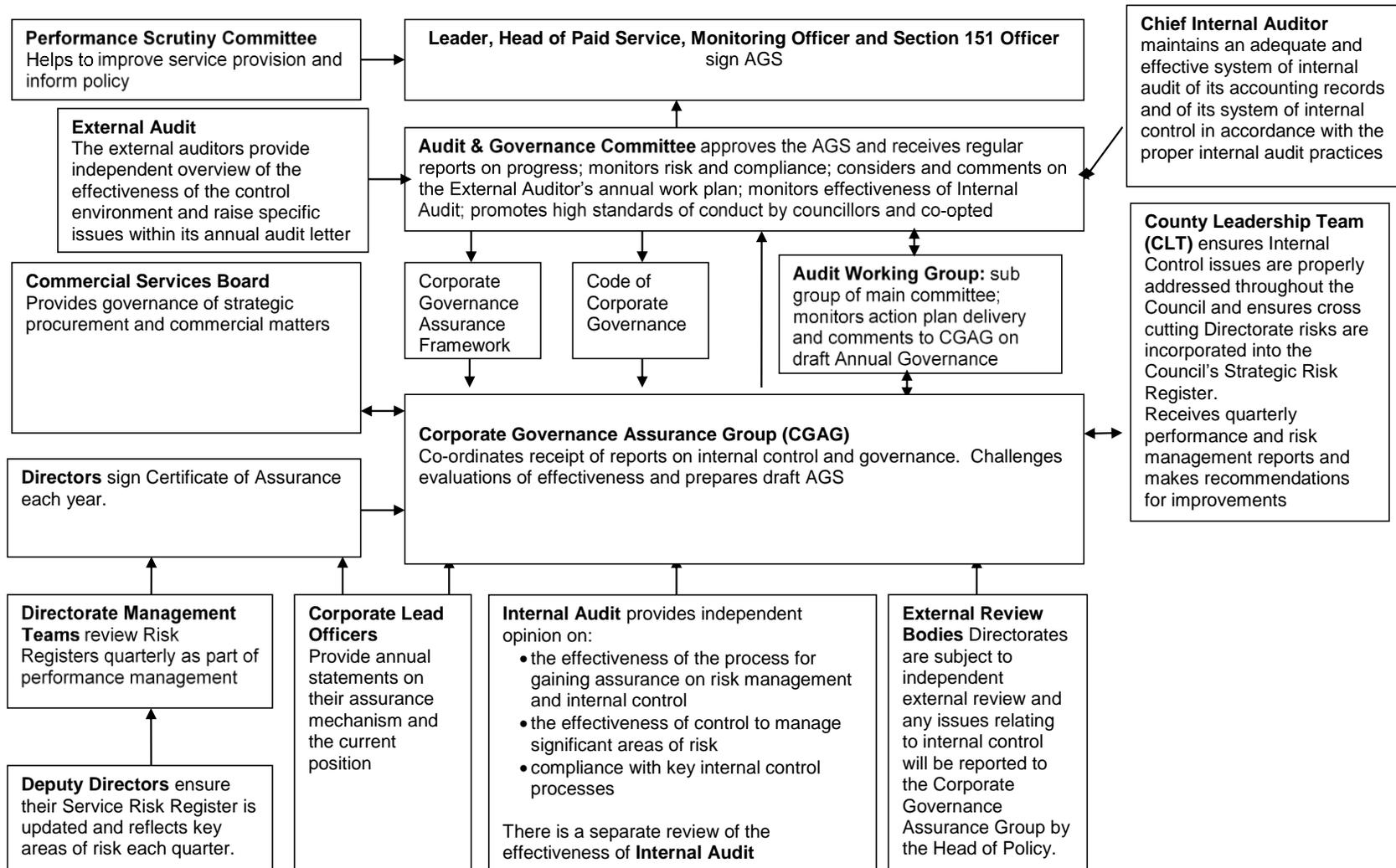
24. Oxfordshire County Council works together with other bodies and organisations, in a number of different partnerships governed by specific terms of reference. Overall accountability for partnership working rests with Council which is responsible for examining formal and informal feedback mechanisms. 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.

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

- Oxfordshire Partnership
- 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

### 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.

		2016/17	2017/18	
<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	99	1	102
	Oxford Boys	0	0	0
	Criminal Injuries Compensation Awards	21	4	22
	Other (under £10,000)	11	1	1
Corporate Services	Bequest of Property at Watlington	78	1	78
<b>Total</b>		<b>209</b>	<b>7</b>	<b>203</b>

<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>

		2016/17	2017/18	
<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	356	0	0
	City Lectureship Scholarship	18	1	18
	Other (under £10,000)	24	6	24
	Other (under £10,000)	9	1	9
<b>Total</b>		<b>407</b>	<b>8</b>	<b>51</b>

## GLOSSARY

### **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.

## GLOSSARY

### **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 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.

## GLOSSARY

### **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.

## GLOSSARY

### **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.

## GLOSSARY

### **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.