

# Agenda

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## Audit and Governance Committee

Date: **Wednesday 29 June 2016**

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Time: **6.00 pm**

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Place: **St Aldate's Room, Town Hall**

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For any further information please contact:

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# Audit and Governance Committee

## Membership

### Chair

### Vice-Chair

Councillor James Fry  
Councillor Jean Fooks  
Councillor Van Coulter  
Councillor Chewe Munkonge  
Councillor Michele Paule  
Councillor Marie Tidball  
Councillor David Thomas

The quorum for this meeting is three members. Substitutes are permitted

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# AGENDA

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| 1 | <b>APOLOGIES FOR ABSENCE</b>   |           |
| 2 | <b>ELECTION OF THE CHAIR FOR THE 2016/17 MUNICIPAL YEAR</b>  |           |
| 3 | <b>ELECTION OF THE VICE-CHAIR FOR THE 2016/17 MUNICIPAL YEAR</b>   |           |
| 4 | <b>DECLARATIONS OF INTEREST</b>  |           |
| 5 | <b>RISK MANAGEMENT REPORT: QUARTER 4 2015/16</b><br><b>Purpose of report:</b> to update the Committee on both corporate and service risks as at the end of Quarter 4, 31 March 2016.<br><br>The Committee is recommended to discuss and note the report.<br><br>Officers have been invited to attend to answer the Committee's questions on the amber risks in planning and red risks in housing.  | 9 - 16    |
| 6 | <b>STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2016</b><br><br>Report of the Head of Financial Services.<br><br><b>Purpose:</b> to present the Council's Statement of Accounts for the year ending 31 March 2016 to the Audit and Governance Committee (attached as a supplement to this agenda).<br><br><b>Recommendation:</b> that the Committee note the contents of the Statement of Accounts certified by the Head of Financial Services (Section 151 Officer) prior to their submission to the external auditors. | 17 - 174  |
| 7 | <b>ANNUAL GOVERNANCE STATEMENT 2015/2016</b><br><br>Report of the Head of Law and Governance – to follow.<br><br><b>Purpose:</b> to present the 2015/16 Annual Governance Statement for approval (attached as an appendix to the report).<br><br><b>Recommendation:</b> to approve the 2015/16 Annual Governance Statement.  |           |
| 8 | <b>EXTERNAL AUDIT : AUDIT PROGRESS REPORT FOR YEAR ENDING MARCH 2016</b><br><br>The External Auditors, Ernst and Young, have submitted their Audit Progress  | 175 - 180 |

Report.

**Purpose:**

- to provide the Committee with an overview of the progress made with the work needed to complete the 2015/16 audit.
- to ensure that the audit is aligned with the Committee's service expectations.

The Committee is asked to discuss this report and any other matters which members consider may influence the audit.

<b>9</b>	<b>EXTERNAL AUDIT: ANNUAL AUDIT AND CERTIFICATION FEES FOR AUDIT OF YEAR ENDING MARCH 2017</b>	181 - 184
	The External Auditor has submitted a letter setting out the audit and certification work and indicative fees for the 2016/17 financial year.	
	The Committee is asked to discuss and note this letter.	
<b>10</b>	<b>INTERNAL AUDIT: ANNUAL REPORT 2015-16</b>	185 - 204
	Report of the internal auditor.	
	<b>Purpose:</b> This report details the work undertaken by internal audit for Oxford City Council and provides an overview of the effectiveness of the controls in place for 2015-16.	
	<b>Recommendation:</b> to discuss and note the report.	
<b>11</b>	<b>INTERNAL AUDIT: PROGRESS REPORT TO JUNE 2016</b>	205 - 216
	Report of the internal auditor.	
	<b>Purpose:</b> to inform the Committee of progress made against the 2015/16 and 2016/17 internal audit plans.	
	<b>Recommendation:</b> to discuss and note the report.	
<b>12</b>	<b>INTERNAL AUDIT: AUDIT REPORTS TO COMMITTEE JUNE 2016</b>	
	Reports of the internal auditor.	
	<b>Purpose:</b> to consider the reports and recommendations from audits identifying medium-level risks.	
	<b>Recommendation:</b> to discuss and note the reports.	
<b>a</b>	<b>INTERNAL AUDIT REPORT - BUSINESS IMPROVEMENT AND TECHNOLOGY</b>	217 - 234
	Report attached.	

**b INTERNAL AUDIT - EMPTY AND VOID PROPERTY MANAGEMENT REPORT** 235 - 258

Report attached.

**13 INTERNAL AUDIT: FOLLOW UP OF RECOMMENDATIONS TO JUNE 2016** 259 - 276

Report of the internal auditor.

**Purpose:** to inform the Committee of progress on those recommendations raised by Internal Audit which are due for implementation.

**Recommendation:** the Committee are asked to consider and note the report.

**14 OFFICER EXECUTIVE DECISIONS FEB 2016 TO JUNE 2016**

Report of the Head of Law and Governance – report to follow

**Purpose:** to inform the Committee of the Officer Executive Decisions taken since the last meeting.

**Recommendation:** that the Committee note the report and the decisions taken.

**MATTERS EXEMPT FROM PUBLICATION**

If the Committee wishes to exclude the press and the public from the meeting during consideration of any of the items on the exempt from publication part of the agenda, it will be necessary for the Board to pass a resolution in accordance with the provisions of Paragraph 21(1)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 on the grounds that their presence could involve the likely disclosure of exempt information as described in specific paragraphs of Schedule I2A of the Local Government Act 1972.

The Committee may maintain the exemption if and so long as, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**15 INVESTIGATION TEAM PERFORMANCE FOR FINANCIAL YEAR 2015/16** 277 - 286

**Purpose of report:** to appraise Members of the activity and performance of the Corporate Investigation Team for the period 1 April 2015 to 31 March 2016.

**Recommendation:** That the report be noted.

**16 MINUTES OF THE PREVIOUS MEETING** 287 - 290

Minutes of the meeting held on 1 March 2016.

The Committee is asked to approve these as a correct record.

**17 DATES AND TIMES OF MEETINGS**

The Committee is asked to agree if it wishes to meet on its scheduled dates at 6.00pm or vary the dates or start time:

21 September 2016

14 December 2016

1 March 2017

## **DECLARING INTERESTS**

### **General duty**

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you.

### **What is a disclosable pecuniary interest?**

Disclosable pecuniary interests relate to your\* employment; sponsorship (ie payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licenses for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

### **Declaring an interest**

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest.

If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

### **Members' Code of Conduct and public perception**

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member "must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself" and that "you must not place yourself in situations where your honesty and integrity may be questioned". What this means is that the matter of interests must be viewed within the context of the Code as a whole and regard should continue to be paid to the perception of the public.

\*Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

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**To:** Audit and Governance Committee

**Date:** 24 May 2016

**Report of:** Head of Financial Services

**Title of Report:** Risk Management Quarterly Reporting: Quarter 4 2015/16

## Summary and Recommendations

**Purpose of report:** To update the Committee on both corporate and service risks as at the end of Quarter 4, 31 March 2016.

**Key decision:** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Efficient and Effective Council

**Recommendation(s):** That the Committee notes the content of the report

### Appendices:

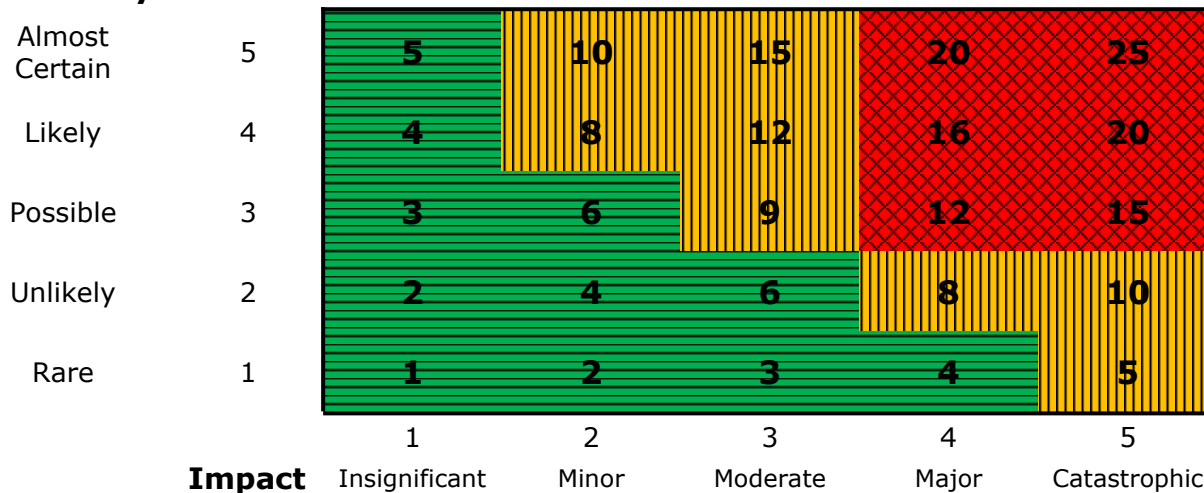
**Appendix A Corporate Risk Register**

### Risk Scoring Matrix

1. The Council operates a 'five by five' scoring matrix. The methodology for scoring risks is set out below along with a copy of the scoring matrix or 'heat map'.

- It is possible to get the same score but end up with a different result in the heat map. For example if the probability of an event occurring is high but the impact is low it is likely to have a lower rating on the heat map. However, the higher the potential impact score the more likely the event will be classed as a red risk on the matrix.

### Probability



Key:



### Risk Identification

- Corporate Risks** – The Corporate Risk Register (CRR) is reviewed by the Corporate Management Team (CMT) on a quarterly basis, any new risks are incorporated into a revised version of the CRR. Risk owners of corporate risks are generally Directors.
- Service Risks** – Service area risks are reviewed periodically by Heads of Service and Service Managers. The Financial Accounting Manager has oversight of all risks and on a quarterly basis will review service risks to determine whether they should be considered for inclusion in the Corporate Risk Register.
- Project and Programme Risk** – The Council adopts the principles of Prince2 methodology for managing projects. Incorporated within this methodology is a robust process for the management of risk within a project environment. Each project is managed by the Project Manager who controls and co-ordinates all aspects of the project through to conclusion.

### Quarter 4 Corporate Risk Register

- The Corporate Risk Register is attached at Appendix A. In Quarter 3, the Housing Revenue Account Business Plan risk was separated from the Medium Term Financial Strategy due to the increase in the risk level arising from the Government announcements which have had an adverse effect on the funding of the Council's HRA Business Plan. Whilst this

increased the number of risks being monitored from 6 to 7, there was no overall increase in risk to the Council from the level which was present at Quarter 2. As a result of setting the budgets for the HRA in February 2016, the Housing Revenue Business Plan risk has now reduced from red to amber as the Council believes it has made sufficient financial provision to mitigate the effects of the Governments changes. The risk relating to the Medium Term Financial Plan reduced from amber to green following budget setting in February 2016. The table below shows the movement of risks over the last 12 months.

<b>Current Risk</b>	<b>Q1 2015/16</b>	<b>Q2 2015/16</b>	<b>Q3 2015/16</b>	<b>Q4 2015/16</b>
Red	0	1	1	0
Amber	4	3	4	4
Green	2	2	2	3
<b>Total risks</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>7</b>

7. A full desktop review of all corporate risks is due to take place in July 2016.

#### **Quarter 4 Service Risk Registers**

8. Each year as part of the service planning process, all service risks are reviewed, those no longer relevant are deleted, and any new ones are added. In quarter 1 of 2015/16, the management of Council services was restructured and risks were subsequently moved between service areas and reassessed. These refreshed Service Risk Registers have been used for monitoring purposes for the remainder of the year.
9. The table below shows the number of service risks in Q4 2015/16 compared with the last 12 months. One risk has been closed since the last quarter which related to waste disposal costs. This was a financial risk which Direct Services have now included within their base budget. There are no new risks.

<b>Current Risk</b>	<b>Q1 2015/16</b>	<b>Q2 2015/16</b>	<b>Q3 2015/16</b>	<b>Q4 2015/16</b>
Red	1	4	6	2
Amber	32	31	27	27
Green	38	29	30	33
<b>Total risks</b>	<b>71</b>	<b>64</b>	<b>63</b>	<b>62</b>
New risks in quarter	1	2	3	0
Closed	4	9	4	1

Five red risks from Q3 were reduced to amber at the end of March 2016 as follows: -

- Housing and Property – relates to HRA Business Plan failure and the implications for social housing arising from the announcements contained in the Chancellor's Summer Budget in July. Changes have subsequently been made to the HRA Business Plan as part of the Medium Term Financial Planning process. The Council believes it has made sufficient financial provision to mitigate the effects of the Governments changes.
- Planning and Regulatory – relates to delays to Council projects caused by outside agencies including the County Council and national and regional Government and Government agencies. Continued monitoring of the programmed projects has reduced the risk to amber.
- Planning and Regulatory – relates to changes in the planning system arising from major changes in legislation. The Council is making robust representations to Government where appropriate and maintaining dialogue with groups wishing to bring forward Neighbourhood Plans which has reduced the risk to amber.
- Planning and Regulatory – relates to major opposition to emerging statutory plans. Action is now being taken to raise quality of community engagement as far as possible within available resources to address community concerns.
- Planning and Regulatory – relates to partnership challenges especially in relation to the Oxford Growth Strategy and the inability to reach agreement with external partners. Strategy work is being supported, programmes are monitored and pace is being maintained with partners and partner councils

There were two red risks at the end of March 2016 as follows:-

- Housing and property – relates to increased costs of homelessness arising from less effective homelessness prevention work and higher homelessness acceptance
- Planning and regulatory – relates to service failure due to ICT outages resulting in a reduced service to customers.

### **Climate Change / Environmental Impact**

10. There are no issues arising directly from this report

### **Equalities impact**

11. There are no equalities impacts arising directly from this report

**Financial Implications**

12. The robust management of risk should assist in mitigating the financial impact to the Council should the event occur.

**Legal Implications**

13. There are no legal implications directly relevant to this report but having proper arrangements to manage risk throughout the organisation is an important component of corporate governance.

**Name and contact details of author:-**

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Service Area / Department: Financial Services

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**List of background papers: None.**

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**Formal Risk Summary**

(Oxford)

As at: Mar-2016

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Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
CRR-001-15/16	ICT	Resilience of ICT function - managing projects and improvements alongside business as usual	T	Numerous projects running concurrently across the Council all needing ICT support; limited resources with the correct level of skill, and some vacant posts within ICT	Inability to provide good quality and consistent service	1-Apr-2015	Helen Bishop	4	4	3	3	2	3		Agree new ICT strategy including principles for ICT projects and	1-Jun-2015	In Progress	100%	Paul Fleming
										Managing business as usual and developments as a single programme	31-Mar-2016	In Progress	80%		Helen Bishop				
										Objective to embed ITIL processes	31-Mar-2016	In Progress	40%		Paul Fleming				
										Objective to multi-skill applications development team	1-Dec-2015	In Progress	60%		Paul Fleming				
										Procurement of ICT strategic partner will improve stability of service	31-Mar-2016	In Progress	95%		Helen Bishop				
										Procurement of new ICT helpdesk, with potential for customers to self-service will ensure more efficient management of business as usual incidents	31-Mar-2016	In Progress	75%		Paul Fleming				
										Restructure will ensure resources aligned to requirements and that key posts are filled in ICT	1-Sep-2015	In Progress	95%		Helen Bishop				
CRR-004-15/16	Partnership Risk	Financial reduction in funding and impact on our partners	T	Reduction of the availability of funding for our partners to maintain their level of activity	reduced work with key partners to provide the Councils services	1-Apr-2015	David Edwards	3	5	3	5	2	4	Working with partners to mitigate impacts, seeking alternative capital funding through Government LGF support	31-Mar-2016	In Progress	80%	David Edwards	
CRR-005-15/16	Recruitment and Retention	The risk of losing good quality staff and the inability to recruit into key posts with good quality staff	T	The inability to attract high calibre staff into key vacancies across the Council.	Key posts are left vacant or filled with temporary resources	1-Apr-2015	Justin Thorne	3	4	3	3	2	2		Agree retention measures & implement them	30-Sep-2015	In Progress	20%	Justin Thorne
										Deliver recruitment action plan which aims to widen and diversify the pool of potential applicants and increase the chances of appointing the best	3-Jul-2018	In Progress	50%		Justin Thorne				
										Identify key posts and agree action to recruit / retain appropriate to the market, including looking at different resourcing options	30-Jun-2016	In Progress	90%		Justin Thorne				
CRR-030	HRA Business Plan Delivery failure	Changes to variable factors threatens investment and service performance and medium term financial strategy	T	Government legislative changes with respect to welfare reform, rent policy and sale of high value assets	Significant reduction to rental income threatens the investment programme in existing stock and new Council housing and the level and quality of landlord services	1-Sep-2015	Stephen Clarke	4	3	4	2	4	2	Challenge/lobbying/ technical engagement with DCLG to help shape proposals and implementation. Model implications and produce revised business plan with a revised 4 year investment programme	29-Feb-2016	In Progress	40%	Stephen Clarke	
CRR-002-15/16	Budget and Income	Medium Term Financial Plan savings not delivered and pressures not anticipated or accurately recorded. Income not collected on a timely basis	T	Ongoing Central Government cuts and current savings targets not being consistently met	Inability to produce a balanced budget, or further savings needing to be made in the future	1-Apr-2015	Nigel Kennedy	4	3	3	2	3	2		Annual review of the Medium Term Financial plan to confirm savings are deliverable and pressures recorded	18-Feb-2016	Completed	100%	Nigel Kennedy
										Ensure action plans in place for delivery of savings	31-Mar-2016	Completed	100%		Nigel Kennedy				
										Ensure key stakeholders are kept upto date on progress of plan and monitoring	31-Mar-2016	Completed	100%		Nigel Kennedy				
										Produce accurate, timely monitoring reports	31-Mar-2016	Completed	100%		Nigel Kennedy				
CRR-003-15/16	Partnership Risk	Ability to engage with Partners	T	Difficulty in managing the relationships with key partners across the organisation to ensure smooth delivery of all	Council services suffer due to a breakdown in the partnership	1-Apr-2015	Tim Sadler	2	3	2	2	2	1		Careful selection and management of key service delivery partners	31-Mar-2016	In Progress	80%	Tim Sadler
										Clarify position re: leases and funding for community	30-Jun-2015	In Progress	70%		Ian Brooke				
										On going dialogue with key statutory partners	31-Mar-2016	In Progress	80%		Tim Sadler				
CRR-006-15/16	Environmental	The impact of adverse environmental episodes on service delivery and the subsequent adverse financial impact on Council	T	Increase risk of flooding and other adverse weather conditions	Affecting service delivery, increased cost, resource shortfall	1-Apr-2015	Tim Sadler	3	2	3	2	1	2		Maintain early warning, training and cover arrangements	30-Mar-2016	In Progress	95%	Graham Bourton
										Support progress of Oxford Flood Alleviation Channel	31-Mar-2020	Not Started	40%		Tim Sadler				

**Current Risk Score**

This is the risk score at the time that the risk is reviewed. When the risk is first identified it will be the same as the gross risk score. The current risk score is tracked to ensure that progress is being made to manage the risk and reduce the Council's exposure.

**Residual Risk Score**

This is the risk score after mitigating actions have taken place. The residual risk score shows how effective your action plans are at managing the risk.

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**To:** Audit and Governance Committee

**Date:** 29<sup>th</sup> June 2016 **Item No:**

**Report of:** Head of Financial Services

**Title of Report:** Statement of Accounts for the Year Ending 31<sup>st</sup> March 2016

## Summary and Recommendations

**Purpose of report:** To present the Council's Draft Statement of Accounts for the year ending 31<sup>st</sup> March 2016 to the Audit and Governance Committee.

**Key Decision?** No

**Executive lead member** Councillor Ed Turner

**Policy Framework:** Budget

**Recommendation(s):** That the Committee note the changes arising from the 2015 Regulations

That the Committee note the contents of the Draft Statement of Accounts certified by the Head of Financial Services (Section 151 Officer).

## **Appendix A – Draft Statement of Accounts 2015/16**

### 1 **Approval of the Statement of Accounts**

The Draft Statement of Accounts for 2015/16 are attached at Appendix A for information.

The Accounts and Audit Regulations 2015 which replace the 2011 Regulations have an impact on the preparation, approval and publication of the Statement of Accounts.

The key changes are that:

- The 2015 Regulations condense the timetable for the preparation, approval and publication of the financial statements for 2017/18 as follows  
:

<b>Activity</b>	<b>Current Deadline</b>	<b>New Deadline from 2017/18 Accounts</b>
Chief Finance Officer to sign draft Statement of Accounts	30 <sup>th</sup> June	31 <sup>st</sup> May
Exercise of public rights Chief Finance Officer to re-certify the Statement of Accounts Approval of Statement of Accounts by Audit and Governance Committee Audit opinion issued by External Audit Publication of Statement of Accounts	30 <sup>th</sup> September	31 <sup>st</sup> July

- There are changes (with effect from 1<sup>st</sup> April 2015) to the financial information published, the public's right to inspect the accounts and to put objections to auditors and the narrative statement, in which the Council are required to include information on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. Other than the narrative statement, the key changes are:
  - New section on fair value measurement in note 3 (page 32)
  - Disclosures of fair values of investment properties (note 13, pages 49 to 50)
  - Disclosures of fair values of financial instruments (note 15, pages 52 to 53).
  - Deletion of accounting policy AP11 on Housing Levy; this does not apply to the Council and therefore is unnecessary as a policy
  - A new accounting policy on fair value measurement (AP 24 page 124)
  - Group Accounts presentational changes to incorporate additional notes summarising the individual entities' accounts (pages 95 to 105)
  - Additional notes in the Group Accounts section due to the inclusion of Oxford West End Development Limited

2 The Council's Finance Team has been working towards an earlier closedown for 2015-16 and the external auditors Ernst and Young have already undertaken some preliminary testing as part of their preparations for the earlier audit. The

accounts for 2015-16 were drafted and prepared by 31<sup>st</sup> May and will be handed to the auditors to commence their audit on 20<sup>th</sup> June 2016 which they are scheduled to complete in four weeks.

3 Elsewhere on the agenda an internal audit undertaken by BDO on the Council's state of readiness for an earlier closedown is referenced. This indicates that whilst the Council has made good progress there are additional steps the Council can take, these will be included in future years closedown timetables as appropriate.

4 **The Narrative Report**

The Narrative Report, included at pages 7- 20 of the Statement, explains the more significant features of the Accounts. It is based on the information contained within the Statement and fulfils a similar purpose to a directors' report in company accounts.

5 **Major Changes Affecting the Statement of Accounts**

The Council's accounting policies are set out on pages 109 to 126 of the Statement of Accounts. These policies are largely unchanged from last year. However, there are some key events that have taken place over the year which have a material impact on the understanding of the Accounts. They are detailed as follows:

- **National Homelessness Property Fund**

The Council has committed to invest £5 million in the National Homelessness Property Fund on the basis that it is match funded with a further £5 million by an external investor. In 2015/16 the Council invested £0.5 million. The balance is due to be paid over the subsequent 18 months. The Fund will invest in properties in the Oxford area which will be used to house homeless people with nominations from the Council; the tenancies will be managed through an agreement by St Mungos Broadway, a Registered Provider of social Housing. The Council will earn a return on its investment after 2 years and the Fund will run for 7 years, although it can be extended by a further 2 yrs with the agreement of the investors. At the end of investment period, the Council will receive its share of the property fund which will be equivalent to its initial investment plus or minus any capital gains or losses.

- **Oxford West End Development Company (OxWED)**

On 18<sup>th</sup> January 2016, the Council entered into a 50:50 joint venture company with Nuffield College to develop and regenerate the West End area of Oxford and produce commercial and domestic properties for sale and rent. In February 2016, the partners each loaned £6.5 million to the company in order to facilitate the purchase of land from London and Continental Railways. The Council's share of the loan is shown in the Council's accounts as a long term debtor and OxWED is consolidated within the Council's Group Accounts at page 97.

- **Pension Fund**

The liability reported as at 31 March 2015 was £145.3 million. The revised liability as at the 31 March 2016 is £133.8 million. The decrease is due to

a number of factors, the most significant of which is actuarial gains of £18.6 million largely due to significant changes in financial assumptions and reduced interest costs. More information regarding the Defined Benefit Pension Scheme can be found in note 39 of the Statement of Accounts (page 74).

## 6 General Fund Revenue Outturn 2015/16

The Council set a budget for spending on General Fund services of £20.414 million plus £2.890 million for corporate accounts and contingencies, to be financed by Government Grant of £4.463 million, Business Rates income of £6.394 million, Council Tax of £11.900 million and a Collection Fund surplus of £0.547 million.

The Council Tax for a Band D property was set at £283.00 (including parish precepts), a 1.99% increase on the City Council's prior year Council Tax.

As shown in the table below, the Council's net outturn position against budget, for 2015/16 shows a favourable variance of £0.494 million. This has been transferred to an earmarked reserve to fund future capital schemes.

	Net Approved Budget 2015/16 £000	Net Revised Budget 2015/16 £000	Net Expenditure 2015/16 £000	Variance 2015/16 £000
<b>Assistant Chief Executive</b>	<b>644</b>	<b>918</b>	<b>736</b>	<b>(182)</b>
Partnerships Team	495	960	941	(19)
Planning and Regulatory	1,679	583	837	254
Housing and Property	(4,709)	(5,242)	(6,637)	(1,395)
<b>Regeneration and Housing</b>	<b>(2,535)</b>	<b>(3,699)</b>	<b>(4,859)</b>	<b>(1,160)</b>
Environmental Sustainability	789	712	779	67
Community Services	5,211	6,024	5,874	(150)
Direct Services	2,158	2,052	1,298	(754)
<b>Community Services</b>	<b>8,158</b>	<b>8,788</b>	<b>7,951</b>	<b>(837)</b>
Transformation	527	225	225	-
Business Improvement	7,084	8,610	8,674	64
Organisational Development	690	1,015	1,012	(3)
Welfare Reform Team	141	331	333	2
Financial Services	3,116	2,864	2,736	(128)
Law and Governance	2,589	2,482	2,500	18
<b>Organisational Development &amp; Corporate Services</b>	<b>14,147</b>	<b>15,527</b>	<b>15,480</b>	<b>(47)</b>
<b>Total Services</b>	<b>20,414</b>	<b>21,534</b>	<b>19,308</b>	<b>(2,226)</b>
Corporate Accounts and Contingencies	2,890	1,116	3,027	1,911
<b>Net General Fund Expenditure</b>	<b>23,304</b>	<b>22,650</b>	<b>22,335</b>	<b>(315)</b>
<b>Total Funding</b>	<b>23,304</b>	<b>22,612</b>	<b>22,791</b>	<b>179</b>
<b>Net (Surplus)/Deficit</b>	<b>-</b>	<b>38</b>	<b>(456)</b>	<b>(494)</b>
<b>Working Balance</b>	<b>(3,622)</b>	<b>(3,622)</b>	<b>(3,622)</b>	<b>-</b>

The key variances are:

### **Assistant Chief Executive**

- There is a favourable variance of £0.182 million made up of an underspend of £0.268 million relating to Educational Attainment less commitments going forward of £0.086 million for a residents satisfaction survey, consultancy costs and staff costs to cover maternity leave.

### **Regeneration & Housing**

- **Planning & Regulatory** - There is an adverse variance of £0.254 million arising from reduced income from building control (£0.073 million), HMO Licencing (£0.098 million), Planning applications (£0.060 million), Food Hygiene courses (£0.040 million), Planning Fees (£0.053 million), street trading licences (£0.022 million), and additional staffing costs of £0.92 million.
- **Housing & Property** - Within Housing and Property there is a favourable variance of £1.395 million, due to additional property income and underspends on staffing due to vacancies throughout the year.

### **Community Services**

- **Community Services** - There is a favourable variance of £0.150 million arising from savings of £0.030 million in Leisure Management and additional Town Hall income of £0.120 million.
- **Direct Services** - The favourable variance of £0.754 million is largely due to an overachievement of income in Car Parking (£0.472 million), Motor Transport (£0.260 million) and Engineering Services (£0.285 million). Savings have also been made due to fuel price reductions during the year of £0.110 million and in salaries of £0.153 million. These are offset by commitments re Cowley Marsh Recreation ground car park extension (£0.132 million) and a replacement brush wash (£0.100 million).

### **Organisational Development and Community Services**

- **Financial Services** - The service has an overall favourable variance of £0.128 million, which has arisen from staff vacancies and additional court cost income.

### **Corporate Accounts and Contingencies**

- The £1.911 million variance on the Corporate Accounts is due to the revaluation of the Council's Rent to Mortgage properties. These have increased in value in 2015/16. The contra entry to this is in the Housing and Property Service area line.

## 5. Housing Revenue Account Outturn Position

The table below shows that the Housing Revenue Account has a year end underspend of £10.946 million against the revised budget.

	Net Approved Budget 2015/16 £000	Net Revised Budget 2015/16 £000	Net Expenditure 2015/16 £000	Variance 2015/16 £000
Dwelling Rent	(41,705)	(41,705)	(42,809)	(1,104)
Service Charges	(1,244)	(1,244)	(1,810)	(566)
Furniture & Other Rent	(757)	(781)	(976)	(195)
Major Project Team Fees	(337)	-	-	-
<b>Income</b>	<b>(44,043)</b>	<b>(43,730)</b>	<b>(45,595)</b>	<b>(1,865)</b>
General Management	5,494	5,393	4,542	(851)
Special Services	2,381	2,756	2,574	(182)
Other Expenditure	3,195	1,797	1,239	(558)
Bad Debt Provision	365	346	300	(46)
Responsive and Cyclical Repairs	10,091	10,398	10,394	(4)
Interest Paid	7,922	7,922	7,760	(162)
Depreciation	5,849	5,849	9,115	3,266
<b>Expenditure</b>	<b>35,297</b>	<b>34,461</b>	<b>35,924</b>	<b>1,463</b>
<b>Net Operating Expenditure / (Income)</b>	<b>(8,746)</b>	<b>(9,269)</b>	<b>(9,671)</b>	<b>(402)</b>
Appropriations	8,954	10,406	(138)	(10,544)
<b>Net (surplus)/deficit</b>	<b>208</b>	<b>1,137</b>	<b>(9,809)</b>	<b>(10,946)</b>
<b>Working Balance</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>-</b>

The key variances arise from:

### Income

- **Dwelling rents** - £1.104 million arising from lower than anticipated right to buy sales, a growing number of properties being used for Temporary accommodation with an increased rental charge and void properties generating additional income.
- **Service Charges** - £0.566 million arising from increased garage income.
- **Furniture & Other Rent** - £0.195 million arising from increased demand for the furnished tenancy scheme which generates additional income.

### Expenditure

- **General Management** - £0.851 million arising from reduced bank charges, a lower bad debt provision, lower court costs and reduced printing and copier charges.
- **Special Services** - £0.182 million arising from underspends on communal gas and electric charges.

- **Other expenditure** - £0.558 million due to reduced costs associated with capital works following the deferment of capital schemes during the year.
- **Depreciation** - £3.266 million adverse variance due to the increase in the value of the Council Housing stock, which leads to an increase in the depreciation charge. Depreciation however is offset completely in the HRA within appropriations.
- **Appropriations** - £10.544 million favourable variance arising from reduced depreciation charges and revenue contributions to fund the Capital Programme not being required as originally anticipated, largely due to the temporary moratorium on capital earlier in the year.

## 6 Earmarked Reserves

**General Fund Earmarked Reserves** – As at 31<sup>st</sup> March 2015 these stood at £31.2 million, as shown on page 41 of the Statement of Accounts. In 2015/16 the Council made a net transfer into reserves of £2.8 million resulting in earmarked reserves standing at £34 million as at 31<sup>st</sup> March 2016 with key balances including:

- **Revenue Contribution to Capital Reserve** - This has decreased from £14.5 million to £13.4 million during the year. This reserve will be used going forward to support future Capital Schemes.
- **NNDR Retention Reserve** – £3.8 million. The new Business Rates retention system places significant additional risks on council's due to the potential fluctuations between years on the NNDR Collection Fund; this reserve will be used to balance out the fluctuations and mitigate the pressure on the General Fund.

**HRA Earmarked Reserves** - As at 31 March 2016 these stood at £15.6 million following a net transfer in of £9.4 million. This transfer largely arose from slippage on the Capital Programme and the reserve will be used to finance capital schemes in future years.

**Insurance Reserves** - as at 31 March 2016 these stood at £1.8 million and are held to cover uninsured excesses and future liabilities including those arising from the administrative arrangements of the Council's previous insurers Municipal Mutual Insurance (MMI).

## 7 Working Balances

**The General Fund Working Balance** – this remains at £3.6 million as at 31<sup>st</sup> March 2016.

**The HRA Working Balance** – This remains at £4 million at 31<sup>st</sup> march 2016.

## 8 Capital Outturn 2015/16

The 2015/16 original Capital Programme agreed by Council was £47.579 million, the outturn position is £32.708 million, with the underspend being

£14.871 million. This is made up of £10.9 million of slippage and £4.0 million of underspends. The temporary moratorium imposed on both General Fund and HRA Capital schemes agreed by members at the City Executive Board on the 10<sup>th</sup> September (lifted in December) due to uncertainties around Government funding especially in the HRA was the main factor. Overall spend was 68% of the budget compared to 76% (£48.7million spent) in 2014/15. Major variations against the 2015/16 Programme include:

### **General Fund**

- Community Centre backlog - £0.484 million – Deferred to future years
- Stage 2 museum - £0.434 million – Deferred to 2016/17 as part of the lottery funded project
- MT Vehicle replacement - £1.6 million – Deferred due to the changes in the ordering cycle
- R&D Feasibility - £0.4 million - Deferred
- Property Acquisitions - £1.7 million – Scheme changed to working with St Mungos Broadway
- Flood Alleviation - £1.4 million –to be spent after 2015/16
- Property Acquisitions - £1.7 million – underspend due to the scheme changing from purchasing properties to working with St Mungos Broadway to provide homeless accommodation
- Superconnected Cities - £0.5 million underspent on scheme
- Disabled Facilities Grants - £0.01 million underspending due to deferral of scheme and no longer required in year

### **HRA**

- Tower Bock refurbishment - £5.0 million – slipped into 2016/17 due to late starting of the project whilst awaiting approval of the revised budget
- Extensions and Major Adaptions - £0.301 million – Deferred into 2016/17 programme of works, with an underspend in the current year
- Insulation Works - £0.337 million - Deferred into 2016/17 programme of works, with an underspend in the current year
- Controlled Entry - £0.30 million - Deferred into 2016/17 programme of works, with an underspend in the current year
- Great Estates - £0.750 million - Deferred into 2016/17 programme of works, with an underspend in the current year
- Major Voids - £0.4 million - Deferred into 2016/17 programme of works, with an underspend in the current year
- Blackbird Leys Regeneration - £0.4 million – slipped into 2016/17 - scheme alteration to align with available funding



- Solar Panels - £0.5 million - Deferred into 2016/17 programme of works, with an underspend in the current year
- Rosehill Community Centre - £0.175 million Slippage in scheme
- Homes at Barton - £0.6 million - Deferred into 2016/17 programme of works

## 9 **Capital Receipts**

As at 31 March 2015 the Council held approximately £11.4 million usable capital receipts: during the year additional receipts were received and £5.2 million was used to finance the in-year Capital Programme. The balance as at 31<sup>st</sup> March 2016 is £6.1 million which will be used over the life of the medium term plan.

## 10 **Icelandic Banking Losses - Update**

In October 2008 a number of Icelandic banks filed for administration. The Council held deposits with two of these banks, Glitnir and Heritable (£1.5 million and £3 million respectively). Developments over the last year are as follows:

- Glitnir - A repayment of £98,000 was received in early January 2016 leaving a small remaining balance of approximately £106,000, which may potentially be recovered in due course.
- Heritable Bank - Repayments of £119,000 have been received in early January 2016 leaving a residual outstanding balance of £60,000. Recovery of this balance is uncertain.

## 11 **The Collection Fund**

The Collection Fund (page 93 in the Statement) reflects the Council's statutory obligation as a Billing Authority to maintain a separate Fund. The Statement shows the transactions the Council as a Billing Authority has undertaken in relation to, collection from taxpayers and distribution to local authorities and Government of Council Tax and Non-Domestic Rates.

The Collection Fund Balance at the end of the year was a £6.2 million net deficit. This represents a £8.1 million deficit on Business Rates and a £1.9 million surplus on the Council Tax element respectively. The deficit on the Business Rates Collection Fund arose in 2014/15 when an unexpected level of business rates appeals was received. The Council Tax balance is shared between Oxford City Council, Oxfordshire County Council, and the Police and Crime Commissioner (Thames Valley) in proportion to their precept. The Business Rates balance is shared between Central Government, Oxford City Council and Oxfordshire County Council in the percentages 50% / 40% / 10% respectively.

	<b>Council Tax</b>	<b>Business Rates</b>	<b>Total</b>
	<b>2015/16</b>	<b>2015/16</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Oxford City Council	(326)	3,244	2,918
Oxfordshire County Council	(1,420)	811	(609)
Police and Crime Commissioner (Thames Valley)	(188)	-	(188)
Central Government	-	4,055	4,055
<b>Total</b>	<b>(1,934)</b>	<b>8,110</b>	<b>6,176</b>

12 **Financial Implications**

These are covered within the main body of the report.

13 **Legal Implications**

The Council must now publish a narrative statement instead of including an explanatory foreword in the accounts. This is explained in the main body of the report. The parameters for setting the dates for public inspection have changed and the effect of this has been incorporated into the statutory notice which is replicated below in the Communication section.

The deadline for completion of the statement of accounts has been changed such that the accounts must be presented to the external auditors by 31<sup>st</sup> May and be published following audit by 31<sup>st</sup> July. For the financial years 2015/16 and 2016/17 there are legal provisions to allow these dates to be 30<sup>th</sup> June for the presentation to external audit and 30<sup>th</sup> September for the audited accounts to be published. In order to ensure that these deadlines can be met, the Council has produced the accounts by 31<sup>st</sup> May and the external auditors are starting their audit of the completed statements on 20<sup>th</sup> June.

In the future, the changes in dates will mean that the accounts will not be able to be presented to Audit and Governance Committee in draft form but the Committee will still be required to approve the final statement of accounts.

14 **Risk Implications**

There are no risks associated with the recommendations in this report.

15 **Communication**

The Council's accounts are subject to external audit by Ernst & Young LLP, the local address of which is Ernst & Young LLP, Apex Plaza, Forbury Road, Reading, RG1 1YE. Members of the public and local government electors have certain rights in the audit process: -

- a) From Monday 20<sup>th</sup> June to Friday 29<sup>th</sup> July between 9.30am and 4.30pm any person may inspect the accounts of the Council for the year ended 31<sup>st</sup> March 2016 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts) at the address given below. They may also make copies of the accounts and documents.
- b) From 9.30am on Monday 20<sup>th</sup> June 2016 until 4.30pm on Friday 29<sup>th</sup> July 2016, a local government elector for the area of the Council, or his / her representative, may ask the auditor questions about the accounts. Please contact the address given above to make arrangements to ask any questions.
- c) From 9.30am on Monday 20<sup>th</sup> June 2016 until 4.30pm on Friday 29<sup>th</sup> July 2016, a local government elector for the area of the Council or his / her representative, may object to the Council's accounts asking that the auditor issue a report in the public interest (under section 8 of the Audit Commission Act 1998) and / or apply to the court for a declaration that an item in the accounts is contrary to law (under section 17 of the Audit Commission Act

1998). Written notice of a proposed objection and the grounds on which it is made must be sent to the auditor at the address given below.

- d) The address for communications, inspections, and objections in relation to the audit and inspection of accounts is: - Oxford City Council, St Aldates Chambers, OX1 1BX.

**Name and contact details of author:-**

Name: Nigel Kennedy

Job title: Head of Financial Services

Service Area / Department: Financial Services,

Tel: 01865 252708 e-mail: [nkennedy@oxford.gov.uk](mailto:nkennedy@oxford.gov.uk)

**Background papers: None**

**Version number:**

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# **Statement of Accounts 2015/16**

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# INTRODUCTION

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## INTRODUCTION

Welcome to Oxford City Council's Statement of Accounts for the year ending 31 March 2016.

The Statement of Accounts is a statutory document providing information on the cost of services provided by Oxford City Council to the council tax payer and the council house tenant and detailing how those services were financed. In addition, it provides information, within the Balance Sheet on page 25 of the value of the assets the Council owns and the liabilities that we owe. It is in essence, a statement of how well we have managed your money over the last twelve months.

The statement provides, in accordance with International Financial Reporting Standards (IFRS), the accounts for the General Fund, Housing Revenue Account, Collection Fund and all other accounts for which the Council is responsible. The Council's Balance Sheet provides details of its Assets and Liabilities as at 31 March 2016. Other supporting statements are provided to help explain the figures in the accounts. In addition, a glossary can be found on pages 127 to 133 to help explain some of the technical terms.

On pages 95 to 105 the main Accounting Statements are replicated to incorporate the Group Accounts of the Council. These Group accounts reflect the Council's financial position inclusive of its 50% share in Barton Oxford LLP, the Council's Joint Venture with Grosvenor Developments Limited.

The Accounts and all relevant documents are subject to review by the Council's External Auditors, Ernst & Young, who will provide their opinion on the Council's Accounts. Ernst & Young LLP gave an unqualified opinion on the Statement of Accounts presented for 2014/15.

Should you have any comments or wish to discuss this Statement in further detail then please contact the Council's Financial Accounting Manager, Bill Lewis at [blewis@oxford.gov.uk](mailto:blewis@oxford.gov.uk).

I hope you find the Statement of interest and may I take the opportunity of thanking you for taking time to read it.

Nigel Kennedy  
Head of Financial Services (Section 151 Officer)

Oxford City Council  
1st Floor, St Aldate's Chambers  
109 St. Aldate's  
Oxford  
OX1 1DS

## INTRODUCTION

### The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Financial Services (Section 151 Officer).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and
- approve the Statement of Accounts.

### The Responsibilities of the Head of Financial Services (Section 151 Officer)

The Head of Financial Services (Section 151 Officer) is responsible for the preparation of the 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* (the Code).

In preparing the Statement of Accounts, the Head of Financial Services (Section 151 Officer) has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that are reasonable and prudent, and
- complied with the Local Authority Code.
- kept proper accounting records which are up to date, and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts as set out on pages 23 to 124 presents a true and fair view of the financial position of Oxford City Council as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

The unaudited Accounts were issued on 29 June 2016 (and the audited accounts will be authorised for issue on 21 September 2016.)

Signed

\_\_\_\_\_  
Nigel Kennedy  
Head of Financial Services (Section 151  
Officer)

Date

\_\_\_\_\_

Signed

\_\_\_\_\_  
Councillor  
Chair of Audit & Governance Committee

Date

\_\_\_\_\_

### Purpose of the Narrative Report

The purpose of the narrative report is to provide an explanation of the Council's financial position, and assist in the interpretation of the financial statements. It contains commentary on the major influences affecting the Council's income and expenditure and cash flows, and information on the financial needs and resources of the Council.

### 1. The Statement of Accounts

#### The Statement of Accounts consists of the following:

- The Statement of Responsibilities, setting out the general responsibilities of both the City Council, and the Section 151 Officer (The Head of Financial Services). The Head of Financial Services has to sign a statement that the Accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for that year then ended (page 6 and page 25).
- The Core Financial Statements (pages 23 to 26) and supplementary statements pages (87 to 105) incorporating:
  - a. A Movement in Reserves Statement (MIRS) - a statement used to adjust International Financial Reporting Standard accounting practice to Local Government proper practice to ensure the accounting changes do not impact on Council Tax and create any additional burden to the tax payer.
  - b. The Comprehensive Income and Expenditure Statement - a statement which incorporates all revenue income and expenditure relating to the year.
  - c. A Balance Sheet - which records all the assets and liabilities at the Balance Sheet date of 31 March.
  - d. A Cashflow Statement - a statement that shows the inflows and outflows of cash during the year reconciled to the year end cash position.
  - e. The Housing Revenue Account - a statement which brings together all transactions during the year in relation to the management and maintenance of the Council's 7,792 dwelling stock.
  - f. Collection Fund - a statement which brings together all transactions during the year relating to the collection of Business Rates and Council Tax income together with payments and receipts from Government and payments made to the preceptors; the County Council, Police and Crime Commissioner (Thames Valley) and Parish Councils.
  - g. Group Accounts - statements which reflect the Council's 50% interest with Grosvenor Developments Limited in a joint venture for the construction of dwellings at Barton and a 50% interest with Nuffield College in a joint venture for the regeneration of the West End area of Oxford. The Council's share of the assets and liabilities of these companies are required to be incorporated into the Council's accounts.
- The Statement of Accounting Policies, setting out the detailed rules under which we account for assets, liabilities, income and expenditure (pages 107 to 124).

## NARRATIVE REPORT

### Details Of The Core Financial Statements

#### **The Movement in Reserves Statement (MIRS)**

The MIRS shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) totalling around £69.4 million as at 31 March 2016 and unusable reserves which are not 'cash backed' totalling £617.3 million.

The surplus or (deficit) on the 'Provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (page 24). These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

The 'Net Increase/Decrease Before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

#### **The Comprehensive Income and Expenditure Statement**

This Statement (page 24) shows the cost in the year of providing services, which is £34.8 million, in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Note 27 (page 62), shows how the Comprehensive Income and Expenditure Statement reconciles back to the management accounts reported quarterly to the City Executive Board; further details and the outturn are discussed below.

#### **The Balance Sheet**

This statement (page 25) shows the value as at 31 March 2016 of the assets and liabilities recognised by the Council which are £686.6 million net. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

	<b>2015/16</b>	<b>2014/15</b>	<b>Variation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Value of Land and Property Owned	897,434	822,763	74,671
Cash Investments, Assets Held For Sale and Stock	68,691	54,316	14,375
Money the Council Owes	(371,254)	(385,093)	13,839
Money the Council is Owed	91,760	86,776	4,984
<b>Net Worth of Council at 31st March</b>	<b>686,631</b>	<b>578,762</b>	<b>107,869</b>

Reserves are reported in two categories:

- Usable Reserves - (£69.4 million) those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves to meet unforeseen circumstances and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- Unusable Reserves - (£617.3 million) those reserves that the Council is not able to use to provide services. This category of reserves includes those that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that reflect timing differences shown in the Movement in Reserves Statement line "Adjustments Between Accounting Basis and Funding Basis Under Regulations".

## NARRATIVE REPORT

### Cash Flow Statement

The Cash Flow Statement (page 26) shows the changes in Cash and Cash Equivalents of the Council during the reporting period. The Statement shows how the Council generates and uses Cash and Cash Equivalents by classifying cash flows as operating, investing and financing activities.

The amount of 'Net Cash Flows from Operating Activities' is £32.9 million and is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for the purchase of resources which are intended to contribute to the Council's future service delivery.

The overall increase in Cash and Cash Equivalents between 2014/15 and 2015/16 is approximately £2.42 million.

### The Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement (page 87) shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practice, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

### The Collection Fund

The Collection Fund (page 93) is the statement reflecting the Council's statutory obligation as a Billing Authority to maintain a separate Collection Fund. The Statement shows the transactions the Council as a Billing Authority has undertaken in relation to, collection from taxpayers and distribution to local authorities and Government of Council Tax and Non-Domestic Rates.

The Collection Fund Balance at the end of the year was a £6.2 million net deficit. This represents a £8.1 million deficit on Business Rates and a £1.9 million surplus on the Council Tax element respectively. The deficit on the Business Rates Collection Fund arose in 2014/15 when an unexpected level of business rates appeals was received. The Council Tax balance is shared between Oxford City Council, Oxfordshire County

	<b>Business Rates</b>	<b>Council Tax</b>	<b>Total</b>
	<b>2015/16</b>	<b>2015/16</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Oxford City Council	3,244	(326)	2,918
Oxfordshire County Council	811	(1,420)	(609)
Police and Crime Commissioner (Thames Valley)	-	(188)	(188)
Central Government	4,055	-	4,055
<b>Total (Surplus)/Deficit</b>	<b>8,110</b>	<b>(1,934)</b>	<b>6,176</b>

## NARRATIVE REPORT

### 2. General Fund Outturn Position

The Council set a budget for spending on General Fund services of £20.414 million plus £2.890 million for corporate accounts and contingencies, to be financed by Grant funding of £4.463 million, Business Rates income of £6.394 million, Council Tax of £11.900 million and Collection Fund surpluses of £0.547 million.

The Council Tax for a Band D property was set at £283.00 (including parish precepts), a 1.99% increase for the City Council Tax on the previous year.

The table below shows the Council's outturn position at service level against the latest budget: a favourable position of £2.226 million. This is off set by an adverse variance the corporate accounts of £1.911 million and £0.179 million on funding giving an overall favourable variance of £0.494 million, this was transferred to Ear-marked Reserves to fund future capital schemes.

	Net Approved Budget 2015/16 £000	Net Revised Budget 2015/16 £000	Net Expenditure 2015/16 £000	Variance 2015/16 £000
<b>Assistant Chief Executive</b>	644	918	736	(182)
Partnerships	495	960	941	(19)
Planning and Regulatory	1,679	583	837	254
Housing and Property	(4,709)	(5,242)	(6,637)	(1,395)
<b>Regeneration and Housing</b>	<b>(2,535)</b>	<b>(3,699)</b>	<b>(4,859)</b>	<b>(1,160)</b>
Environmental Sustainability	789	712	779	67
Community Services	5,211	6,024	5,874	(150)
Direct Services	2,158	2,052	1,298	(754)
<b>Community Services</b>	<b>8,158</b>	<b>8,788</b>	<b>7,951</b>	<b>(837)</b>
Transformation	527	225	225	-
Business Improvement	7,084	8,610	8,674	64
Organisational Development	690	1,015	1,012	(3)
Welfare Reform	141	331	333	2
Financial Services	3,116	2,864	2,736	(128)
Law and Governance	2,589	2,482	2,500	18
<b>Organisational Development &amp; Corporate Services</b>	<b>14,147</b>	<b>15,527</b>	<b>15,480</b>	<b>(47)</b>
<b>Total Service Expenditure</b>	<b>20,414</b>	<b>21,534</b>	<b>19,308</b>	<b>(2,226)</b>
Corporate Accounts and Contingencies	2,890	1,116	3,027	1,911
<b>Net General Fund Expenditure</b>	<b>23,304</b>	<b>22,650</b>	<b>22,335</b>	<b>(315)</b>
<b>Total Funding</b>	<b>23,304</b>	<b>22,612</b>	<b>22,791</b>	<b>179</b>
<b>Net (Surplus)/Deficit</b>	<b>-</b>	<b>38</b>	<b>(456)</b>	<b>(494)</b>
<b>Working Balance</b>	<b>(3,622)</b>	<b>(3,622)</b>	<b>(3,622)</b>	<b>-</b>

The key variances across the Directorates are:

#### Assistant Chief Executive

- £0.182 million favourable variance made up of an underspend of £0.268 million on Educational Attainment offset by £0.086 million of commitments for residents satisfaction survey, consultancy services and staff costs to cover maternity leave.



## NARRATIVE REPORT

### Regeneration & Housing

- **Planning & Regulatory** - There is an adverse variance of £0.254 million arising from reduced income from building control (£0.073 million), HMO Licencing (£0.098 million), Planning applications (£0.060 million), Food Hygiene courses (£0.040 million), Planning Fees (£0.053 million), street trading licences (£0.022 million), and additional staffing costs of £0.920 million.
- **Housing & Property** - Within Housing and Property there is a favourable variance of £1.395 million, due to additional property income, Rent to Mortgage revaluations and underspends on staffing due to vacancies throughout the year.

### Community Services

- **Community Services** - There is a favourable variance of £0.150 million arising from savings of £0.030 million on Leisure Management and additional Town Hall income of £0.120 million.
- **Direct Services** - A favourable variance of £0.754 million has largely arisen from an overachievement of income in Car Parking (£0.472 million), Motor Transport (£0.120 million) and Engineering Services (£0.285 million). Further savings have been made due to fuel price reductions during the year of £0.110 million and in salaries of £0.153 million. Part of these savings have been re-invested in the Cowley Marsh Recreation ground car park extension (£0.132 million) and a replacement brush wash (£0.100 million).

### Organisational Development and Community Services

- **Financial Services** - The service has an overall favourable variance of £0.128 million, which has arisen from staff vacancies and additional court cost income.

### Corporate Accounts and Contingencies

- The £1.911 million variance on the Corporate Accounts is due to the revaluation of the Council's Rent to Mortgage properties. These have increased in value in 2015/16. The contra entry to this is in the Housing and Property Service area.

## NARRATIVE REPORT

### 3. Housing Revenue Account Outturn Position

The table below shows that the Housing Revenue Account has an outturn position of £9.809 million against the latest budget, which gives a favourable variance of £10.946 million compared to the latest budget. This surplus has then been transferred to the Capital Financing Reserve to fund future capital expenditure.

	Net Approved Budget 2015/16 £000	Net Revised Budget 2015/16 £000	Net Expenditure 2015/16 £000	Variance 2015/16 £000
Dwelling Rent	(41,705)	(41,705)	(42,809)	(1,104)
Service Charges	(1,244)	(1,244)	(1,810)	(566)
Furniture & Other Rent	(757)	(781)	(976)	(195)
Major Project Team Fees	(337)	-	-	-
<b>Income</b>	<b>(44,043)</b>	<b>(43,730)</b>	<b>(45,595)</b>	<b>(1,865)</b>
General Management	5,494	5,393	4,542	(851)
Special Services	2,381	2,756	2,574	(182)
Other Expenditure	3,195	1,797	1,239	(558)
Bad Debt Provision	365	346	300	(46)
Responsive and Cyclical Repairs	10,091	10,398	10,394	(4)
Interest Paid	7,922	7,922	7,760	(162)
Depreciation	5,849	5,849	9,115	3,266
<b>Expenditure</b>	<b>35,297</b>	<b>34,461</b>	<b>35,924</b>	<b>1,463</b>
<b>Net Operating Expenditure / (Income)</b>	<b>(8,746)</b>	<b>(9,269)</b>	<b>(9,671)</b>	<b>(402)</b>
Appropriations	8,954	10,406	(138)	(10,544)
<b>Net (surplus)/deficit</b>	<b>208</b>	<b>1,137</b>	<b>(9,809)</b>	<b>(10,946)</b>
<b>Working Balance</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>-</b>

The majority of this variance arises from:

#### Income

- **Dwelling rents** - £1.104 million arising from lower than anticipated right to buy sales; a growing number of properties being used for Temporary accommodation with an increased rental charge and void properties generating additional income.
- **Service Charges** - £0.566 million arising from increased garage income.
- **Furniture & Other Rent** - £0.195 million arising from increased demand for the furnished tenancy scheme.

## NARRATIVE REPORT

### Expenditure

- **General Management** - £0.851 million favourable variance arising from reduced bank charges, a lower bad debt provision, lower court costs and reduced printing and copier charges.
- **Special Services** - £0.182 million favourable variance arising from underspends on communal gas and electric charges.
- **Other expenditure** - £0.558 million favourable variance due to reduced spend associated with capital works following the deferment of capital schemes during the year.
- **Depreciation** - £3.266 million adverse variance due to the increase in the value of the Council Housing stock, which leads to an increase in the depreciation charge. Depreciation however is offset completely in the HRA within appropriations.
- **Appropriations** - £10.544 million favourable variance arising from reduced depreciation charges and revenue contributions to fund the Capital Programme, which was materially underspent for 2015/16 due to the deferment of capital works following the announcement of changes in Government policy.

### 4. Capital Outturn Position

The table below shows capital expenditure for the year was £32.708 million compared to a revised budget of £34.592 million. The total variance of £1.884 million compared to the original budget of £47.580 million is made up of £0.495 million of underspent schemes and £1.389 million of slippage into future years.

	Original Approved Budget with Carry Forwards 2015/16 £000	Latest Budget 2015/16 £000	Spend to 31 March 2016 2015/16 £000	Outturn Variance to Latest Budget 2015/16 £000	Outturn Variance due to Slippage 2015/16 £000	Outturn Variance due to Over / (Under) spend 2015/16 £000
General Fund Total	22,961	18,073	17,129	(944)	(942)	(2)
Housing Revenue Account Total	24,619	16,519	15,579	(940)	(447)	(493)
<b>Grand Total</b>	<b>47,580</b>	<b>34,592</b>	<b>32,708</b>	<b>(1,884)</b>	<b>(1,389)</b>	<b>(495)</b>

The key variations are detailed below:

### General Fund

- **Community Centre backlog** - £0.484 million - Deferred to future years
- **Stage 2 Museum** - £0.434 million - Deferred to 2016/17 as part of the lottery funded project
- **MT Vehicle Replacement** - £1.600 million - Deferred due to changes in the ordering cycle
- **R&D Feasibility** - £0.400 million - Deferred
- **Property Acquisitions** - £1.700 million Scheme changed to working with St Mungos Broadway to provide homeless accommodation
- **Flood Alleviation** - £1.400 million - Deferred
- **Superconnected Cities** - £0.500 million - Underspent on scheme
- **Disabled Facilities Grant** - £0.100 million - Underspent due to deferral of scheme and no longer being required in year

## NARRATIVE REPORT

### HRA

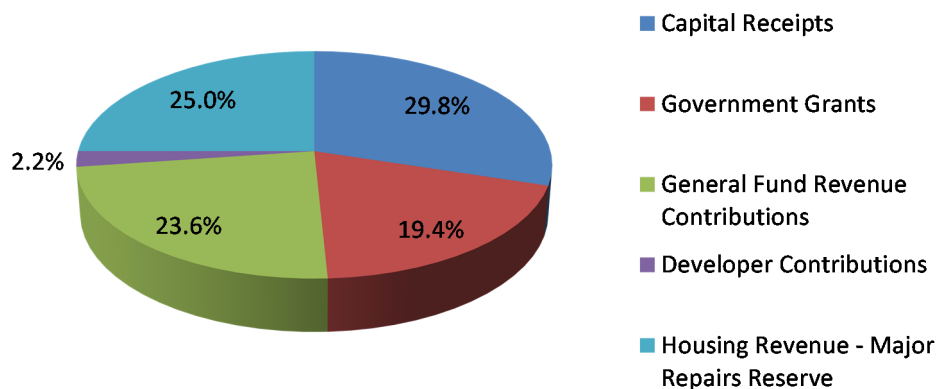
- **Tower Bock Refurbishment** - £5 million - Slipped into 2016/17 due to late starting of the project whilst awaiting approval of the revised budget
- **Extensions and Major Adaption**s - £0.301 million - Deferred into 2016/17 programme of works
- **Insulation Works** - £0.337 million - Deferred into 2016/17 programme of works
- **Controlled Entry** - £0.300 million - Deferred into 2016/17 programme of works
- **Great Estates** - £0.750 million - Deferred into 2016/17 programme of works
- **Major Voids** - £0.400 million - Deferred into 2016/17 programme of works
- **Blackbird Leys Regeneration** - £0.400 million - Slipped into 2016/17 to align scheme with available funding
- **Solar Panels** - £0.500 million - Deferred into 2016/17 programme of works
- **Rosehill Community Centre** - £0.175 million - Slippage in scheme
- **Homes at Barton** - £0.600 million - Deferred into 2016/17 programme of works

### **Funding the Capital Programme**

The General Fund Capital Programme spend totalled £17.129 million and was funded through a combination of Direct Revenue Financing (£5.940 million), Capital Receipts (£5.323 million), Government Grants (£5.164 million) and Developer Contributions (£0.702 million).

The Housing Capital Programme spend totalled £15.578 million and was financed from Capital Receipts (£4.441 million), Revenue Reserves (£1.783 million), Major Repairs Reserve (£8.177 million), Developer Contributions (£0.004 million) and Grants and Contributions (£1.173 million).

### **Capital Programme Funding**



### 5. Material Items of Income and Expenditure

The Council's accounting policies are set out on pages 107 to 124 of the Statement of Accounts. These policies are largely unchanged from last year. However, there are some key events that have taken place over the year which have a material impact on the understanding of the Accounts. They are detailed as follows:

- **Pension Fund**

The Council's liability to provide for the cost of past employment benefits to staff has decreased in the year ended 31 March 2016.

The liability reported as at 31 March 2015 was £145.3 million. The revised liability as at the 31 March 2016 is £133.8 million. The decrease is due to a number of factors, the most significant of which are actuarial gains of £18.6 million due mainly to significant changes in financial assumptions and reduced interest costs. More information regarding the Defined Benefit Pension Scheme can be found in Note 39 of the Statement of Accounts (page 74).

The Pension Fund Actuary has reported an actuarial gain for 2015/16 of £18.6 million. This is reported as a gain on the Comprehensive Income and Expenditure Account, and subsequently adjusted (in accordance with proper practice) via the Movement in Reserves Statement to ensure it has no General Fund Balance implications.

- **National Homelessness Property Fund**

The Council has committed to invest £5 million in the National Homelessness Property Fund on the basis that it is match funded by an external investor. In 2015/16 the Council has invested £0.5 million with the balance to follow over the subsequent 18 months. The Fund will invest in properties within the Oxford area which will be used to house homeless people with nominations from the Council. The tenancies will be managed through an agreement with St Mungos Broadway, a Registered Provider of social housing. The Council will earn a return on its investment after the initial 2 year investment period and the Fund will then run for a further period of 5 years which can be extended by a further 2 depending on the agreement of the investors. At the end of the agreed period (7 to 9 years) period, the Council will receive its share of the property fund which will be equivalent to its initial investment plus or minus any capital gains or losses.

- **Oxford West End Development Company (OxWED)**

On 18th January 2016, the Council entered into a 50:50 Joint Venture Partnership with Nuffield College to develop and regenerate the West End area of Oxford and produce commercial and domestic properties for sale and rent. In February 2016, the partners each loaned £6.5 million to the company in order to facilitate the purchase of land from London and Continental Railways. The Council's share of the loan is shown in the Council's accounts as a long term debtor and OxWED is consolidated within the Council's Group Accounts at page 97.

### 6. Current Borrowing Levels

The Council currently has external borrowing of £198.5 million with Public Works Loan Board. This was taken out in 2012 to undertake the self financing of the Housing Revenue Account and the first repayment of this borrowing is due in 2019/20.

### 7. Contingencies and Provisions

As at 31 March 2016 the Council had made provision for £8.1 million of expenditure likely to be incurred some-time in the future. Included in this figure are the following amounts:

- **Rent Deposit Scheme** - £1.4 million - this provision covers deposits paid on behalf of tenants placed in private rented properties by the Council.
- **Singletree Repairs and Maintenance** - £0.3 million - a provision to cover major works in respect of a leaseholder property. When the leasehold property is resold, a percentage of the resale value is paid into the provision.
- **Council Tax Court Costs** - £0.3 million - this provision is against outstanding court costs that have been raised against Council Tax arrears.
- **Provision for NNDR Appeals** - £5.7 million - following the reform of Business Rates, the risk of appeals is shared between Central Government, the Council and Oxfordshire County Council. This relates to the Council's potential liability for the cost of appeals. The Council's share of the overall Collection Fund Balance has been transferred to Earmarked Reserves.

### 8. Icelandic Banking Losses - Update

In October 2008 a number of Icelandic banks filed for administration. The Council held deposits with two of these banks, Glitnir and Heritable (£1.5 million and £3 million respectively). Developments over the last year are as follows:

- **Glitnir** - A repayment of £98,000 has now been received leaving a small remaining balance of approximately £106,000. This will potentially be recovered in due course.
- **Heritable Bank** - Repayments of £119,000 have been received leaving a remaining balance of £60,000. Recovery of this final balance is uncertain.

### 9. Group Accounts

#### Barton Oxford LLP

The Council entered into a partnership with Grosvenor Developments Limited to form a joint venture company to develop housing on land owned by the Council at Barton. The Council provided Group Accounts for the first time in 2011/12 to record the Council's share in the joint venture.

#### Oxford West End Development Company (OxWED)

The Council is a 50% owner of OxWED, a newly incorporated Joint Venture, with Nuffield College. The purpose of the company is to develop and regenerate the West End area of Oxford and produce commercial and domestic properties for sale and rent.

Under the Equity method of group accounting the Council's Group Balance Sheet records the Council's share of the OxWED and the Barton Oxford LLPs Net Assets. The figure as at 31 March 2016 is a net liability of £0.332 million.

## NARRATIVE REPORT

	OxWED 2015/16 £000	Barton LLP 2015/16 £000	Total 2015/16 £000
Members' Interest	6,235	1,043	7,278
Capital classified as a liability	(6,550)	(1,060)	(7,610)
<b>Amounts shown in Group Accounts</b>	<b>(315)</b>	<b>(17)</b>	<b>(332)</b>

	Barton LLP 2014/15 £000	Total 2014/15 £000
Members' Interest	995	995
Capital classified as a liability	(1,007)	(1,007)
<b>Amounts shown in Group Accounts</b>	<b>(12)</b>	<b>(12)</b>

The Council's share is arrived at after deducting the LLP's costs of acquiring land from Oxford City Council (£1.060 million) and providing a loan to OxWED (£6.550 million) to avoid double counting. The City Council's Statement of Accounts also holds a Long Term Debtor of £1.060 million in respect of original land value plus capitalised interest transferred from the City Council to the LLP and long and short term debtors of £6.550 million (£6.5 million for the purchase of the land and £0.05 million working capital) in respect of the OxWED loan.

See page 95 for more details on the Group Accounts.

### 10. Financial Prospects Looking Forward

#### General Fund

The 2015/16 outturn position was favourable with the Council having a surplus on its General Fund of £0.5 million in the year which was transferred into Earmarked Reserves largely to finance the Capital Programme. Earmarked Reserves now stand at around £34 million with a further £3.6 million held in General Fund working balance.

The Council's Medium Term Financial Plan for 2016/17 to 2019/20 agreed at Council in February 2016 estimated working balances to remain constant over the period.

To achieve this position a programme of savings, service reductions and increased fees and charges totalling £13.5 million is needed over the next four years. The Council has budgeted for contingencies to mitigate against non delivery of efficiency savings using a risk based approach. Those savings deemed to be of medium or high risk are covered by a 40% contingency.

The Council's Medium Term Financial Plan assumes Revenue Support Grant will be removed from 2019/20. The plan is balanced over the medium term and in the current financial climate could be considered financially robust. Going forward there are still a number of significant uncertainties and risks which the Council needs to monitor including:

- Significant variations in actual income and expenditure against budget.
- Business Rates income is lower than forecast and new burdens as part of 100% retention.
- New Homes Bonus is lower in future years following the Governments Consultation.
- Welfare Reform impacts the Council more adversely than assumed.
- The knock on implications of funding cuts being experienced by partner organisations.

## NARRATIVE REPORT

Pressure will also continue on the Council's income streams such as off-street parking, planning and licensing and with bank base rates at an all-time low, investment income earned will also be suppressed.

Demand for services, however, especially for the housing of homeless families, is likely to rise and the Council will need to ensure robust management of its finances going forward.

### **Housing Revenue Account (HRA)**

The introduction of new legislation had affected the HRA business plan significantly and there still remains a number of risks in this area over the period of the Medium Term Financial Plan, they are:

- Liability arising from forced sale of High Value Council Housing (HVCH) is more than estimated.
- Rental income from 2020/21 onwards is insufficient to sustain the HRA Business Plan over the 30 year trajectory.
- Non-achievement of assumed Right To Buy sales now required to fund the increased capital spend commitments.
- Non-achievement of planned efficiencies.
- Variations in estimates causing cash flow problems.

To help manage these risks the Council is in the process of setting up a Housing Company. It is intended that this company will, in the first instance, purchase the affordable housing from the Barton Development instead of, as previously planned, the HRA purchasing these properties. These properties would then be maintained and managed by the Company. It is also intended to use the Housing Company as a vehicle to deliver housing developments throughout Oxford and then to maintain and manage any retained properties. The Council is also seeking to transfer properties in to the Company rather than sell them as proposed in the forced sale of High Value Council Housing Government policy; this is subject to the agreement of the Secretary of State in order to transfer more than 5 a year. This Company will sit in the General Fund rather than the HRA.



## NARRATIVE REPORT

### 11. Performance Management

The Council had nineteen Corporate Performance Indicators which it monitored and reported on during the year, these are listed below. Of the nineteen indicators we have achieved target with fourteen (74%) of them.

Measure	Target	Result for 2015/16
The percentage of Council spend with local businesses	50.00%	64.90%
The number of training places and jobs created as a result of Council investment and leadership	550	466
The number of Council apprenticeships created through Council investment for those who live in Oxford	26	22
Number of people moved into work by the Welfare Reform Programme	4	45
The percentage of estimated HMOs in the City that are licensed	75.00%	73.00%
Limit our use of temporary accommodation at 2015 levels	120	115
Number of affordable homes for rent delivered	67	166
The number of people estimated to be sleeping rough	45	56
The number of successful interventions with rough sleepers	250	326
The number of people taking part in our Youth Ambition Programme	5,400	6,640
The percentage increase in the number of adults taking part in sport as measured by Sport England's Active People Survey	31.50%	31.50%
Satisfaction with our street cleaning services	75.00%	78.78%
Implementation of measures to reduce the Council's carbon footprint by 5% each year	454 Tonnes	637 Tonnes
The amount of non-recyclable waste produced in the city per household	425.00 kgs	409.74 kgs
Household waste recycled and composted	46.50%	46.86%
The percentage of customers satisfied with their first point of contact	80.00%	80.00%
The delivery of the Council's efficiency savings	£3,122,000	£3,122,000
Resident satisfaction with their area as a place to live	81.00%	81.00%
Percentage of all contact carried out online	27.00%	26.30%

Targets shown in the table above as red did not meet their annual targets, reasoning's as to why they were not met have been provided and were within a reasonable tolerance.

## NARRATIVE REPORT

### 12. Conclusion

I would like to thank Finance staff for their work in preparing these Statements. I hope the information is helpful in allowing you to have a clear understanding of how the Council's money has been spent in 2015/16.

We've tried hard to present information as clearly as possible, but if you want to find out more about these accounts you can:

- visit our website at [www.oxford.gov.uk](http://www.oxford.gov.uk)
- send an e-mail to either:  
Head of Financial Services (Section 151 Officer) (Nigel Kennedy at [nkennedy@oxford.gov.uk](mailto:nkennedy@oxford.gov.uk)) or  
Financial Accounting Manager (Bill Lewis at [blewis@oxford.gov.uk](mailto:blewis@oxford.gov.uk))
- write to us at:  
Oxford City Council  
1st Floor, St Aldate's Chambers  
109 St Aldate's  
Oxford OX1 1DS
- or, contact our auditors Ernst & Young LLP via the Audit Manager, David Guest at [dguest@uk.ey.com](mailto:dguest@uk.ey.com)

# **CORE FINANCIAL STATEMENTS**

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**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

The following statement shows the movement in year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

The Net Increase/(Decrease) before Transfers to/from Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
		General Fund Balance	Earmarked GF Reserves	Housing Revenue Account Balance	Earmarked HRA Reserves	Major Repairs Reserves	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	
<b>Balance at 31st March 2014 carried forward</b>		3,623	29,861	4,000	8,414	0	22,396	182	68,476	425,762	494,238	
<b>Movement in Reserves during 2014/15</b>												
Surplus/(Deficit) on the Provision of Services		39,725	-	6,135	-	-	-	-	45,860	-	45,860	
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	38,664	38,664	
<b>Total Comprehensive Income and Expenditure</b>		<b>39,725</b>	<b>-</b>	<b>6,135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,860</b>	<b>38,664</b>	<b>84,524</b>	
Adjustments between Accounting Basis & Funding Basis under Regulations	6	(36,792)	-	(8,685)	-	(0)	(11,042)	1,401	(55,118)	55,118	0	
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>2,933</b>	<b>-</b>	<b>(2,550)</b>	<b>-</b>	<b>(0)</b>	<b>(11,042)</b>	<b>1,401</b>	<b>(9,258)</b>	<b>93,782</b>	<b>84,524</b>	
Transfers (to)/from Earmarked Reserves	7	(2,934)	2,934	2,550	(2,550)	-	-	-	-	-	-	
<b>Increase/(Decrease) in 2014/15</b>		<b>(1)</b>	<b>2,934</b>	<b>(0)</b>	<b>(2,550)</b>	<b>(0)</b>	<b>(11,042)</b>	<b>1,401</b>	<b>(9,258)</b>	<b>93,782</b>	<b>84,524</b>	
<b>Balance at 31st March 2015 carried forward</b>		<b>3,622</b>	<b>32,795</b>	<b>4,000</b>	<b>5,864</b>	<b>0</b>	<b>11,354</b>	<b>1,583</b>	<b>59,218</b>	<b>519,544</b>	<b>578,762</b>	
<b>Movement in Reserves during 2015/16</b>												
Surplus/(Deficit) on the Provision of Services		5,290	-	3,696	-	-	-	-	8,986	-	8,986	
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	98,883	98,883	
<b>Total Comprehensive Income and Expenditure</b>		<b>5,290</b>	<b>-</b>	<b>3,696</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,986</b>	<b>98,883</b>	<b>107,869</b>	
Adjustments between Accounting Basis & Funding Basis under Regulations	6	(2,349)	-	6,064	-	818	(5,228)	1,849	1,154	(1,154)	-	
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>2,941</b>	<b>-</b>	<b>9,760</b>	<b>-</b>	<b>818</b>	<b>(5,228)</b>	<b>1,849</b>	<b>10,140</b>	<b>97,729</b>	<b>107,869</b>	
Transfers (to)/from Earmarked Reserves	7	(2,941)	2,941	(9,760)	9,760	-	-	-	-	-	-	
<b>Increase/(Decrease) in 2015/16</b>		<b>(0)</b>	<b>2,941</b>	<b>0</b>	<b>9,760</b>	<b>818</b>	<b>(5,228)</b>	<b>1,849</b>	<b>10,140</b>	<b>97,729</b>	<b>107,869</b>	
<b>Balance at 31st March 2016 carried forward</b>		<b>3,622</b>	<b>35,736</b>	<b>4,000</b>	<b>15,624</b>	<b>818</b>	<b>6,126</b>	<b>3,432</b>	<b>69,358</b>	<b>617,273</b>	<b>686,631</b>	

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED  
31 MARCH 2016**

This statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (page 23).

	Notes	2015/16			2014/15		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Central Services to the Public		3,322	(1,734)	1,588	3,953	(1,989)	1,964
Cultural Services		16,901	(4,352)	12,549	15,770	(4,117)	11,653
Environment and Regulatory Services		19,305	(7,012)	12,293	18,129	(6,436)	11,693
Planning Services		7,696	(7,104)	592	8,781	(2,995)	5,786
Highways and Transport Services		11,398	(10,387)	1,011	13,705	(12,302)	1,403
Local Authority Housing (HRA)		34,157	(45,623)	(11,466)	32,333	(43,203)	(10,870)
Other Housing Services		71,219	(67,466)	3,753	75,587	(72,438)	3,149
Corporate and Democratic Core		3,669	(23)	3,646	3,544	(88)	3,456
Non Distributed Costs		11,836	(987)	10,849	1,440	(1,569)	(129)
<b>Cost of Services</b>				<b>34,815</b>			<b>28,105</b>
Other Operating Expenditure	8			(642)			(43,784)
Financing and Investment Income and Expenditure	9			(7,820)			(682)
Taxation and Non-Specific Grant Income	10			(35,339)			(29,499)
<b>(Surplus)/Deficit on Provision of Services</b>				<b>(8,986)</b>			<b>(45,860)</b>
(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets				(78,973)			(71,872)
(Surplus)/Deficit on Available for Sale Financial Instruments				(1,356)			-
Actuarial (Gains)/Losses on Pension Assets and Liabilities				(18,554)			33,208
<b>Other Comprehensive Income and Expenditure</b>				<b>(98,883)</b>			<b>(38,664)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(107,869)</b>			<b>(84,524)</b>

## BALANCE SHEET AS AT 31 MARCH 2016

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are Usable Reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves to deal with unforeseen events and any statutory limitations on their use (for example the Capital Receipts Reserve can only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; as well as reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments Between Accounting Basis & Funding Basis under Regulations'.

	Note	2015/16 £000	2014/15 £000
Property, Plant & Equipment	11	782,828	718,366
Heritage Assets	12	2,509	2,496
Investment Properties	13	110,916	100,871
Intangible Assets	14	1,181	1,030
Long Term Investments	15	11,218	9,894
Long Term Debtors	15	76,334	67,093
<b>Long Term Assets</b>		<b>984,986</b>	<b>899,750</b>
Short Term Investments	15	46,666	35,586
Assets Held for Sale	19	854	1,351
Inventories	16	817	773
Short Term Debtors	15 & 17	15,426	27,585
Cash and Cash Equivalents	15 & 18	9,136	6,712
<b>Current Assets</b>		<b>72,899</b>	<b>72,007</b>
Short Term Borrowing	15	-	(895)
Short Term Creditors	15 & 20	(26,692)	(36,441)
<b>Current Liabilities</b>		<b>(26,692)</b>	<b>(37,336)</b>
Long Term Creditors	15	(173)	(114)
Provisions	21	(8,100)	(7,902)
Long Term Borrowing	15	(198,528)	(198,534)
Other Long Term Liabilities	15	(134,050)	(145,607)
Capital Grants Receipts in Advance	33	(3,711)	(3,502)
<b>Long Term Liabilities</b>		<b>(344,562)</b>	<b>(355,659)</b>
<b>Net Assets</b>		<b>686,631</b>	<b>578,762</b>
Usable Reserves	MIRS	(69,358)	(59,218)
Unusable Reserves	23	(617,273)	(519,544)
<b>Total Reserves</b>		<b>(686,631)</b>	<b>(578,762)</b>

The unaudited Accounts were issued on 29 June 2016 and the audited accounts will be authorised for issue on 21 September 2016.

Signed

Date

\_\_\_\_\_  
Nigel Kennedy

\_\_\_\_\_  
Head of Financial Services (Section 151  
Officer)

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

The Cash Flow Statement shows the changes in the Cash and Cash Equivalents of the Council during the reporting period. The statement shows how the Council generates and uses Cash and Cash Equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	Notes	2015/16 £000	2014/15 £000
Net (Surplus)/Deficit on the Provision of Services		(8,986)	(45,860)
Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements		(23,956)	10,707
<b>Net Cash Flows from Operating Activities</b>		<b>(32,942)</b>	<b>(35,153)</b>
Investing Activities	25	29,944	38,124
Financing Activities	26	574	490
<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>		<b>(2,424)</b>	<b>3,461</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period		(6,712)	(10,173)
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	18	<b>(9,136)</b>	<b>(6,712)</b>



# **NOTES TO THE CORE FINANCIAL STATEMENTS**

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Accounting Standards that have been issued, but not yet adopted by the Code of Practice 2015/16

The International Financial Reporting Standards introduced or amended in the 2016/17 Code are applicable from the 1 April 2016. The amendments to the code are not expected to have a material effect. The amendments will be applied in the Council's 2016-17 Statement of Accounts as follows:

a. IAS 19 Employee Benefits amendments

The amendment includes confirmation of the new disclosure requirements for retirement benefit plan investments measured at fair value and recommendations for a new disclosure on investment management transaction costs.

b. Annual Improvements to IFRSs 2010–2012 Cycle

The 2016/17 Code includes minor consequential amendments to the definitions section to reflect the amendments in the *Annual Improvements to IFRSs 2010–2012 Cycle* relating to accounting for the following:

Amended Standard	Title	Description of Change and Comments
IFRS 3 <i>Business Combinations</i>	Accounting for contingent consideration in a business combination	Contingent consideration is an obligation of the acquiring entity to transfer additional assets or equity interests to the former owners of an acquired business; these will need to be declared, valued as a financial asset or financial liability at fair value through profit or loss. Oxford City have not acquired a business and therefore this will not affect the accounts.
IFRS 8 <i>Operating Segments</i>	Aggregation of operating segments	This is a narrow scope amendment to require entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. Oxford City does not aggregate segments and so this will not affect the accounts.
IFRS 8 <i>Operating Segments</i>	Reconciliation of the total of the reportable segments' assets to the entity's assets	This will require an additional disclosure for Oxford City Council.
IFRS 13 <i>Fair Value Measurement</i>	Short-term receivables and payables	This will require a valuation of current debtors and creditors and is applicable to Oxford City but is unlikely to be a significant transaction.
IAS 16 <i>Property, Plant and Equipment</i>	Revaluation method—proportionate restatement of accumulated depreciation	This amendment clarifies the treatment as it is the IASB's view that the restatement of the accumulated depreciation is not always proportionate to the change in the gross carrying amount. The amendment sets out that the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. Oxford City does not use the proportionate method, and therefore it will not have any effect.
IAS 24 <i>Related Party Disclosures</i>	Key management personnel	The amendment clarifies that a management entity that provides key management services to a reporting entity is deemed to be a related party of the reporting entity. This may require disclosure if any such related parties exist.
IAS 38 <i>Intangible Assets</i>	Revaluation method - proportionate restatement of accumulated amortisation	Oxford City does not carry intangible assets at fair value, and therefore the amendment will have no effect.

## NOTES TO THE CORE FINANCIAL STATEMENTS

c. Annual Improvements to IFRSs 2012–2014 Cycle

The 2016/17 Code includes minor consequential amendments to the definitions section to reflect the amendments in the *Annual Improvements to IFRSs 2012–2014 Cycle*

Amended Standard	Title	Description of Change and Comments
IFRS 7 <i>Financial Instruments: Disclosures</i>	Servicing contracts	An authority shall provide the required disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset – this may include financial assets that are derecognised in their entirety but in which an authority has continuing involvement – existing at the reporting date. Oxford City has no transferred financial assets so the amendment will not affect the accounts.

d. Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)

The 2016/17 Code includes the amendment to IFRS 11 Joint Arrangements – Accounting for the Acquisitions of Interests in Joint Operations and includes an interpretation of IAS 27 where the option to equity account for investments in subsidiaries, associated or joint ventures is withdrawn as follows:

Where an authority has investments in subsidiaries, associates or interests in joint ventures, the option to equity account in the separate financial statements (known as single entity financial statements in the Code) is withdrawn.

e. Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)

f. Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative) including The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

The new reporting formats and requirements for the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the Expenditure and Funding Analysis shall be reported retrospectively from 1 April 2016. These new requirements require full retrospective restatement in accordance with section 3.3, paragraph 3.4.2.31 and IAS 1. The effect is on the presentation of the accounts and will not affect the overall sums accounted for .

### 2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the 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:

#### **Icelandic Bank transactions**

The Council had £4.5 million invested with two failed Icelandic banks, however, as at 31 March 2016, only £0.17 million remains outstanding. The outstanding funds are expected to be received almost in full from the Icelandic banks over time.

### **Changes to Levels of Funding for Local Government**

There remains a high degree of uncertainty about future levels of Grant funding for local government. A proportion of this funding is derived from retained Business Rates, which is subject to an index linked tariff payable to Central Government. Whilst the Council can benefit to a limited degree from increased Business Rates from new businesses, it can also lose (subject to a safety net) if Business Rates income starts to decline.

The Council has determined the level of uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

### **Componentisation of Fixed Assets**

Where assets had been found to have significant components which would materially affect the depreciation charge, components have been identified and the depreciation of individual components applied.

The Council's housing stock is subject to componentisation. The policy treats the components with a short life such as kitchens and heating systems as cost items only affected by additions and disposals and de-recognition. The land and structure of the building are the elements that benefit from any Revaluation Gain.

### **Treatment of Future Capital Receipts from Joint Venture**

The Council has entered into a joint venture with Grosvenor Development Limited, in respect of land which the Council owned at Barton. Under the terms of the agreement the Council transferred this land to the Joint Venture, and will receive the capital receipt for the value in 2019, until such time the Council will be entitled to interest income on the outstanding Land value.

A long term debtor and a deferred capital receipt have been created for the land value, and interest income is being accrued and will be received in 2019.

### **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 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.

### **NDR Appeals Provision**

The Council is required to estimate the value of successful Business Rates appeals, and make a provision for possible successful appeals. The Council have taken external advice on the level of appeals and due to very few cases being settled during 2015/16, and the prudent approach recommended, the level for the 31 March 2016 has been estimated in the Statement of Accounts. The total appeals provision for business rates as at 31 March 2016 is £14.2 million of which Oxford city share is £5.7 million.

The Council has carried out sensitivity analysis on the data received from the Valuation Office to ensure that the provision is robust and evidence supports the level of this provision and has adjusted the data for known local factors.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	General Fund and HRA Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will occur in relation to individual assets. HRA capital spending on housing stock was £12m in 2015/16, while approved budgets of £22.5m (2016/17) & £19.1m (2017/18) have been established to undertake major repairs and maintenance which underpin the assumptions made regarding the useful lives assigned to the assets.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that if the annual depreciation charge for assets were to increase by 1% the extra charge would amount to £156,580.
Rent Deposit Provision	The Council operates a rent deposit scheme which provides the deposit necessary for an eligible resident to occupy private rented accommodation. The deposit is repayable. The certainty of repayment is very difficult to estimate. The Council has continued to make an 85% provision during 2015/16 and the total provision now stands at £1.43 million.	If the Council's current provision is found to be inaccurate an extra 1% provision would cost £16,864.
Pensions Liability	Estimation of the net pensions liability 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 age, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Barnett Waddingham) is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions cannot be measured accurately. During 2015/16, the Council's actuaries advised that the net pensions liability had decreased by £11.502 million. The total Pension deficit is £133.775 million.
Arrears	At 31 March 2016, the Council had a balance of short term debtors of £22.4 million. A review of significant balances suggested that an impairment of doubtful debts of £7.0 million was appropriate. The net balance of debtors is therefore £15.4 million.	The current economic climate is uncertain and therefore the doubtful debt allowance may be insufficient. An increase of 1% of doubtful debts would require an additional 1% or £69,890 to be set aside as an allowance.
Non Domestic Rates (NDR) Appeals	The Council has set aside a provision of £14.2 million to cover successful appeals lodged against NDR banding with the Valuation Office, based on a professional estimate of outstanding appeals. Of this, the Council's share is £5.7 million.	If the provision is incorrect, there would be an impact on the Collection Fund Balance. A 1% increase in the provision would lead to an increased charge of £142,396. This would be split between the Council and preceptors, with 40% (£56,958) of the amount impacting the Council.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the Discounted Cash Flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 13 and 15 below.</p>	<p>The authority may use the discounted cash flow (DCF) model to measure the fair value of some of its investment properties. This has not been required in 2015-16. If DCF were to be applied, the significant unobservable inputs used in the fair value measurement will include management assumptions regarding rent growth, demand and vacancy levels and discount rates – adjusted for regional factors. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.</p>

The bad debt provision has been calculated on the following basis:

General Fund		Collection Fund			Court Costs	
Sundry Debtors		Council				
		Tax				
		NNDR				
Age of Debt	Provision	Year Debt Raised	Provision	Provision	Year Debt Raised	Provision
		2015/16	50%	25%	2015/16	50%
<1 Year	0%	2014/15	65%	25%	2014/15	60%
<2 Years	100%	2013/14	70%	50%	2013/14	80%
<3 Years	100%	2012/13	80%	50%	2012/13	80%
<4 Years	100%	2011/12	80%	80%	2011/12	92%
<5 Years	100%	2010/11	92%	92%	2010/11	93%
<6 Years	100%	2009/10	92%	92%	2009/10	93%
>6 Years+	100%	2008/09	92%	92%	2008/09	94%
		2007/08	92%	92%	2007/08	96%
		2006/07	94%	94%	2006/07	98%
		2005/06	96%	96%	2005/06 &	100%
		2004/05	97%	97%	prior years	
		2003/04 &	100%	100%		
		prior years				

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 4. Material Items of Income and Expenditure

#### Pension Fund Actuarial Loss

The Pension Fund Actuary has reported an actuarial gain for 2015/16 of £18.554 million. This is reported as a gain on the Comprehensive Income and Expenditure, and subsequently adjusted (in accordance with proper practice) via the Movement in Reserves Statement to ensure it has no General Fund Balance implications.

### 5. Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Head of Financial Services (Section 151 Officer) on 21 September 2016. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2016, the figures in the Financial Statements and notes will be adjusted in all material respects to reflect the impact.

### 6. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Comprehensive Income and Expenditure Account recognised by the Council in year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves the adjustments are made against:

#### General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities are to be met, except to the extent that statute provides otherwise. These rules can specify the financial year in which liabilities and payments should impact the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) in future years;

#### Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

#### Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve (MRR), which controls the application of the "notional" Major Repairs Allowance (MRA) calculated having regard to DCLG's self-financing valuation for Oxford City Council. The MRA is restricted to being applied to new capital investment on HRA assets, the repayment of HRA debt, or meeting liabilities under credit arrangements. The MRR is used to record a balance of usable capital resources.

#### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

#### Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council have yet to incur or apply the expenditure. The grant terms restrict the application of expenditure and/or the financial year in which this can take place.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**6. Adjustments between Accounting Basis and Funding Basis under Regulations 2015/16**

2015/16	Usable Reserves					Unusable Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation of Non-Current Assets	6,234	9,116	-	-	-	(15,350)
Movements in the market value of Investment Properties	(9,288)	-	-	-	-	9,288
Movements in the market value of Rent-to-mortgage properties	(1,410)	-	-	-	-	1,410
Amortisation of Intangible Assets	308	-	-	-	-	(308)
Revaluation and Impairment charged to revenue	11,931	5,955	-	-	-	(17,886)
Revenue expenditure funded from Capital under Statute	1,907	-	-	-	-	(1,907)
Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,416	(72)	-	-	-	(4,344)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	(89)	-	-	-	-	89
Capital expenditure charged against the General Fund and HRA balances	(7,724)	-	-	-	-	7,724
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Application of grants to capital financing transferred to the Capital Adjustment Account	(8,891)	-	-	-	1,849	7,042



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6. Adjustments between Accounting Basis and Funding Basis under Regulations 2015/16 – cont.

2015/16	Usable Reserves					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6,271)	-	6,271	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(9,765)	-	-	9,765
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,811	-	(1,811)	-	-	-
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	(8,995)	-	8,995	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(8,177)	-	8,177
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve (England and wales):</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(773)	-	-	-	-	773
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	77	-	-	(77)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6. Adjustments between Accounting Basis and Funding Basis under Regulations 2015/16 – cont.

2015/16	Usable Reserves					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	14,373	237	-	-	-	(14,610)
Employer's pensions contributions and direct payments to pensioners payable in the year	(7,384)	(174)	-	-	-	7,558
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(987)	-	-	-	-	987
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(512)	(3)	-	-	-	515
<b>Other transfer include</b>						
<b>Total Adjustments</b>	<b>(2,349)</b>	<b>6,064</b>	<b>(5,228)</b>	<b>818</b>	<b>1,849</b>	<b>(1,154)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6. Adjustments between Accounting Basis and Funding Basis under Regulations 2014/15.

2014/15	Usable Reserves					Unusable Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of Non-Current Assets	5,011	13,161	-	-	-	(18,172)
Movements in the market value of Investment Properties	2,513	-	-	-	-	(2,513)
Movements in the market value of Rent-to-mortgage properties	(389)	-	-	-	-	389
Amortisation of Intangible Assets	(312)	-	-	-	-	312
Revenue expenditure funded from Capital under Statute	2,302	33	-	-	-	(2,335)
Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(42,204)	(3,208)	-	-	-	45,412
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	(20)	-	-	-	-	20
Capital expenditure charged against the General Fund and HRA balances	(9,543)	(10,108)	-	-	-	19,651
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Application of grants to capital financing transferred to the Capital Adjustment Account	(3,995)	-	-	-	1,401	2,594

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**6. Adjustments between Accounting Basis and Funding Basis under Regulations 2014/15 – cont.**

2014/15	Usable Reserves					Unusable Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	8,155	-	-	(8,155)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(17,763)	-	-	17,763
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,434	-	(1,434)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(8,704)	-	8,704
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve (England and wales):</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(49)	-	-	-	-	49
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	7	-	-	-	-	(7)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6. Adjustments between Accounting Basis and Funding Basis under Regulations 2014/15 – cont.

2014/15	Usable Reserves					Unusable
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(7,520)	132	-	-	-	7,388
Employer's pensions contributions and direct payments to pensioners payable in the year	12,127	-	-	-	-	(12,127)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	3,506	-	-	-	-	(3,506)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	340	9	-	-	-	(349)
<b>Other transfer include</b>						
<b>Adjustment between the Capital Adjustment Account and the Revaluations Reserve</b>						
Adjustments between accounting basis and funding basis under regulations	-	(8,704)	-	8,704	-	-
<b>Total Adjustments</b>	<b>(36,792)</b>	<b>(8,685)</b>	<b>(11,042)</b>	<b>-</b>	<b>1,401</b>	<b>55,118</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **7. Transfers to/from Earmarked Reserves**

This note sets out the amounts set aside from the General Fund and HRA Balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2015/16.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at 31 March 2016 £000	Transfers In 2015/16 £000	Transfers Out 2015/16 £000	Balance at 31 March 2015 £000	Transfers In 2014/15 £000	Transfers Out 2014/15 £000	Balance at 31 March 2014 £000
<b>General Fund:</b>							
Direct Revenue Funding of Capital	(13,425)	(1,036)	2,152	(14,541)	(10,565)	2,881	(6,857)
NNDR Retention Reserve	(3,829)	(500)	-	(3,329)	(2,729)	-	(600)
Committed Projects Reserve	(2,243)	(1,455)	1,564	(2,352)	(1,649)	562	(1,265)
Dry Recyclate Reserve	(1,400)	-	-	(1,400)	(1,400)	-	-
Grants Reserve	(1,309)	(875)	628	(1,062)	(837)	706	(931)
Employee Cost Reserve	(1,257)	-	-	(1,257)	-	90	(1,348)
Organisational Development Reserve	(1,185)	(1,298)	547	(433)	(266)	356	(523)
Business Transformation Projects	(988)	(867)	565	(685)	(863)	795	(617)
Homelessness	(952)	-	48	(1,000)	(342)	258	(916)
Housing Benefit Reserve	(804)	(804)	-	-	-	-	-
Westgate Redevelopment Reserve	(737)	-	-	(737)	-	2,542	(3,279)
IT Infrastructure and Equipment Reserve	(710)	(690)	333	(353)	-	-	(353)
Section 106 Commuted Sums Reserve	(707)	(707)	-	-	-	21	(21)
Loan and Property Fund Guarantee Reserve	(516)	-	-	(516)	-	-	(516)
Community Services Carry Forward Reserve	(438)	(122)	429	(746)	(470)	298	(574)
Repairs & Maintenance Reserve	(414)	-	45	(459)	-	155	(614)
Flood Reserve	(357)	-	-	(357)	(56)	-	(301)
Rose Hill Demolition	(339)	-	-	(339)	-	-	(339)
Reserve for Land Charges	(317)	(184)	59	(192)	(150)	-	(42)
OxFutures Reserve	(300)	-	-	(300)	(300)	-	-
SALIX Energy Projects Reserve	(265)	(184)	130	(212)	(158)	203	(257)
Blue Bin League Reserve	(262)	(262)	-	-	-	-	-
Fundamental Service Review	(200)	(200)	-	-	-	-	-
Economic Development Reserve	(158)	(27)	-	(131)	(131)	-	-
Taxi Licensing Reserve	(135)	-	25	(160)	-	52	(212)
P&R County Contribution - Future Maintenance	(117)	-	-	(117)	-	-	(117)
City Council Elections Reserve	(71)	(60)	-	(11)	(10)	57	(58)
Land at Barton	(69)	-	2	(71)	-	34	(105)
External Legal Fees Reserve	(65)	(125)	60	-	-	-	-
SALIX Management Fee	(60)	(20)	-	(39)	(25)	-	(14)
Lord Mayors Deposit	(52)	-	3	(56)	-	3	(59)
Disabled Transport Contingency	(50)	-	-	(50)	(50)	-	-
General Licensing reserve	(48)	-	18	(66)	(15)	-	(51)
Home Choice fund for single persons	(36)	(9)	3	(31)	-	5	(36)
Severe Weather Recovery Scheme	(35)	-	-	(35)	-	-	(35)
Business Support Scheme	(30)	(30)	-	-	-	63	(63)
Jobs Club Contingency	(25)	-	17	(42)	(42)	-	-
Town Hall Equipment Reserve	(20)	-	-	(20)	-	-	(20)
Shopmobility Reserve	(20)	(5)	-	(14)	(9)	7	(12)
Town Team Partners	(10)	-	-	(10)	-	-	(10)
Berkshire, Oxfordshire, Buckinghamshire and Milton Keynes Planning Fund	(9)	(2)	-	(6)	(2)	-	(4)
Museum Development Reserve	(5)	(2)	-	(3)	(3)	-	-
Work Of Art Reserve	(5)	-	-	(5)	-	-	(5)
HMO Licensing Reserve	-	-	9	(9)	-	233	(242)
Feed In Tariff Management Fee	-	-	2	(2)	(2)	-	-
CLG Homelessness Grant	-	-	-	-	(270)	936	(666)
Unlawful Dwellings Reserve	0	(0)	8	(7)	(7)	96	(96)
<b>Total General Fund</b>	<b>(33,975)</b>	<b>(9,465)</b>	<b>6,647</b>	<b>(31,156)</b>	<b>(20,351)</b>	<b>10,353</b>	<b>(21,277)</b>
<b>HRA:</b>							
HRA Capital Projects	(15,031)	(15,959)	6,438	(5,510)	-	-	-
IT Equipment Reserve	(196)	-	83	(279)	(143)	170	(305)
HRA - CRM Work	(120)	(248)	248	(120)	-	-	(120)
Eco Funding	(119)	(28)	-	(91)	(91)	-	-
Direct Payment Project Arrears Reserve	(101)	-	39	(141)	-	53	(194)
Committed Projects Reserve	(38)	(287)	248	-	-	267	(267)
SALIX Energy Projects Reserve	(18)	(18)	-	-	-	-	-
Albert House	-	-	60	(60)	(60)	-	-
Normandy Crescent Fund	-	-	7	(7)	(7)	-	-
<b>Total HRA</b>	<b>(15,624)</b>	<b>(16,540)</b>	<b>7,124</b>	<b>(6,207)</b>	<b>(300)</b>	<b>489</b>	<b>(885)</b>
<b>Insurance Funds:</b>							
Self Insurance Fund	(1,762)	(466)	-	(1,296)	-	67	(190)
<b>Total Insurance Funds</b>	<b>(1,762)</b>	<b>(466)</b>	<b>-</b>	<b>(1,296)</b>	<b>-</b>	<b>165</b>	<b>(1,461)</b>
<b>Grand Total</b>	<b>(51,360)</b>	<b>(26,472)</b>	<b>13,771</b>	<b>(38,659)</b>	<b>(20,650)</b>	<b>11,007</b>	<b>(23,624)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### General Fund: Reserve Descriptions

Direct Revenue Funding of Capital	Created to fund future rolling programme capital requirements.
NNDR Retention Reserve	This reserve is to cover the deficit in NNDR Collection Fund that will be charged to the General Fund in future years.
Committed Projects Reserve	Created to cover carry-forward requests from service areas, and fund expenditure commitments
Dry Recyclate Reserve	To provide funding to examine alternative options for the Council in disposing of its recyclates to mitigate ongoing financial pressures, including the possibility of building and operating a waste transfer station.
Grants Reserve	This reserve was initially set up to hold various grant monies received by the City Council and or unused in-year budgetary provision for various community/non-HRA housing based activities. As the utilisation of these grants spreads across several years the release of those resources will be undertaken gradually as well as new grant monies being added.
Employee Cost Reserve	Created to cover the severance and associated payments relating to employees, following organisational development reviews.
Organisational Development Reserve	Created to fund the agreed partnership payment, and other pay related items.
Business Transformation Projects	At the year-end budgets associated with incomplete transformation projects are transferred to this reserve. At the start of the following year projects are approved to continue and the funds allocated back to the projects.
Homelessness	The Council as part of its 2011/12 budget committed to annually setting aside resources to assist in the anticipated increased cost of Homelessness activity predicted to occur for the City as a result of welfare reforms. This reserve holds the balance of the resources so far provided.
Housing Benefit Reserve	This reserve is to mitigate against future fluctuations in residual local cost of benefits costs following the transition to universal credit
Westgate Redevelopment Reserve	Required to fund temporary car park facilities and other associated works arising due to the planned re-development of the Westgate site in the city centre.
IT Infrastructure and Equipment Reserve	Used to fund the purchase of new IT infrastructure equipment and IT projects across the Council.
Section 106 Commuted Sums Reserve	Created to hold Commuted Sums monies established via planning agreements.
Loan and Property Fund Guarantee Reserve	The Council has provided a loan guarantee for the Arts at the Old Fire Station and the Charities Aid Foundation. The reserve will only be used if the guarantee is called in.
Community Services Carry Forward Reserve	Reserve reflects additional Directorate's expenditure commitments including funding of future cultural Community and Neighbourhood initiatives and community safety/educational activities
Repairs & Maintenance Reserve	The reserve will be used to cover substantive repairs in the Leisure Services and other areas.
Flood Reserve	Reserve created to fund flood maintenance work not eligible for Government re-imburement under the Belwin scheme
Rose Hill Demolition	Reserve represents resources held to assist in the re-development of the Rosehill Community Centre initiative.
Reserve for Land Charges	This is used for both the equalisation initiative to utilise available year-end Land Charges surpluses to fund future associated expenditure/year-end deficits, together with providing resources to accommodate Oxford City Council's contribution towards the APPS Claimants' claims for refunds of property search fees.
OxFutures Reserve	This reserve is linked to the EU funded Oxfordshire Total Refit (OTR / OxFutures) project to fund potential future project pressures
SALIX Energy Projects Reserve	Created from an initial grant made available via Salix. The reserve is used to implement energy efficient schemes within the City.
Blue Bin League Reserve	This represents a DCLG grant received to fund the Blue Bin League, a waste and recycling initiative to increase the amount of recycling across the City of Oxford
Fundamental Service Review	Invest to save reserve relating to the upcoming Fundamental Service Reviews.
Economic Development Reserve	This reserve holds un-used budgets related to the City Deal
Taxi Licensing Reserve	Created to support future taxi licensing activities. Year-end taxi licensing surpluses are transferred to this reserve that funds future service improvements within the Taxi Licensing area.
P&R County Contribution - Future Maintenance	Represents resources needed to fund future Park and Ride maintenance obligations associated with County Council sites.
City Council Elections Reserve	Created from the budget surplus/(deficit) on the City Council Elections activity. City elections are held every 2 years and this reserve is used to fund additional costs in election year.
Land at Barton	This is an HCA grant made available to fund regeneration activities.
External Legal Fees Reserve	Legal costs reserve associated with a specific on-going planning review case
SALIX Management Fee	Reserve represents contributions received to fund future energy assistant post activities.
Lord Mayors Deposit	Reserve represents resources held for assisting homeless applicants with rent deposit and/or bonds.
Disabled Transport Contingency	To be used for future disabled transportation needs
General Licensing reserve	Reserve to ensure the ring-fencing of the general licensing team function to fund future service area expenditure.
Home Choice fund for single persons	Reserve represents resources held for assisting single homeless applicants with rent deposit and/or bonds.
Severe Weather Recovery Scheme	Reserve set up to fund expenditure arising from future severe weather activities.
Business Support Scheme	This reserve has been set up to mitigate future Local Cost of Benefits risks.
Jobs Club Contingency	Funding to support the ongoing jobs club initiative
Town Hall Equipment Reserve	Used to maintain or replace Town Hall equipment.
Shopmobility Reserve	Created to fund the maintenance or replacement of Shopmobility equipment.
Town Team Partners	Reserve represents grant funded activity to improve City High Streets.
Berkshire, Oxfordshire, Buckinghamshire and Milton Keynes Planning Fund	Planning Fund ring fenced between Berkshire, Oxfordshire, Buckinghamshire and Milton Keynes Councils. Oxford City Council administers this fund.
Museum Development Reserve	Funding to support the future development of the museum
Work Of Art Reserve	Created to finance the purchase or restoration of City Council works of art.
HMO Licensing Reserve	Reserve to ensure the ring-fencing of HMO Licensing income to fund future service area expenditure.
Feed In Tariff Management Fee	15% Management Fee to reflect Environmental Development's work related to obtaining Feed In Tariff for the PV's (photovoltaics) on Council assets (e.g. Barton and Ferry leisure centre). This reserve will then be used along with the SALIX management fee reserve to help part fund a post within the Carbon Management team
CLG Homelessness Grant	Reserve needed to finance delayed/planned homelessness preventative activities.
Unlawful Dwellings Reserve	Reserve created to fund enforcement activity associated with the identification of unlawful dwellings being used within the City.



## NOTES TO THE CORE FINANCIAL STATEMENTS

<b>HRA: Reserve Descriptions</b>	
HRA Capital Projects	Created to provide the resources for both the slipped capital projects that were to be initially funded from revenue contributions and other miscellaneous revenue projects.
IT Equipment Reserve	The IT Equipment reserve is used to fund replacement and/or upgrade of the Housing Revenue Account IT systems.
HRA - CRM Work	This reserve was created to fund IT work projects.
Eco Funding	Being the income received from energy providers relating to installation of solar panels on HRA properties. The resources are to be recycled into funding similar HRA energy efficient schemes in future years.
Direct Payment Project Arrears Reserve	This figure represents the level of HRA arrears that potentially increased as a result of the Council embarking on the Direct Payments project. The resources can be kept by the authority until expiry of the claim period.
Committed Projects Reserve	Created to set aside resources needed to complete and/or fund schemes for which budget allocation has been approved, but the spend has yet to be committed.
SALIX Energy Projects Reserve	Created from an initial grant made available via Salix. The reserve is used to implement energy efficient schemes within the City. These funds will be transferred to General Fund in Future Years to fund future energy schemes.
Albert House	Albert House Sinking Fund. Funded from service charges applied to properties during the year to build up resources for future major works; the residual balance has now been moved into the projects reserve.
Normandy Crescent Fund	This relates to resources to be set aside to assist in community projects at Normandy Crescent following the flooding that occurred during 2014/15.
<b>Insurance Funds: Descriptions</b>	
Self Insurance Fund	The Self Insurance Fund reserve is used to cover claim costs that are below the Council's insurance policy excess limit.

### 8. Other Operating Expenditure

	2015/16 £000	2014/15 £000
Parish Council Precepts	196	193
Payments to the Housing Capital Receipts Pool	1,811	1,434
(Gains)/Losses on the Disposal of Non-Current Assets	(2,649)	(45,411)
<b>Total</b>	<b>(642)</b>	<b>(43,784)</b>

The (Gains)/Losses on the Disposal of Non Current Assets for 2014/15 includes £42 million for the disposal of the lease relating to Westgate Shopping Centre.

### 9. Financing and Investment Income and Expenditure

	2015/16 £000	2014/15 £000
Interest Payable and Similar Charges	6,546	6,678
Pensions Interest Costs and Expected Return on Pensions Assets	4,805	4,862
Finance Charges	(407)	(499)
Interest Receivable and Similar Income	(952)	(772)
Income & Expenditure in Relation to Investment Properties and Changes in their Fair Value	(16,671)	(9,997)
Other Investment Income	(1,141)	(953)
<b>Total</b>	<b>(7,820)</b>	<b>(682)</b>

### 10. Taxation and Non Specific Grant Income

	2015/16 £000	2014/15 £000
Council Tax Income	(12,405)	(12,106)
Non Domestic Rates	(7,106)	(5,019)
Non-Ringfenced Government Grants	(6,915)	(8,379)
Capital Grants and Contributions	(8,913)	(3,995)
<b>Total</b>	<b>(35,339)</b>	<b>(29,499)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 11. Property, Plant and Equipment - Movements in 2015/16

#### Movements in 2015/16

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
<b>At 1 April 2015</b>	572,390	138,624	19,324	329	1,050	3,223	12,790	747,731
Additions	9,479	2,734	2,783	2	35	4	7,054	22,091
Assets recognised / derecognised under finance lease	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	80,338	7,451	-	-	-	1,224	-	89,013
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,420)	(15,839)	-	-	-	(410)	-	(22,669)
Derecognition - disposals	-	(4)	(622)	-	-	-	-	(626)
Derecognition - other	(1,255)	(242)	-	-	-	-	-	(1,497)
Assets reclassified (to)/from Held for Sale	(2,223)	-	-	-	-	-	-	(2,223)
Other movements in cost or valuation	(3,521)	3,320	-	-	-	632	(18,141)	(17,710)
<b>At 31 March 2016</b>	<b>648,788</b>	<b>136,044</b>	<b>21,485</b>	<b>331</b>	<b>1,085</b>	<b>4,673</b>	<b>1,703</b>	<b>814,110</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2015</b>	(7,279)	(12,535)	(9,261)	(120)	(65)	(104)	-	(29,365)
Depreciation charge	(8,871)	(4,122)	(2,213)	(15)	(23)	(60)	-	(15,304)
Depreciation written out to the Revaluation Reserve	-	1,550	-	-	-	55	-	1,605
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,289	3,710	-	-	-	6	-	11,005
Derecognition - disposals	-	-	578	-	-	-	-	578
Derecognition - other	33	-	-	-	-	-	-	33
Other movements in depreciation and impairment	30	137	-	-	-	-	-	167
<b>At 31 March 2016</b>	<b>(8,798)</b>	<b>(11,260)</b>	<b>(10,896)</b>	<b>(135)</b>	<b>(88)</b>	<b>(103)</b>	<b>-</b>	<b>(31,282)</b>
<b>Net Book Value</b>								
At 31 March 2016	639,990	124,784	10,589	196	997	4,570	1,703	782,828
At 31 March 2015	565,111	126,089	10,063	209	985	3,119	12,790	718,366
<b>Movement in NBV</b>	<b>74,879</b>	<b>(1,305)</b>	<b>526</b>	<b>(13)</b>	<b>12</b>	<b>1,451</b>	<b>(11,087)</b>	<b>64,462</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 11. Property, Plant and Equipment - cont. - Comparative Movements in 2014/15

#### Movements in 2014/15

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
<b>At 1 April 2014</b>	522,184	112,996	18,288	267	1,024	3,300	7,205	665,264
Additions	8,014	15,252	2,391	62	-	-	19,906	45,625
Assets recognised / derecognised under finance lease	-	(370)	163	-	-	-	-	(207)
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	60,015	11,224	-	-	-	-	-	71,239
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,573)	(3,649)	(3)	-	-	-	-	(5,225)
Derecognition - disposals	-	(5,856)	(1,516)	-	-	(61)	-	(7,433)
Derecognition - other	(1,133)	-	-	-	-	-	-	(1,133)
Assets reclassified (to)/from Held for Sale	(3,168)	(2,375)	-	-	(0)	(16)	-	(5,558)
Other movements in cost or valuation	(11,949)	11,403	-	-	26	-	(14,320)	(14,840)
<b>At 31 March 2015</b>	<b>572,390</b>	<b>138,624</b>	<b>19,324</b>	<b>329</b>	<b>1,050</b>	<b>3,223</b>	<b>12,791</b>	<b>747,732</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2014</b>	(12,036)	(12,234)	(8,728)	(105)	(42)	(97)	-	(33,242)
Depreciation charge	(7,363)	(4,609)	(1,949)	(15)	(23)	(24)	-	(13,984)
Depreciation written out to the Revaluation Reserve	-	700	-	-	-	-	-	700
Depreciation written out to the Surplus/Deficit on the Provision of Services	12,050	571	-	-	-	-	-	12,621
Derecognition - disposals	-	2,231	1,416	-	-	7	-	3,654
Derecognition - other	31	-	-	-	-	-	-	31
Other movements in depreciation and impairment	40	806	-	-	-	10	-	856
<b>At 31 March 2015</b>	<b>(7,279)</b>	<b>(12,535)</b>	<b>(9,261)</b>	<b>(120)</b>	<b>(65)</b>	<b>(104)</b>	<b>-</b>	<b>(29,365)</b>
<b>Net Book Value</b>								
At 31 March 2015	565,111	126,089	10,063	209	985	3,119	12,791	718,367
At 31 March 2014	510,148	100,762	9,560	162	982	3,203	7,205	632,022
<b>Movement in NBV</b>	<b>54,964</b>	<b>25,327</b>	<b>503</b>	<b>47</b>	<b>3</b>	<b>(84)</b>	<b>5,586</b>	<b>86,346</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at Historical Cost	-	-	10,589	196	210	-	1,703	12,697
Valued at Fair Value as at:								
31 March 2016	-	-	-	-	-	4,570	-	4,570
Valued at Current Value as at:								
31 March 2016	639,990	36,322	-	-	-	-	-	676,312
31 March 2015	-	32,542	-	-	-	-	-	32,542
31 March 2014	-	26,182	-	-	50	-	-	26,232
31 March 2013	-	22,411	-	-	687	-	-	23,098
31 March 2012	-	6,651	-	-	-	-	-	6,651
31 March 2011	-	199	-	-	-	-	-	199
31 March 2010	-	77	-	-	-	-	-	77
31 March 2009	-	289	-	-	-	-	-	289
De-minimis	-	111	-	-	50	-	-	161
<b>Total Cost or Valuation</b>	<b>639,990</b>	<b>124,784</b>	<b>10,589</b>	<b>196</b>	<b>997</b>	<b>4,570</b>	<b>1,703</b>	<b>782,828</b>

### a) Capital Commitments

At 31 March 2016, the Council had entered into a number of contracts for the construction of or enhancement to Property, Plant and Equipment for completion in 2016/17 and future years, estimated at £29.9 million. Similar commitments at 31 March 2015 were £19.4 million. The major commitments are:

		31 Mar 2016 £000	31 Mar 2015 £000
Refurbishment of Tower Blocks	Wilmott Dixon	18,277	-
Barton New Build Phase 1	Hills	10,816	11,328
Windows and Doors	Nationwide	200	-
	University Of Oxford/ Oxfordshire County Council	165	400
Super Connected Oxford	Beard	140	4,156
Rose Hill Community Centre	Atkins Limited	106	-
Northway & Marston Flood Alleviation	Arcadis	92	-
Refurbishment of Tower Blocks	GSR Contracting	60	-
Roofing	Turley Associates	49	-
Seacourt Park and Ride Extension	EC Harris/ Wilmot Dixon	-	2,433
Affordable Homes Programme	EC Harris	-	440
Barton Regeneration Project	Bt Global Servies	-	235
In Building Wireless Hotspots	Wilmot Dixon	-	145
Refurbishment of Blackbird Leys Pavilion	EC Harris	-	134
Refurbishment of Tower Blocks	Jadu Ltd	-	95
Website Redevelopment Contract	Fairfax Avenue	-	48
External Adaptions		-	-
		<b>29,906</b>	<b>19,414</b>

The estimate provided last year for the Barton New Build project was based on estimated prices against the initial phasing of the development, all to be funded from within the HRA as per the 2015/16 CEB approved budget report. City Executive board agreed on 17 March 2016 to establish a wholly owned Housing Company. The intention is for this company to purchase the properties rather than the HRA and negotiations to that effect are currently underway. This commitment is intended to be taken on by the Company, however the responsibility currently lies with the Council; the last valuation of the commitment is therefore shown in the table above pending any contractual changes being agreed.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### b) Revaluations

The Valuation report for 2015/16 was prepared by Michael W Scott MRICS (Registered Valuer), Senior Estates Surveyor, Regeneration and Major Projects, Oxford City Council.

#### External valuation

The valuation work was completed using external valuers supplemented by the internal Registered Valuer. The annual external valuations were provided as follows:

- **Investment Property**  
A desktop review of all investment assets was undertaken by Michael W Scott MRICS, this exercise identified 41 properties with a probability of a significant change in value during 2015/16. These properties were then valued by Charles Mason MRICS from Carter Jonas.
- **Council Dwellings**  
A total of 43 council dwelling beacon properties were re-valued by Richard Foulkes MRICS from Marshalls. This exercise will ensure all Beacons are valued over a 5 year period.
- **Other Land and Buildings**  
In year two of a five year cycle, a total of 29 Property, Plant & Equipment assets were re-valued by Charles Mason MRICS from Carter Jonas.

#### Internal valuation

All external valuations were subject to a desktop review process by Michael W Scott MRICS. Additionally Houses in Multiple Occupation and Rent to Mortgage properties were valued internally as at 1 April 2015 by Michael W Scott MRICS.

#### The significant assumptions applied in estimating the current values are:

Existing Use Value (EUV) is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing. The parties are taken to have acted knowledgeably, prudently and without compulsion. The valuation will disregard potential alternative uses and any other characteristics of the property which would cause its market value to differ from that needed to replace the existing service.

Where insufficient market-based evidence of Current Value is available because an asset is specialised and/or rarely sold, the CIPFA Code permits the use of Depreciated Replacement Cost (DRC).

Existing Use Value Social Housing (EUV-SH) is the estimated amount for which a social housing property should exchange on the date of valuation, between a willing buyer and a willing seller, in an arm's-length transaction. There is presumption of proper marketing, that the parties are acting knowledgeably, prudently and without compulsion, and that the property will continue to be used for social housing purposes.

#### Market Value (MV)

Market Value is defined as 'The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 12. Heritage Assets - Summary of Transactions

#### a) Valuations at Market Value

A full explanation of the type of Heritage Assets can be found in note 43 to these Accounts (page 82).

This Statement discloses the major transactions that have taken place on Heritage Assets. The Assets were shown in 2010/11 for the first time and were introduced mainly at Market Value. The assets were revalued as at 1 April 2015 and are now showing in our accounts as at that date; the previous valuation was as at 1 April 2010. All Heritage Assets including Non-Operational Property were valued by Coram James, specialist Art and Antique valuers - Robert Coram James BA MRICS MNAVA undertook the valuation work.

An assessment of impairment was undertaken as part of the revaluation and all impairment that was recognized was due to downward valuation rather than deterioration in the assets. Following the April 2015 revaluation and review, some parks sculptures have been recognized as heritage assets in the asset register for the first time.

All of the heritage assets are subject to a five year cycle of valuation where appropriate.

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority	The Great Mace	Furniture	Civic Regalia	Fire Arms	Pictures and Drawings	Non Operational Property Fountain & Sculpture	Total
	£000	£000	£000	£000	£000	£000	£000
1 April 2014	1,411	47	363	38	423	214	2,496
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
<b>31 March 2015</b>	<b>1,411</b>	<b>47</b>	<b>363</b>	<b>38</b>	<b>423</b>	<b>214</b>	<b>2,496</b>
1 April 2015	1,411	47	363	38	423	214	2,496
Additions	-	-	-	-	-	12	12
Disposals	-	-	-	-	-	-	-
Revaluations	97	3	8	-	-	-	108
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	(2)	-	-	(3)	(70)	(75)
Impairment Losses/(Reversals) recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	(19)	(13)	(32)
Depreciation	-	-	-	-	-	-	-
<b>31 March 2016</b>	<b>1,508</b>	<b>48</b>	<b>371</b>	<b>38</b>	<b>401</b>	<b>143</b>	<b>2,509</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2015/16 £000	2014/15 £000
Rental Income from Investment Property	8,505	9,020
Direct operating expenses arising from Investment Property	(709)	(1,031)
<b>Net Gain/(Loss)</b>	<b>7,796</b>	<b>7,989</b>

Investment Property valuations were reviewed to identify assets that could have experienced a significant change in value. All such assets identified were valued as at 1 April 2015.

There are no restrictions on the Council's ability to realise the value inherent in its Investment Property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property.

The following table summarises the movement in the Fair Value of Investment Properties over the year:

	2015/16 £000	2014/15 £000
<b>Balance at start of the year</b>	<b>100,871</b>	<b>101,359</b>
Additions:		
Purchases	684	-
Subsequent expenditure	566	515
Net gain / (loss) from Fair Value adjustments	9,650	-
Less:		
Disposals	(140)	(3,510)
<b>Net gain/(loss) from fair value adjustments</b>	<b>111,631</b>	<b>98,364</b>
Transfers:		
(To)/from Property Plant and Equipment	(679)	-
Other Changes (net revaluation)	(36)	2,507
<b>Balance at the end of the year</b>	<b>110,916</b>	<b>100,871</b>

### Fair Value Hierarchies

The table below summarises the use of the three fair value hierarchies used during 2015/16. The market approach using current market conditions, recent sales prices, and other relevant information for similar assets in the local area was used for all assets valued using a level 2 valuation approach.

	Quoted Prices in Active Markets for Identical Assets (Level 1) £000	Other Significant Observable Inputs (Level 2) £000	Significant Unobservable Inputs (Level 3) £000	Fair Value as at 31 March 2016 £000
Fair Value Measurement	-	110,916	-	110,916
<b>Total</b>	<b>-</b>	<b>110,916</b>	<b>-</b>	<b>110,916</b>

### Transfers between Levels of the Fair Value Hierarchy

There were no transfers between the Fair Value Hierarchy Levels during 2015/16.

## **Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties**

### **Significant Observable Inputs – Level 2**

The fair value for investment properties has primarily 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.

### **Significant Unobservable Inputs – Level 3**

Where the valuer has been unable to identify a market where similar properties are actively rented, purchased or sold and has adopted an alternative method of valuation, Depreciated Replacement Cost, Income Approach using Discounted Cash Flow or any other non Market based approach or where a non market based approach forms a significant part of an otherwise market based valuation approach the Council has categorised these as Level 3 in the fair value hierarchy as the measurement techniques use significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that the market participants would use different assumptions.)

### **Highest and Best Use of Investment Properties**

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

### **Valuation Techniques**

There has been no change in the valuation techniques used during the year for investment properties and therefore no transfers to or from measurement using the Level 3 methodology.

### **Valuation Process for Investment Properties**

The fair value of the Council'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 Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. Intangible Assets

The Council accounts for its software as an Intangible Asset, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware of Equipment. Intangible Assets includes both purchased licenses and software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The Council amortises Intangible Assets according to the expected economic useful life on a straight line basis.

The average amortisation period is 5 years.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>		
- Gross Carrying Amounts	1,858	1,623
- Accumulated Amortisation	(828)	(516)
<b>Net Carrying Amount at Start of Year</b>	<b>1,030</b>	<b>1,107</b>
Additions:		
- Purchases	459	235
- Amortisation for the period	(308)	(312)
<b>Net Carrying Amount at End of Year</b>	<b>1,181</b>	<b>1,030</b>
Comprising:		
- Gross Carrying Amounts	2,317	1,858
- Accumulated Amortisation	(1,136)	(828)
	<b>1,181</b>	<b>1,030</b>

The amortisation of £0.3 million is shown in Net Cost of Services under Non-Distributed Cost within the Comprehensive Income and Expenditure Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet (page 25).

Categories of Financial Instruments	Long-term		Current	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
<b>Investments</b>				
Loans and Receivables	11,218	9,894	55,802	42,298
<b>Total Investments</b>	<b>11,218</b>	<b>9,894</b>	<b>55,802</b>	<b>42,298</b>
<b>Debtors</b>				
Loans and Receivables	76,334	67,093	15,426	22,689
<b>Total Debtors</b>	<b>76,334</b>	<b>67,093</b>	<b>15,426</b>	<b>22,689</b>
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost	(198,528)	(198,534)	-	(895)
<b>Total Borrowings</b>	<b>(198,528)</b>	<b>(198,534)</b>	<b>-</b>	<b>(895)</b>
<b>Other Long Term Liabilities</b>				
Deferred Liabilities	(172)	(172)	-	-
Finance Lease Liability	(103)	(150)	(55)	(8)
Liability for Defined Benefit Pension Scheme	(133,775)	(145,276)	-	-
<b>Total Other Long Term Liabilities</b>	<b>(134,050)</b>	<b>(145,598)</b>	<b>(55)</b>	<b>(8)</b>
<b>Creditors</b>				
Financial Liabilities at Amortised Cost Amounts	(173)	(114)	(20,516)	(25,220)
<b>Total Creditors</b>	<b>(173)</b>	<b>(114)</b>	<b>(20,516)</b>	<b>(25,220)</b>

The figures in the table above have been adjusted to only reflect non statutory creditors and debtors.

#### a) Fair Values of Financial Assets

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation Techniques used to measure Fair Value	As at 31/03/2016 £000
<b>Available for sale financial instruments</b>			
Property Fund Investments with CCLA	Level 1	Unadjusted quoted prices in active markets for identical shares	3,673
Property Fund Investments with Lothbury	Level 1	Unadjusted quoted prices in active markets for identical shares	7,545
<b>Total</b>			<b>11,218</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Investments in Property Funds

The Council has invested £3 million in the CCLA property fund and £7m in the Lothbury property fund. The units in both of these funds are valued based on the overall valuation of the property funds. The Council is free to divest itself of its investments at any time and would receive a payment based on the number of units held multiplied by the quoted redemption price per unit. These investments are treated as available for sale financial instruments and have therefore been revalued as at 31 March 2016 based on the redemption value as at that date. The change in valuation has then been credited to Other Comprehensive Income and Expenditure. When the Council redeems these investments, the excess over the original investment will be charged to Other Comprehensive Income and Expenditure and credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

### Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Fair Value Hierarchy Levels during the year.

### Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

## 16. Inventories

	Consumable Stores		Maintenance Materials		Total	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
<b>Balance Outstanding at Start of Year</b>	32	32	741	743	773	775
Purchases	84	62	3,135	3,286	3,219	3,348
Recognised as an Expense in the Year	(90)	(62)	(3,085)	(3,283)	(3,175)	(3,345)
Written-off Balances	-	-	-	(5)	-	(5)
<b>Balance Outstanding at Year End</b>	<b>26</b>	<b>32</b>	<b>791</b>	<b>741</b>	<b>817</b>	<b>773</b>

### Maintenance Inventories

The Council holds various stock (Building Materials, Winter Grit, Tarmac, Paving Slabs, Life Belts, Vehicle Parts, Personal Protective Equipment, Street Furniture, Fertiliser, etc.) to ensure services can run in a timely manner. This stock is held at the relevant depots.

### Consumable Inventories

This includes stock of a non operational nature, e.g., Eye Care Vouchers, Prepaid Envelopes etc.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. Short Term Debtors

The table below shows the amount that the Council was owed at 31 March 2016 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

	2015/16 £000	2014/15 £000
Central Government Bodies	9,594	10,111
Other Local Authorities	4,290	2,251
Other Entities and Individuals	1,542	15,223
<b>Total</b>	<b>15,426</b>	<b>27,585</b>

### 18. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2015/16 £000	2014/15 £000
Cash Held by the Authority	7,760	5,890
Bank Current Accounts	1,376	822
<b>Total Cash and Cash Equivalents</b>	<b>9,136</b>	<b>6,712</b>

### 19. Assets Held for Sale

	Current		Non Current	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
<b>Balance Outstanding at Start of Year</b>	<b>1,351</b>	<b>1,489</b>	-	-
Assets newly classified as Held for Sale:				
Property Plant and Equipment	-	945	-	-
Council Dwellings	2,846	3,186	-	-
Assets declassified as Held for Sale:				
Council Dwellings	(628)	(54)	-	-
Assets sold	(2,698)	(4,215)	-	-
Other Movements	(17)	-	-	-
<b>Balance Outstanding at Year End</b>	<b>854</b>	<b>1,351</b>	-	-

### 20. Short Term Creditors

The table below shows the amount that the Council owed as at 31 March 2016 to third parties, together with amounts received by the Council in advance of supply of goods or services.

	2015/16 £000	2014/15 £000
Central Government Bodies	(4,577)	(2,902)
Other Local Authorities	(4,423)	(2,934)
Other Entities and Individuals	(17,692)	(30,605)
<b>Total</b>	<b>(26,692)</b>	<b>(36,441)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 21. Provisions

Provisions for doubtful debts are separately treated against debtors on the Balance Sheet. The total value of Provisions held as at 31 March 2016 are:

	Outstanding Legal Cases		Injury and Damage Compensation		Other Provisions		Total £000
	Non Current		Non Current		Non Current		
	Current £000	Current £000	Current £000	Current £000	Current £000	Current £000	
<b>Balance at 1 April 2014</b>	-	-	-	-	-	(3,942)	(3,942)
Additional Provisions Made in Year	-	-	-	-	-	(4,036)	(4,036)
Amounts Used in Year	-	-	-	-	-	76	76
Unused Amounts Reversed in Year	-	-	-	-	-	-	-
Unwinding of Discounting in Year	-	-	-	-	-	-	-
<b>Total Provisions as at 31 March 2015</b>	-	-	-	-	-	(7,902)	(7,902)
<b>Balance at 1 April 2015</b>	-	-	-	-	-	(7,902)	(7,902)
Additional Provisions Made in Year	-	-	-	-	-	(268)	(268)
Amounts Used in Year	-	-	-	-	-	29	29
Unused Amounts Reversed in Year	-	-	-	-	-	41	41
Unwinding of Discounting in Year	-	-	-	-	-	-	-
<b>Total Provisions as at 31 March 2016</b>	-	-	-	-	-	(8,100)	(8,100)

Note: There are no outstanding legal cases or injury and damage compensation provisions (current or non-current).

#### Other Provisions

**NNDR Appeals** - There is a requirement for the Council to provide for potential future obligations arising from appeals made to NNDR valuations - £5.7 million

**Rent Deposit Scheme** - There is a present obligation to the landlord, a large number of deposits are currently not returned due to damage to properties, and there is a probable outflow on these. It is estimated that the payment will not be greater than the original bond - £1.4 million

**Singletree & HRA** - Amounts set aside for future repairs and maintenance and service charges - £0.305 million

**Council Tax Court Costs** - Provision set aside for future obligations due to inability to collect costs - £0.345 million

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. Usable Reserves

Movements in the Council's Usable Reserves are detailed in the Movement of Reserves Statement (page 23) and Note 6 (page 33).

### 23. Unusable Reserves

	2015/16 £000	2014/15 £000
Revaluation Reserve	(187,266)	(111,786)
Capital Adjustment Account	(498,689)	(492,906)
Deferred Capital Receipts Reserve	(67,798)	(65,691)
Pensions Reserve	133,775	145,276
Collection Fund Adjustment Account	2,896	3,883
Available for Sale Financial Instruments Reserve	(1,356)	-
Accumulated Absences Account and Employee Reserve	1,165	1,680
<b>Total Unusable Reserves</b>	<b>(617,273)</b>	<b>(519,544)</b>

The Available for Sale Financial Instruments Reserve has been used for the first time in 2015/16 to hold the unrealised gains and losses on the property funds and so there is not a prior year comparative.

#### a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets are:

- revalued downwards or impaired
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of

The Reserve contains only revaluation gains/losses accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(111,786)</b>	<b>(27,324)</b>
Upward revaluation of assets	(78,973)	(87,860)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services (Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	-	-
	<b>(190,759)</b>	<b>(115,184)</b>
Difference between Fair Value Depreciation and Historical Cost Depreciation	2,829	2,051
Accumulated gains on assets sold or scrapped	501	1,347
Amount written off to the Capital Adjustment Account	163	-
<b>Balance at 31 March</b>	<b>(187,266)</b>	<b>(111,786)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for 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 and depreciation. Impairment losses and amortisation 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 amounts set aside by the Council to finance the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created.

Note 6 (page 33) provides details of the source of all the transactions posted to the Account apart from those involving the Revaluation Reserve.

	2015/16		2014/15	
	£000	£000	£000	£000
<b>Capital Adjustment Account</b>				
<b>Balance at 1 April</b>		(492,906)		(491,677)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	12,522		36,504	
Revaluation losses on Property, Plant and Equipment	17,723		-	
Amortisation of Intangible Assets	308		312	
Revenue expenditure funded from capital under statute	1,907		2,335	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to Comprehensive Income and Expenditure Statement	3,843		10,859	
Net written out amount of the cost of non-current assets consumed in the year		<b>36,303</b>		<b>50,010</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	(9,765)		(17,763)	
Use of the Major Repairs Reserve to finance new capital expenditure	(8,177)		(8,704)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(7,043)		(2,594)	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(89)		(20)	
Capital expenditure charged against the General Fund and HRA balances	(7,724)		(19,651)	
		<b>(32,798)</b>		<b>(48,732)</b>
Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement		(9,288)		(2,507)
<b>Balance at 31 March</b>		<b>(498,689)</b>		<b>(492,906)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### c) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as available for financing new capital expenditure until they are backed by cash. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	(65,691)	(15,798)
Adjustment for restatement in respect of Finance Leases	(722)	(49,579)
Transfer of deferred sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,462)	(295)
Transfer to the Capital Receipts Reserve upon receipt of cash	77	(19)
<b>Balance at 31 March</b>	<b>(67,798)</b>	<b>(65,691)</b>

### d) Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service; updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the Pension Fund or pays pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the resources the Council has set aside compared to the benefits earned by past and current employees. The statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>145,276</b>	<b>107,329</b>
Actuarial (gains) or losses on pensions assets and liabilities	(18,554)	33,208
Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	14,611	12,127
Employer's pensions contributions and direct payments to pensioners payable in the year	(7,558)	(7,388)
<b>Balance at 31 March</b>	<b>133,775</b>	<b>145,276</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	3,883	377
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(987)	3,506
<b>Balance at 31 March</b>	<b>2,896</b>	<b>3,883</b>

### f) Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve absorbs the unrealised gains and losses on Financial Instruments available for sale such as property funds. The gains credited to the Available for Sale Financial Instruments Reserve relate to investments in the Lothbury and CCLA property funds.

	2015/16 £000	2014/15 £000
<b>Available for Sale Financial Instruments Reserve</b>		
<b>Balance at 1 April</b>	-	-
Changes in value of Financial Instrument Available for Sale (Gain) / Loss	(1,356)	-
<b>Balance at 31 March</b>	<b>(1,356)</b>	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

### g) Accumulated Absences Account and Employment Reserve Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

The Employment Reserve accounts for the Termination Payments that have been accrued but not paid as at 31 March 2016. These accruals are reversed and therefore mitigated through the Movement in Reserves Statement.

<b>Accumulated Absences Account</b>	<b>2015/16 £000</b>	<b>2014/15 £000</b>
<b>Balance at 1 April</b>	<b>1,680</b>	<b>1,331</b>
Settlement or cancellation of accrual made at the end of the preceding year	(1,655)	(1,260)
Additional accrual during the year	1,140	1,609
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(515)	349
<b>Balance at 31 March</b>	<b>1,165</b>	<b>1,680</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 24 Operating Activities

	2015/16 £000	2014/15 £000
<b>Operating activities within the Cashflow Statement include the following cashflows relating to Interest</b>		
Cash Interest Received	952	772
Cash Interest Paid	(6,546)	(6,678)
<b>Total</b>	<b>(5,594)</b>	<b>(5,906)</b>

### 25. Investing Activities

	2015/16 £000	2014/15 £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	32,708	48,712
Purchase of Short-Term and Long-Term Investments	12,958	(191)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(6,381)	(6,758)
Other Capital Cash Receipts in Advance	(9,341)	(3,639)
<b>Total Cash Flows from Investing Activities</b>	<b>29,944</b>	<b>38,124</b>

### 26. Financing Activities

	2015/16 £000	2014/15 £000
Repayment of Long Term Borrowing	908	718
Other receipts from Financing Activities	(386)	(248)
Payments for the reduction of a Finance Lease Liability	52	20
<b>Total Cash Flows from Financing Activities</b>	<b>574</b>	<b>490</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Full Council on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to Capital Expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to services.

The Income and Expenditure of the Council's principal services recorded in the budget reports for the year is as follows:

Services Income and Expenditure	Chief Executive	City Regeneration	Community Services	Organisational Development & Corporate Services	Total Cost of Services
	£000	£000	£000	£000	£000
<b>2015/16</b>					
Fees, Charges and other Service Income	(10)	(56,439)	(17,946)	(3,149)	(77,544)
Government Grants	(72)	(362)	(1,631)	(65,062)	(67,127)
<b>Total Income</b>	<b>(82)</b>	<b>(56,801)</b>	<b>(19,577)</b>	<b>(68,211)</b>	<b>(144,671)</b>
Employee expenses	582	10,395	29,852	13,535	54,364
Other service expenses	307	28,761	37,052	78,561	144,681
Support service recharges	(695)	(3,309)	(32,890)	(16,205)	(53,099)
Depreciation, Amortisation and Impairment	-	25,141	7,961	438	33,540
<b>Total Expenditure</b>	<b>194</b>	<b>60,988</b>	<b>41,975</b>	<b>76,329</b>	<b>179,486</b>
<b>Net Expenditure</b>	<b>112</b>	<b>4,187</b>	<b>22,398</b>	<b>8,118</b>	<b>34,815</b>
<b>Services Income and Expenditure</b>		<b>City Regeneration</b>	<b>Community Services</b>	<b>Organisational Development &amp; Corporate Services</b>	<b>Total Cost of Services</b>
		£000	£000	£000	£000
<b>2014/15</b>					
Fees, Charges and other Service Income		(52,354)	(53,494)	(20,652)	(126,500)
Government Grants		(114)	(1,816)	(66,274)	(68,204)
<b>Total Income</b>		<b>(52,468)</b>	<b>(55,310)</b>	<b>(86,926)</b>	<b>(194,704)</b>
Employee expenses		8,635	30,113	12,531	51,279
Other service expenses		20,124	29,876	53,554	103,554
Support service recharges		8,767	9,345	26,984	45,096
Depreciation, Amortisation and Impairment		14,428	7,785	667	22,880
<b>Total Expenditure</b>		<b>51,954</b>	<b>77,119</b>	<b>93,736</b>	<b>222,809</b>
<b>Net Expenditure</b>		<b>(514)</b>	<b>21,809</b>	<b>6,810</b>	<b>28,105</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### ▫ Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a substantive analysis of the (surplus) or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement (page 24).

2015/16	Cost of Services £000	Corporate Amounts £000	Total (Surplus)/Deficit on the Provision of Services £000
Fees, Charges and Other Service Income	(77,544)	(16,671)	(94,215)
Interest and Investment Income	-	(2,500)	(2,500)
Income from Council Tax	-	(12,405)	(12,405)
Government Grants and Contributions	(67,127)	(22,934)	(90,061)
<b>Total Income</b>	<b>(144,671)</b>	<b>(54,510)</b>	<b>(199,181)</b>
Employee Expenses	54,364	-	54,364
Other Service Expenses	144,681	-	144,681
Support Service Recharges	(53,099)	-	(53,099)
Depreciation, Amortisation and Impairment	33,540	-	33,540
Interest Payments	-	11,351	11,351
Precepts & Levies	-	196	196
Payments to Housing Capital Receipts Pool	-	1,811	1,811
(Gain)/ Loss on Disposal of Fixed Assets	-	(2,649)	(2,649)
<b>Total expenditure</b>	<b>179,486</b>	<b>10,709</b>	<b>190,195</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>34,815</b>	<b>(43,801)</b>	<b>(8,986)</b>
2014/15	Cost of Services £000	Corporate Amounts £000	Total (Surplus)/Deficit on the Provision of Services £000
Fees, Charges and Other Service Income	(126,500)	(9,997)	(136,497)
Interest and Investment Income	-	(2,224)	(2,224)
Income from Council Tax	-	(12,106)	(12,106)
Government Grants and Contributions	(68,204)	(17,392)	(85,596)
<b>Total Income</b>	<b>(194,704)</b>	<b>(41,719)</b>	<b>(236,423)</b>
Employee Expenses	51,279	-	51,279
Other Service Expenses	103,554	-	103,554
Support Service Recharges	45,096	-	45,096
Depreciation, Amortisation and Impairment	22,880	-	22,880
Interest Payments	-	11,540	11,540
Precepts & Levies	-	193	193
Payments to Housing Capital Receipts Pool	-	1,434	1,434
(Gain)/ Loss on Disposal of Fixed Assets	-	(45,411)	(45,411)
<b>Total expenditure</b>	<b>222,809</b>	<b>(32,246)</b>	<b>190,564</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>28,105</b>	<b>(73,965)</b>	<b>(45,860)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28. Trading Operations

A number of operations that the Council undertakes are technically classified as Trading Operations. Most of these operations provide services on an internal basis to other parts of the Council. The activities set out below are included in Net Operating Expenditure.

		2015/16 £000	2014/15 £000
<b>Building Control Charging Account</b>	Turnover	(449)	(450)
	Expenditure	505	514
	<b>(Surplus)/Deficit</b>	<b>56</b>	<b>64</b>
<b>Trade Refuse &amp; Recycling</b>	Turnover	(3,305)	(2,836)
	Expenditure	2,763	1,710
	<b>(Surplus)/Deficit</b>	<b>(542)</b>	<b>(1,126)</b>
<b>Estates</b>	Turnover	(683)	(718)
	Expenditure	685	715
	<b>(Surplus)/Deficit</b>	<b>2</b>	<b>(3)</b>
<b>Net Surplus on Trading Operations</b>		<b>(484)</b>	<b>(1,065)</b>

### 29. Agency Services

For a number of years, Oxford City Council have exercised their right under Section 42 of the Highways Act to maintain the unclassified roads in Oxford using funding provided by Oxfordshire County Council including some routine maintenance. For 2014/15, additional funding was received specifically for additional Pot Hole Maintenance work.

	2015/16 £000	2014/15 £000
Routine Maintenance Expenditure	1,337	1,527
Additional Funding	-	185
<b>Net Expenditure Recharged through the Agency Arrangement</b>	<b>1,337</b>	<b>1,712</b>

This work covers areas such as pothole maintenance, footpath maintenance, road improvement schemes, carriageway surface dressing, grass verge cutting and road and path side tree maintenance. Also included are winter maintenance, white lining and drainage maintenance.

Currently the City Council's in-house service providers carry out the maintenance operation of S42. This work is split into four; Highways Engineering, Carriageway and Pavement Maintenance and Grass Cutting which are undertaken by the Engineering teams and Grounds Maintenance teams respectively. The fourth area of work is Tree Maintenance, which is carried out by the Leisure & Parks Tree team.

### 30. Members' Allowances

The Council paid the following amounts to Members of the Council during the year:

	2015/16 £000	2014/15 £000
<b>Members' Allowances</b>		
Allowances	347	326
Expenses	2	3
<b>Total Payments</b>	<b>349</b>	<b>329</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 31. Officers Remuneration - Senior Employees

The remuneration paid to the Council's senior employees is as follows:

Name/Title		Salary, Fees and Allowances	Pension Contributions	Total
		£	£	£
Chief Executive	2015/16	141,159	182,127	323,286
	2014/15	144,232	29,712	173,944
Executive Director, City Regeneration	2015/16	114,591	23,606	138,197
	2014/15	112,897	23,257	136,154
Executive Director, Community Services	2015/16	114,591	23,606	138,197
	2014/15	112,897	23,257	136,154
Executive Director, Organisational Development and Corporate Services	2015/16	114,591	23,606	138,197
	2014/15	112,897	23,257	136,154
Head of Law & Governance/Monitoring Officer	2015/16	87,003	18,800	105,803
	2014/15	85,673	17,686	103,359
Head of Financial Services/Section 151 Officer	2015/16	89,820	18,503	108,323
	2014/15	85,723	17,659	103,382

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

#### Other Employees Receiving more than £50,000

	Number of employees 2015/16	Number of employees 2014/15
£50,000 - £54,999	17	13
£55,000 - £59,999	8	4
£60,000 - £64,999	6	12
£65,000 - £69,999	9	2
£70,000 - £74,999	2	-
£75,000 - £79,999	1	2
£80,000 - £84,999	1	2
£85,000 - £89,999	3	2
£90,000 - £94,999	-	1
£95,000 - £99,999	-	1
£100,000 - £104,999	1	1
<b>Total Number of Employees</b>	<b>48</b>	<b>40</b>

Exit Package cost band including special payments

	Number of compulsory redundancies		Number of other agreed departures		Total number of packages		Total cost of exit packages	
	2015/16 Nos	2014/15 Nos	2015/16 Nos	2014/15 Nos	2015/16 Nos	2014/15 Nos	2015/16 £000	2014/15 £000
£0- £20,000	-	-	14	31	14	31	66	184
£20,001- £40,000	-	-	4	1	4	1	120	25
£40,001- £60,000	-	-	1	-	1	-	50	-
£60,001- £80,000	-	-	1	-	1	-	73	-
£80,001- £100,000	-	-	-	-	-	-	-	-
£100,001- £150,000	-	-	-	-	-	-	-	-
£150,001- £200,000	-	-	1	-	1	-	153	-
<b>Total</b>	-	-	21	32	21	32	462	209

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 32. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and non-audit services provided by the Council's external auditors:

	2015/16 £000	2014/15 £000
External Audit	93	114
Audit Commission Rebate	-	(14)
Certification of Grant Claims & Returns	29	34
<b>Total</b>	<b>122</b>	<b>134</b>

### 33. Grant Income

The Council has credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

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

	2015/16 £000	2014/15 £000
National Non-Domestic Rates	7,106	5,019
Revenue Support Grant	4,462	6,341
LEP - for Oxpens	3,520	-
New Homes Bonus	2,453	2,038
Community Infrastructure Levy	2,038	1,400
HCA Funding - Affordable Housing	1,172	221
DCMS Broadband Delivery UK	672	125
Disabled Facilities Grant	501	456
Developer Contributions	356	835
Sport England	211	68
Environment Agency Funding	209	-
WREN Grant	139	-
AVIVIA Old Fire Station bond	75	-
Football Foundation	20	79
New Growth Points	-	633
Barton Adventure Play Park	-	25
Waste Recycling Environmental Ltd Grant	-	123
<b>Total</b>	<b>22,934</b>	<b>17,363</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

Grants Credited to Services	2015/16 £000	2014/15 £000
Housing Benefits Grant	63,747	64,675
Sports England - Sports Grants	805	847
Waste & Recycling DCLG recycling reward scheme	350	-
DCLG Fraud Hub	271	136
DWP Discretionary Housing Payments	271	465
Local Council Tax Support Administration Subsidy	144	-
Community Partnership Fund	121	38
Cabinet Office General Elections Grant	118	-
Positive Futures Grant	106	-
CO Individual Electoral Registration Grant	105	149
DCLG Land Charges Litigation Costs	104	-
Universal Credits	98	-
European Social Fund Grant	91	151
DEFRA Repairs & Renewals Grant	90	53
Home Improvements (Supporting People)	84	49
Contributions to Dance Development	59	24
Contribution to SALIX	50	161
DWP Housing Benefit New Burdens Grant	50	-
Community Sport Activation Fund Grant	37	4
Local Council Tax New Burdens	31	-
Contribution towards Station Business Costs	30	-
Contribution towards City Centre Manager	30	-
DWP grant funding	27	-
DCLG Fraud & Error Reduction Incentive Scheme	26	14
Contributions to Severe Weather Emergency Provision	24	-
Contributions to Christmas Lights Festival	24	56
Contribution to Cross District Services	24	24
Contribution towards District Data Analysis	24	22
Contributions to Museum of Oxford	21	27
Comune Di Prato Insport Project	21	-
Rural Payments Agency Environmental Stewardship	19	23
DFT Office for Low Emission Vehicles Grant	17	4
European Capital of innovation	16	-
Aspire Funding	11	29
Contribution to Heritage Projects	10	-
DCLG Local Authority Transparency Code	8	6
UrbanData2Decide Project	8	-
Street Games	8	-
Inspire Annex 111 Section 31 Grant	7	-
HO Asset Recovery Incentivisation Scheme	7	-
Council Tax Flood Relief Grant	6	14
Miscellaneous Contributions	5	-
Clore Foundation Grant	5	11
Heritage Lottery Fund Grant	4	-
Contributions towards Engineering Works	3	-
DCLG funding - Right to Move Quota	3	-
Contributions to Cemeteries	3	4
Carbon Management	3	-
DWP Contribution towards Academy Upgrade	1	-
Oxfordshire Total Refit	-	363
Local Council Tax Support	-	155
Housing Fraud Investigation	-	100
Localising Council Tax New Burdens	-	92
S31 Rogue Landlord - Unlawful Dwellings	-	90
Welfare Reform Grant	-	50
Welfare Reform Changes 2014/15	-	42
Interim Management Order	-	31
Heritage Conservation Fund	-	15
Mayday Trust Project	-	12
DCLG New Places of Growth	-	10
Contributions to Sports Development	-	9
DCLG Community Right to Challenge Grant	-	9
Staff Awards sponsorship	-	5
Oxford Archaeology Grant	-	3
Contributions to Parks Services	-	3
Contribution to Oxford Superconnected Cities	-	2
Contribution towards Signage	-	1
Contributions to Shopmobility	-	1
Contribution to Tenancy Fraud Posters	-	1
<b>Total</b>	<b>67,127</b>	<b>67,981</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the money to be returned to the provider if they are not used for the purpose specified. The balances at the year end are as follows:

### Capital Grants Receipts in Advance

	2015/16 £000	2014/15 £000
Developer Contributions	2,609	3,200
DFT OLEV Go Ultra Low Oxford	800	-
HCA Growth Fund Grant	302	302
<b>Total</b>	<b>3,711</b>	<b>3,502</b>

The Council has received a number of grants and contributions that have not been matched against related expenditure and therefore are held in an earmarked reserve rather than credited to the General Fund balance. Some of these amounts also appear in the previous table if they were received in year. The balances at the year end are as follows:

### Revenue Grants

	2015/16 £000	2014/15 £000
Sport England funding	438	474
DCLG Fraud Hub Grant	295	124
Revenues & Benefits Grant	134	-
DECC Heat Networks Delivery Unit Grant	128	128
DFT Clean Bus Technology Fund	50	50
DECC 12/13 Grant (Pioneer Places)	48	18
DEFRA Low Carbon Framework Grant	44	44
DEFRA Air Quality Grant	33	33
DCLG FERIS Grant	26	14
DCLG Grant	24	-
DEFRA Contaminated Land Grant	19	19
I-Tree Project	18	-
DFT OLEV (Go Ultra Low Oxford)	16	-
OPT LMS Swingbridge Restoration	10	-
LGA Economic Growth Advisor	7	7
National Lottery Funding	7	6
HO Investigations ARIS grant	7	-
Heritage Conservation Fund	5	15
Legal Practice Certificate Grant	-	53
CO Individual Electoral Registration Grant	-	32
HIA Supporting People Grant	-	19
ACE Museum 40th Anniversary grant	-	13
DCLG Fraud Investigations	-	12
StreetGames	-	1
<b>Total</b>	<b>1,309</b>	<b>1,062</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 34. Related Parties

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

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from government departments are set out in the subjective analysis in Note 27 (page 62). Grant receipts outstanding at 31 March 2016 are shown in Note 33 (page 66).

Members of the Council have direct control over the Council's financial and operating policies. A number of members and senior officers are members of voluntary organisations which receive small grants and funding from the Council. The grants and funding were made with proper consideration of declarations of interest. The Register of Members' Interest is held at the Town Hall, and is open for public inspection. No material interests have been declared. A number of Members serve on both the City Council and Oxfordshire County Council, this is not considered material. The total of members allowances is shown in Note 30 (page 64).

Members represent the Council on various organisations. Appointments are reviewed annually, unless a specific termination date for the term of office applies. None of these appointments places the Members concerned in a position to exert undue influence or control. A grant of approximately £87,000 was paid to a voluntary organisation of which two members close family are trustees. A grant of approximately £198,000 was paid to another voluntary organisation of which a member is a trustee. These grants were made with proper consideration of their declarations of interest.

There are a number of senior officers who are appointed Directors of the Barton Oxford LLP, an arms length company set up between the Council and Grosvenor Developments Limited to facilitate new housing in Barton and the Oxford West End Development Company (OxWED), an joint venture with Nuffield College set up to facilitate regeneration of the Oxpens area of Oxford. The OxWED company received a loan from the Council of £6.55 million which was agreed through the Council's normal governance processes. There is also a senior officer who is an appointed Director of the Low Carbon Hub, which received a loan of approximately £132,000 from the Council in the financial year (against a total approved facility of £1.6 million).

The Council has the following relationships, none of which are considered material under the Accounting Code of Practice.

- Central Government – Central Government provide a number of grants to local authorities.
- Housing Associations – the Council is a partner with various Housing Associations for the purpose of providing Social Housing.
- Oxfordshire County Council – the Council undertakes agency work on behalf of the County Council. The County Council also administers the Council's local government pension scheme.
- Oxfordshire County Council - the Council utilises ICT service provided by Oxfordshire County Council, for a period ending 31 March 2016.
- Fusion Lifestyle - The Council has a contract with Fusion Lifestyle a social enterprise with charitable status to manage and develop the Council's seven public leisure facilities.
- Barton Oxford LLP – an arms length company set up between the Council and Grosvenor Developments Limited to facilitate new housing in Barton.
- Local Boards and Trusts – Officers and Members represent the Council on various organisations. There are no material transactions beyond those declared above.
- Visit Oxfordshire - the Council works closely with Visit Oxfordshire to provide tourism across the city.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with associated financing. Where capital expenditure is to be financed in future years by charges to revenue as assets are used, the expenditure results in an increase in the Capital Financing Requirement (CFR). The CFR is explained and analysed in the second part of this note.

The Council is required to make a charge to its revenue account to reflect debt repayment, this is known as the Minimum Revenue Provision (MRP).

	2015/16 £000	2014/15 £000
<b>Opening Capital Financing Requirement</b>	<b>220,706</b>	<b>220,550</b>
<b>Capital Investment</b>		
Property Plant and Equipment	22,090	45,627
Investment Properties	1,252	515
Intangible Assets	460	235
Long Term Capital Debtors	7,000	-
Revenue Expenditure Funded from Capital under Statute	1,907	2,335
<b>Total Capital Spend</b>	<b>32,709</b>	<b>48,712</b>
<b>Sources of Finance</b>		
Capital Receipts	(9,765)	(17,763)
Government Grants and other Contributions	(7,043)	(11,298)
Sums Set Aside from Revenue	(7,724)	(19,475)
Major Repairs Reserve	(8,177)	-
Minimum Revenue Provision	(37)	(20)
<b>Sources of Finance Total</b>	<b>(32,746)</b>	<b>(48,556)</b>
<b>Closing Capital Financing Requirement</b>	<b>220,669</b>	<b>220,706</b>
<b>Explanation of Movements in Year</b>		
(Increase) in Underlying Need to Borrow (unsupported by Government Financial Assistance)	-	(156)
Decrease in Underlying Need to Borrow (unsupported by Government Financial Assistance)	37	-
<b>(Increase)/Decrease in Capital Financing Requirement</b>	<b>37</b>	<b>(156)</b>

### 36. Leases

#### a) Authority as Lessee

#### FINANCE LEASE

The Council has recognised a finance lease relating to an administrative building, and equipment. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31 Mar 2016 £000	31 Mar 2015 £000
Other Land and Buildings	7,591	7,652
Vehicles, Plant, Furniture and Equipment	147	181
<b>Total</b>	<b>7,738</b>	<b>7,833</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council. Finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following:

	31 Mar 2016 £000	31 Mar 2015 £000
<b>Finance lease liabilities (net present value of minimum lease payments)</b>		
- Current	55	52
- Non Current	103	158
Finance Costs Payable in Future Years	117	125
<b>Minimum Lease Payments</b>	<b>275</b>	<b>335</b>

Minimum lease payments include both the repayment obligation and the finance costs payable in future years, however, finance lease liabilities only include the repayment obligation.

The minimum lease payments are payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 2016 £000	31 Mar 2015 £000	31 Mar 2016 £000	31 Mar 2015 £000
Not later than one year	60	60	55	52
Later than one year and not later than five years	51	109	43	98
Later than five years	164	166	59	59
<b>Total</b>	<b>275</b>	<b>335</b>	<b>157</b>	<b>209</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 there were no contingent rents payable by the Council (£148,308 in 2014/15)

### OPERATIONAL LEASES

The Council leases property on operating lease arrangements with typical lives of 30 years. The future minimum lease payments due under non-cancellable leases in future years are:

Operating Leases	31 Mar 2016 £000	31 Mar 2015 £000
Not later than one year	437	810
Later than one year and not later than five years	696	1,282
Later than five years	1,439	1,678
<b>Total</b>	<b>2,572</b>	<b>3,770</b>

The following lease payments are recognised as expenses, with separate amounts for the contingent rents and sublease payments receivable.

	31 Mar 2016 £000	31 Mar 2015 £000
Minimum lease payment	1,091	1,475
Contingent rent	427	474
Sublease payment receivable	(31,676)	(32,012)
<b>Total</b>	<b>(30,158)</b>	<b>(30,063)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### b) Authority as Lessor

#### FINANCE LEASES

The Council leases out many properties, and an assessment has been undertaken to establish those that are considered to have transferred the risks of ownership to the lessee.

	31 Mar 2016 £000	31 Mar 2015 £000
<b>Finance Lease debtor (net present value of minimum lease payments)</b>		
- Current	7	7
- Non Current	60,113	59,399
Unguaranteed Residual Value of Property*	4,064	2,773
<b>Gross Investment in the Lease</b>	<b>64,184</b>	<b>62,179</b>

\* Detail required by paragraph 4.2.4.2(11) of the code.

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment In The Lease		Minimum Lease Payments	
	31 Mar 2016 £000	31 Mar 2015 £000	31 Mar 2016 £000	31 Mar 2015 £000
Not later than one year	7	7	7	7
Later than one year and not later than five years	30	30	30	30
Later than five years	64,147	62,142	60,083	59,369
<b>Total</b>	<b>64,184</b>	<b>62,179</b>	<b>60,120</b>	<b>59,406</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 about £73,000 was receivable by the Council (2014/15 £121,000). The increase in the non-current debtor gross investment in lease and minimum lease payments later than five years is due to a new finance lease on the Westgate Shopping Centre.

#### OPERATIONAL LEASES

The Council leases out property and equipment as Operational Leases. These include shorter term leases, where the risks and rewards are retained by the Council. The future sums receivable under non cancellable leases in future years are:

	31 Mar 2016 £000	31 Mar 2015 £000
<b>Operating Leases</b>		
Not later than one year	6,181	5,647
Later than one year and not later than five years	19,104	18,729
Later than five years	60,493	51,971
<b>Total</b>	<b>85,778</b>	<b>76,347</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into.

In 2015/16 £1.53 million contingent rents were received by the Council (£1.58 million in 2014/15).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 37. Impairment Losses

Impairment losses during 2015/16 are included in Note 11 (page 44).

### 38. Termination Benefits and Exit Payments

Termination benefits are payable as a result of either:

- An employer's decision to terminate an employee's employment before the normal retirement date, or
- An employee's decision to accept voluntary redundancy in exchange for termination benefits.

There were £355,000 curtailment costs during 2015/16 included in the IAS19 report. These costs were accounted for through the Comprehensive Income & Expenditure Statement as part of the IAS19 accounting, and therefore were not recorded as termination costs in 2015/16, which avoids double counting.

A payment in respect of previously recognised costs amounted to £10,000, these were initially charged in past cost of service in the Comprehensive Income and Expenditure Statement, and were removed to avoid double counting. These costs were then reinstated via the Movement in Reserves Statement to allow the burden to fall on the General Fund in line with the minimum required charge.

	2015/16 £000	2014/15 £000
<b>Opening Balance</b>	<b>24</b>	<b>70</b>
New termination costs in year	-	20
Less costs removed in year	(10)	(66)
<b>Closing Balance</b>	<b>14</b>	<b>24</b>

### Exit Payments

Exit payments are required to be disclosed in bands of £20,000 up to £100,000 and bands of £50,000 thereafter, shown on Note 31 (page 65). The exit payment includes Pension Strain costs on termination as well as redundancy and other payments. However, Pension Strain costs represent a future liability rather than a current year payment. The termination costs and IAS 19 Curtailment costs do not include redundancy payments which are included in the disclosure note for exit payments.

The Council terminated the contracts of a number of employees in 2015/16, incurring total costs of £462,000 (£209,000 in 2014/15).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 39. Defined Benefit Pension Scheme

#### a) Participation in the Pension Scheme

As part of the terms and conditions of employment of its Officers, the Council makes contributions towards the costs of Scheme Member Employment Benefits. Although these benefits will not actually be payable until an employee retires, the Council has a commitment to make the payments at the time that the employee earns their future entitlements.

#### b) Transactions Relating to Post Employment Benefits

The costs of retirement are recognised and reported in the Cost of Service when they are earned by the employees, rather than when the benefits are paid. However, the charge required to be made to the Council Tax is based on the cash payable in the year, so the real costs of post employment retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Transactions Relating to Post Employment Benefits	Local Government Pension Scheme	
	2015/16 £000	2014/15 £000
<b>Cost of Services</b>		
Current Service Cost	9,450	7,265
Past Service Costs	-	-
Administration Expenses	129	196
<b>Financing and Investment Income and Expenditure</b>		
Interest Cost	4,676	4,666
<b>Total Post Employment Benefit Charged to the Surplus/(Deficit) on the Provision of Services</b>	<b>14,255</b>	<b>12,127</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
<b>Remeasurement of the Net Benefit Liability Comprising</b>		
Return on Plan Assets (excluding amount included in the net interest expense)	7,133	(14,038)
Other actuarial gains/(losses) on assets	-	-
Changes in Financial Assumptions	(25,705)	47,205
Actuarial gains and losses arising on the change of demographic assumptions	-	-
Experience loss/(gains) on defined benefit obligation	18	41
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(18,554)</b>	<b>33,208</b>
	<b>2015/16 £000</b>	<b>2014/15 £000</b>
<b>Movement in Reserves Statement</b>		
Reversal of Net Charges made to the Surplus/(Deficit) for the Provision of Services for Post Employment Benefits in accordance with the Code	(14,610)	(12,127)
<b>Actual amount charges against the General Fund Balance for pensions in the year</b>		
Employers' Contributions Payable to Scheme	7,558	7,388

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Account at 31 March 2016 is £52.05 million loss. (£70.6 million loss as at 31 March 2015).



## NOTES TO THE CORE FINANCIAL STATEMENTS

### c) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and discretionary benefit liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Council Fund based on the latest valuation of the scheme as at 31 March 2016 is set out below.

The principal assumptions used by the actuary are:

	2015/16	2014/15
<b>Long-term Expected Rate of Return on Assets in the Scheme:</b>		
Equity Investments	7.10%	6.60%
Bonds	2.49%	2.46%
Average All	5.18%	5.18%
<b>Mortality Assumptions:</b>		
<b>Longevity at 65 for Current Pensioners</b>		
Men	23.3	23.3
Women	25.8	25.7
<b>Longevity at 65 for Future Pensioners</b>		
Men	25.6	25.5
Women	28.1	28.0
<b>Rate of Inflation</b>		
RPI	3.30%	3.20%
CPI	2.40%	2.40%
Rate of increase in Salaries	4.20%	4.20%
Rate of Increase in Pensions	2.40%	2.40%
Rate for Discounting Scheme Liabilities	3.70%	3.30%
Take up option to convert annual pension to lump sum	50.00%	50.00%

### Member Assumption

It is assumed members will exchange half of their commutable pension for cash at retirement. Active members will retire one year later than they are first able to without reduction.

Proportion of Assets Held	2015/16	2014/15
	%	%
Equity Investments	64	67
Debt Instruments	17	16
Other Assets	19	17
<b>Total</b>	<b>100</b>	<b>100</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### d) Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2015/16 £000	2014/15 £000
<b>Opening Balance 1 April</b>	<b>359,903</b>	<b>298,885</b>
Current Service Cost	9,450	7,265
Interest Cost	11,758	13,299
Contributions by Scheme Participants	2,323	2,232
Actuarial (Gains) and Losses from Changes in Financial Assumptions	(25,705)	47,205
Experience (Gain)/Loss on Defined Benefit Obligation	18	41
Benefits Paid	(9,401)	(8,528)
Past Service Cost Including Curtailments	355	-
Unfunded Pension Payments	(499)	(496)
<b>Closing Balance 31 March</b>	<b>348,202</b>	<b>359,903</b>

### Reconciliation of movement in the Fair Value of the Schemes (Plan) Assets

	2015/16 £000	2014/15 £000
<b>Opening Fair Value of Scheme Assets 1 April</b>	<b>214,627</b>	<b>191,556</b>
Interest Income	7,082	8,633
Return on Plan Assets Less Interest	(7,133)	14,038
Administration Expenses	(129)	(196)
Employers Contributions	7,558	7,388
Contributions by Scheme Participants	2,323	2,232
Settlements	(9,900)	(9,024)
<b>Closing Balance 31 March</b>	<b>214,428</b>	<b>214,627</b>

### Pension Assets and Liabilities Recognised in the Balance Sheet

	2015/16 £000	2014/15 £000
<b>Present Value of Liabilities</b>		
Local Government Scheme	(339,799)	(350,929)
Fair Value of Assets in the Local Government Pension Scheme	214,428	214,627
Present Value of Unfunded Obligation	(8,404)	(8,974)
<b>Surplus/(Deficit) in the Scheme</b>	<b>(133,775)</b>	<b>(145,276)</b>

### Sensitive Analysis

### Impact on the Defined Benefit Obligation in the Scheme

	Increase in the Assumption £000	No Change in the Assumption £000	Decrease in the Assumption £000
<b>Adjustment to Mortality Age Rate Assumption</b>			
Plus 1 year to life		nil	Minus 1 year
Present Value of Total Obligation	358,787	348,202	337,938
<b>Adjustment to Long Term Salary Increase</b>			
Plus 1%		nil	Minus 1%
Present Value of Total Obligation	348,740	348,202	347,666
<b>Adjustment to Pension Increase and Deferred Revaluation</b>			
Plus 1%		nil	Minus 1%
Present Value of Total Obligation	354,018	348,202	342,491
<b>Adjustment to Discount Rate</b>			
Plus 1%		nil	Minus 1%
Present Value of Total Obligation	342,039	348,202	354,482

## NOTES TO THE CORE FINANCIAL STATEMENTS

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investment are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term rates of return experienced in respective markets.

### **40. Contingent Liabilities**

There is a contingent liability relating to NNDR appeals. This is due to an uncertainty around whether the Valuation Office will categorise NHS properties as charitable which could cause an increase in appeals.

### **41. Contingent Assets**

There are no Contingent Assets for 2015/16

### **42. Nature and Extent of Risks Arising from Financial Instruments**

The Council's overall risk management programme focuses on minimising the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practice and has written principles for overall risk management as well as policies and procedures covering specific areas such as credit, liquidity, refinancing and market risk.

#### **a) Credit Risk**

Credit risk arises from short-term lending of surplus funds to banks, building societies and other Local Authorities as well as credit exposures to the Council's customers. It is the Council's policy to place funds only with a limited number of high quality banks, building societies and other Local Authorities whose credit rating is independently assessed as sufficiently secure by the Council's Treasury Advisors and to restrict lending to a prudent maximum amount for each financial institution. In addition the Council has invested in Property Funds, which has been assessed by the Council and their Treasury Advisors. The Council also maintains a formal counterparty policy in respect of those financial institutions and other bodies from which it may borrow, or with whom it may enter into other financing arrangements.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £4.5 million invested in this sector at that time. Over the last few years we have received a substantial amount of these deposits back and now have only £0.17 million outstanding, and this is expected to be received almost in its entirety.

The Council does not generally allow credit for customers, such that all creditors are due within 3 months.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies was £64m as at 31 March 2016 and cannot be assessed generally because the risk of any institution failing to make interest payment or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of unrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

The Council has increased risk with its investment in CCLA (Charities, The Church of England and Local Authorities) and Lothbury Property Funds, however this is mitigated by the provision of an Earmarked Reserve.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### b) Liquidity Risk

The Council has ready access to borrowing from the Public Works Loan Board. As a result, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time to mitigate the impact of re-borrowing at a time of unfavourable interest rates. The Council has specific percentage limits for debt maturing in different periods to ensure an excessive amount of loans do not fall due for repayment at the same time. This ensures prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

### c) Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures cover the short and medium term cash needs, the risk in the longer term relates to the danger of having to replace a maturing long term investment at disadvantageous rates.

The approved prudential indicator limiting the amount of funds placed in investments for terms exceeding one year is a key factor limiting this risk, as is a medium term financial policy on reducing the Council's reliance on interest earnings to fund its core activities.

The Council's Treasury and Investment Strategy addresses the main risks and the Council's treasury team address the operational risks within the approved parameters. These include:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt or ensuring sufficient funds to make repayments on due dates; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and the spread of longer-term investments providing stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	2015/16 £000	2014/15 £000
Up to 1 year	20,516	26,119
Between 1 and 5 years	-	-
Between 5 and 10 years	40,000	20,000
Over 10 years	158,528	178,528
	<b>219,044</b>	<b>224,647</b>

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the fair value is assumed to be equal to the carrying amount.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### d) Analysis of Financial Liabilities

The analysis of financial liabilities is included in the table below. The amortised cost is an accumulation of the principal and accrued interest. The fair value is as per the notification received from the Public Works Loan Board (PWLB). The fair value of the liabilities is higher than the amortised cost due to the premiums that would become payable if the loans were to be repaid.

	2015/16 £000	2014/15 £000
Short Term Borrowing - Public Works Loan Board	-	895
Long Term Borrowing - Public Works Loan Board	198,528	198,528
Local Bonds	-	4
Finance Lease Liability	158	158
Cash	-	-
Creditors	20,516	25,220
	<b>219,202</b>	<b>224,805</b>
<b>Amortised Cost</b>	<b>219,202</b>	<b>224,805</b>
<b>Fair Value</b>	<b>266,968</b>	<b>282,792</b>

### e) Analysis of Financial Assets

The analysis of Financial Assets is shown in the table below. The amortised cost is an accumulation of the principal and the accrued interest. The majority of investments are at a fixed rate and for a fixed term therefore the accrued interest is based on the agreed rates at the inception date of the investment, and therefore a fair value has not been used as a comparator.

The Council also has £3 million invested in CCLA Property Fund and £7 million in Lothbury Property Fund. A fair value for these investments has been included.

	2015/16 £000	2014/15 £000
Short Term Investments	54,426	42,298
Long Term Investments	11,218	9,894
Cash	1,376	822
Debtors	15,426	22,689
Long Term Debtors	76,334	67,093
	<b>158,780</b>	<b>142,795</b>
<b>Amortised Cost</b>	<b>159,958</b>	<b>144,028</b>

All trade and other payables are due to be paid in less than one year. The figures in sections c,d,e have been amended to only reflect the non statutory creditors and debtors.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### f) Market Risk

**Interest rate risk** – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rates – the fair value of the borrowing liability will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments as fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the movement in reserves, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury options, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Council's treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately, for instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

The Council does not have any variable rate borrowings, therefore the impact of a 1% increase or decrease in interest rates would have a nil financial impact. However it does have deposits in Money Market Funds (MMF), which are at a variable rate. These funds fluctuate daily but within a range of approximately 0.01%. A 1% increase or decrease in interest rates would impact up to £200,000 per year.

**Price Risk** – The Council has investments in a Property Fund, the unit price can fluctuate both up and down and is monitored closely by the Council. It is also mitigated by an Earmarked Reserve.

**Foreign Exchange Risk** – The Council does not partake in any financial assets or liabilities denominated in foreign currencies.

### g) Financial Instruments Gains and Losses

There are no gains or losses recognised in the Consolidated Income and Expenditure Statement in relation to financial instruments in this financial year.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### h) Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- For Property Fund investments, the unit price has been used to provide the fair value;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

<b>Fair Value of Assets and Liabilities carried at Amortised Cost</b>	<b>2015/16</b>		<b>2014/15</b>	
	<b>Carrying amount £000</b>	<b>Fair Value £000</b>	<b>Carrying amount £000</b>	<b>Fair Value £000</b>
PWLB Debt	198,528	246,294	199,423	245,525
Non - PWLB Debt	-	-	-	-
<b>Total Debt</b>	<b>198,528</b>	<b>246,294</b>	<b>199,423</b>	<b>245,525</b>
Trade Creditors	17,692	17,692	30,605	30,605
<b>Total Financial Liabilities</b>	<b>216,220</b>	<b>263,986</b>	<b>230,028</b>	<b>276,130</b>
Money Market Loans < 1year	54,426	54,563	41,476	41,476
Money Market Loans > 1year	11,218	12,574	9,894	11,126
Long Term Debtors	76,334	76,334	67,093	67,093
Trade Debtors	1,542	1,542	15,223	15,223
<b>Total Loans and Receivables</b>	<b>143,520</b>	<b>145,013</b>	<b>133,685</b>	<b>134,918</b>

### **43. Heritage Assets - Further Information**

Book values of the heritage assets can be found in Note 12 to these accounts on page 48.

#### **The Great Mace, Plate Room Silver Plaques and Cutlery and the Willis Organ**

This collection includes a number of maces and silver cups of historic interest and importance. The Great Mace dating to circa 1660 was made to coincide with the restoration of Charles II, with the previous Commonwealth mace being used in the making of the Great Mace.

The Plate Room includes many cups and trophies, while many other silver items of cutlery, badges, tankards are retained in the collection held by the Council.

Other historic cups are displayed and these include the Coronation Cup given by Charles II to the City of Oxford.

A late 19<sup>th</sup> Century Organ built by Henry Willis and Sons in 1896/97 is sited in the Main Hall of the Town Hall. The Organ is rococo style case with three towers and two flats. For the purpose of grouping assets into categories the value has been placed in with the Civic Regalia.

#### **Furniture**

The Furniture recorded as heritage assets includes four notable mahogany sets of furniture. The Council considers that due to a combination of the diverse nature and immaterial values, obtaining valuations for any less significant furniture would involve a disproportionate cost in relation to the benefit to the users of financial statements and therefore they are not included on the Balance Sheet.

#### **Civic Regalia and Chains of Office**

The Chains of Office include those belonging to the Lord Mayor and Mayoress, the Sheriff and Sheriff's lady, and Deputy Lord Mayor. These are very ornate and valuable items mainly of gold and enamel. The Mayoral chain dates back to 1883, and includes a badge relief decorated and enamelled with the City Arms.

#### **Firearms**

The Firearms date back to the 17th Century, and include a collection of English Lock Muskets. The Firearms are displayed in the Town Hall in glass fronted cases.

#### **Pictures and Drawings**

The Art Collection includes paintings (both oil and watercolour) and sketches and is reported on the Balance Sheet at Insurance Value.

A large number of Portraits are to be found in the collection, as well as oils on canvass such as "The rape of the Sabines" presented to the Council by the Duke of Marlborough in 1901.

#### **Memorial Gardens and City Walls**

The Council has identified War Memorials and a Garden in St Giles, and the War Memorial in Marston Road, which along with the ancient City walls and Bastion (inside New College, and Hall Street) and the Rewley Abbey Wall meet the criteria of Heritage assets. However, due to their diverse nature these assets lack any comparable market values and cost records do not exist. The cost of providing a Balance Sheet valuation on these assets would be disproportionate to any benefit to the user of the Authorities financial statements and therefore are excluded from the Balance Sheet.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### **Heritage Non Operational Property**

A number of Properties owned by Oxford City are of historic interest but these are operational assets and therefore held within Property, Plant and Equipment.

The Council has identified the Plain Fountain, comprising an ornate stone fountain covered by an octagonal plate roofed open sided structure with stone columns. A clock with four faces is sited on top of the roof with a decorative metal weather vane installed above. This is a significant Asset in terms of its cultural and Heritage presence and the Asset is included in the Balance Sheet at its Depreciated Replacement Cost.

In the 2015/16 revaluation of heritage assets, the Council's valuer identified a number of sculptures which are predominantly situated in public outdoor spaces and recognized these as heritage assets. These have been included in the balance sheet at market value.

### **Oxford City First Registration number Plate**

The Mayoral Car carries the first registration plate issued in Oxford, and the plate is valued at market value.

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# **SUPPLEMENTARY FINANCIAL STATEMENTS**

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## HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

### H1.1 Housing Revenue Account Income and Expenditure Statement

	Note	2015/16 £000	2014/15 £000
<b>Expenditure</b>			
Repairs & Maintenance		10,854	11,034
Supervision & Management		7,801	7,636
Rents, Rates, Taxes & Other Charges		132	111
Depreciation and Impairment of Non-Current Assets		15,070	13,194
Movement in the Allowance for Bad Debts (not specified by the Code)	H2.8	300	358
<b>Total Expenditure</b>		<b>34,157</b>	<b>32,333</b>
<b>Income</b>			
Dwelling Rents (Gross)		(42,809)	(40,722)
Non Dwelling Rents (Gross)		(51)	(26)
Charges for Services & Facilities		(2,764)	(2,455)
Revaluation Gain reversing impairment		-	-
<b>Total Income</b>		<b>(45,624)</b>	<b>(43,203)</b>
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(11,467)	(10,870)
HRA Services' share of Corporate and Democratic Core		173	190
<b>Net Income for HRA Services</b>		<b>(11,294)</b>	<b>(10,680)</b>
<b>HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:</b>			
(Gain)/Loss on Sale of HRA Fixed Assets		(72)	(3,208)
Interest Payable and Similar Charges		7,760	7,733
Interest and Investment Income	H2.6	(90)	(97)
Pensions Interest Cost and Expected Return on Pension Assets		-	117
<b>(Surplus)/Deficit for the year on HRA Services</b>		<b>(3,696)</b>	<b>(6,135)</b>

## STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

### H1.2 Movement on the Housing Revenue Income & Expenditure Account

The HRA Income and Expenditure Account shows the actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to account for its statutory housing activity on a different accounting basis, the main differences being that:

- the difference between the depreciation on HRA assets and the Self-Financing Valuation Major Repairs Allowance has to be adjusted back into the balance for the year,
- the gain or loss on the disposal of HRA assets has to be reversed before a final balance is calculated; and
- any impairment on HRA assets, either due to economic consumption or valuation, has to be reversed from the account before a statutory balance can be finalised.

The reconciliation statement below summarises the differences between the outturn on the Income and Expenditure Account and the Housing Revenue Account Balance.

#### MOVEMENT ON THE HRA STATEMENT

	2015/16 £000	2014/15 £000
<b>Balance on the HRA at the end of the Previous Year</b>	<b>(4,000)</b>	<b>(4,000)</b>
(Surplus)/Deficit for the Year on the HRA Income and Expenditure Account	(3,696)	(6,135)
Adjustments between Accounting Basis and Funding Basis Under Statute		
- Difference between any other item of income and expenditure	2	(9)
- Gain or loss on sale of HRA non-current assets	72	3,208
- HRA share of contributions to or from the Pensions Reserve	(63)	(132)
- Capital expenditure funded by the HRA	-	10,108
- Transfer to/from the Major Repairs Reserve	(120)	896
- Transfer to/from the Capital Adjustment Account	(5,955)	(5,386)
<b>Net Increase/(Decrease) before Transfers to or from Reserves</b>	<b>(9,760)</b>	<b>2,550</b>
Transfer (to)/from Reserves	9,760	(2,550)
<b>Increase/(Decrease) in Year on the HRA</b>	<b>-</b>	<b>-</b>
<b>Balance on the HRA at the end of the Current Year</b>	<b>(4,000)</b>	<b>(4,000)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### H2.1 Housing and Garage Stock Numbers

	2015/16	2014/15
<b>Houses</b>		
1 bedroom	277	278
2 bedrooms	836	841
3 bedrooms	2,873	2,862
more than 3 bedrooms	280	269
<b>Flats</b>		
1 bedroom	1,629	1,577
2 bedrooms	1,735	1,727
3 bedrooms	149	151
more than 3 bedrooms	5	4
<b>Non Dwelling Properties</b>		
Hostels	8	8
<b>Overall Total</b>	<b>7,792</b>	<b>7,717</b>
<b>Summary of Changes in Stock</b>	<b>2015/16</b>	<b>2014/15</b>
<b>Stock at 1 April 2015</b>	7,717	7,827
Less Sales	(32)	(47)
Additions	107	9
<b>Stock at 31 March 2016</b>	<b>7,792</b>	<b>7,717</b>
<b>Garages and Parking Spaces</b>	<b>2015/16</b>	<b>2014/15</b>
Garages Within Curtilage	214	272
Parking Spaces	328	45
<b>Overall Total</b>	<b>542</b>	<b>317</b>
<b>Summary of Changes in Garages &amp; Parking Spaces</b>	<b>2015/16</b>	<b>2013/14</b>
<b>Stock at 1 April 2015</b>	317	2,602
Demolished/ Disposed	(83)	(5)
Additions to Parking Spaces	308	-
<b>Stock at 31 March 2016</b>	<b>542</b>	<b>317</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

Following revaluation on 1 April 2015, the vacant possession value (EUV) of the Council's housing stock (Council Dwellings) amounted to £1,947 million. Application of the social housing factor of 32% (EUV-SH) to the general housing stock, representing the economic cost to government of providing council housing, resulted in a Balance Sheet value of £626 million. At 31 March 2016, application of the social housing factor to the general housing stock resulted in a total value of £649 million.

The table below shows the HRA property values at appropriate measures of Fair Value as at 31 March 2016:

	2015/16 Cost or Valuation £000	2015/16 Depreciation £000	2015/16 Net Book Value £000	2014/15 Cost or Valuation £000	2014/15 Depreciation £000	2014/15 Net Book Value £000
Council Dwellings	648,783	(8,796)	639,987	572,389	(7,279)	565,110
Other Land and Buildings	3,339	(324)	3,014	2,693	(529)	2,164
Vehicles, Plant, Furniture and Equipment	-	-	-	-	-	-
Assets Under Construction	1,086	-	1,086	11,743	-	11,743
Surplus Assets not Held for Sale	512	(46)	466	567	-	567
Investment Properties	-	-	-	140	-	140
Assets Held for Sale	824	-	824	1,304	-	1,304
<b>As at 31 March 2016</b>	<b>654,544</b>	<b>(9,166)</b>	<b>645,378</b>	<b>588,836</b>	<b>(7,808)</b>	<b>581,028</b>

### H2.2 Movement on the Major Repairs Reserve

	2015/16 £000	2014/15 £000
<b>Opening Balance</b>	-	-
Transfer from Capital Adjustment Account	(9,115)	(7,808)
Excess of Depreciation on Dwellings over Major Repairs Allowance	120	(896)
Financing of Capital Expenditure (MRA Applied)	8,177	8,704
<b>Closing Balance</b>	<b>(818)</b>	-

### H2.3 Capital Expenditure and Financing

	2015/16 £000	2014/15 £000
Buildings	13,795	21,101
Revenue Expenditure Funded from Capital under Statute	-	33
<b>Total Spend</b>	<b>13,795</b>	<b>21,134</b>
<b>Sources of Finance</b>		
Major Repairs Reserve	8,177	8,704
Grants and Contributions	1,172	221
Capital Receipts	4,441	2,101
Revenue Contributions to Capital	-	10,108
Developer Contributions	5	-
<b>Total Financing</b>	<b>13,795</b>	<b>21,134</b>



## NOTES TO THE HOUSING REVENUE ACCOUNT

### H2.4 Capital Receipts Received

	2015/16 £000	2014/15 £000
Buildings	(4,020)	(6,588)
<b>Total</b>	<b>(4,020)</b>	<b>(6,588)</b>

### H2.5 Revenue Expenditure Funded from Capital Under Statute

Revenue expenditure funded from Capital under statute relates to capital expenditure which does not necessarily result in an asset. In 2015/16 there were no charges and in 2014/15 they were £33,185.

### H2.6 Interest Received

The Housing Revenue Account is credited with interest on cash balances and interest on loans granted to enable tenants to purchase council dwellings.

	2015/16 £000	2014/15 £000
Interest on Cash Balances	(90)	(97)
<b>Total</b>	<b>(90)</b>	<b>(97)</b>

The Housing Revenue Account was debited with Item 8 interest of £7.7 million in 2015/16, this relates to the proportion of the external interest relating to the Housing Revenue Account.

### H2.7 Financial Reporting Standard (IAS) 19 – Pensions

Included within the Net Cost of Service is the HRA share of contributions from the Pension Reserve. The pension contributions have been calculated in accordance with IAS 19. An adjustment is made within the adjustments between accounting basis and funding basis under statute, so that there is no effect on the HRA surplus for the year.

The current cost of pensions amounting to £0.23 million has been charged to the HRA and the adjustment between accounting bases of £0.64 million applied to ensure the HRA is charged with the statutory sum related to the actual cost of pension provision in year (£0.17 million).

## NOTES TO THE HOUSING REVENUE ACCOUNT

### H2.8 Rent Arrears

	2015/16		2014/15	
	£000	% of total rents due	£000	% of total rents due
<b>Arrears Details</b>				
Current Tenants	1,143	2.67	1,042	2.53
Former Tenants	319	0.74	342	0.83
<b>Overall</b>	<b>1,462</b>	<b>3.41</b>	<b>1,384</b>	<b>3.36</b>
<b>Total Rents due in Year</b>	<b>42,867</b>		<b>41,232</b>	

	2015/16 £000	2014/15 £000
<b>Doubtful Debt provision</b>		
<b>Opening Balance</b>	<b>472</b>	<b>417</b>
Write-offs in Year	(229)	(247)
Additional Provision	226	302
<b>Closing Balance</b>	<b>469</b>	<b>472</b>

### H2.9 Capital Commitments

<u>Description</u>	<u>Contractor</u>	2015/16 £000	2014/15 £000
Tower Blocks	Wilmott Dixon Energy Services	18,277	-
Windows and Doors	Nationwide	200	-
Tower Blocks	Arcadis	92	-
Roofing	GSR Contracting	60	-
Barton New Build Phase 1	Hills	-	11,328
Affordable Housing Programme	Leadbitter Group/EC Harris	-	2,433
Tower Blocks	EC Harris	-	134
External Adaptions	Fairfax Avenue	-	48
Communal Areas	DS and Pyrotec	-	-
<b>Total HRA Capital Commitments</b>		<b>18,630</b>	<b>13,943</b>

There is a change regarding the Barton New Build project which was originally intended to be funded from within the HRA. The intention now is for a wholly owned Council company to purchase the properties rather than the HRA and negotiations are currently underway. This project is therefore not intended to be a capital commitment for the HRA.

**COLLECTION FUND**

The Collection Fund is the Council's statement reflecting its statutory obligation as a Billing Authority to maintain a separate Fund showing the transactions it undertaken in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

The Collection Fund is a separate statutory fund under the provision of the Local Government Act 1988. Its assets and liabilities are included in the General Fund Balance Sheet and its income and expenditure is shown below:

	Business Rates 2015/16 £000	Council Tax 2015/16 £000	Total 2015/16 £000	Business Rates 2014/15 £000	Council Tax 2014/15 £000	Total 2014/15 £000
<b>Income</b>						
Council Tax Receivable	-	(74,203)	(74,203)	-	(71,329)	(71,329)
Business Rate Receivable	(88,507)	-	(88,507)	(83,805)	-	(83,805)
<b>Sub Total</b>	<b>(88,507)</b>	<b>(74,203)</b>	<b>(162,710)</b>	<b>(83,805)</b>	<b>(71,329)</b>	<b>(155,134)</b>
<b>Expenditure</b>						
Central Government share of PY Deficit/(Surplus)	87	-	87	(708)	-	(708)
Oxford City share of PY Deficit/(Surplus)	69	325	394	(567)	205	(361)
Oxfordshire County share of PY Deficit/(Surplus)	17	1,418	1,435	(142)	895	754
Police & Crime Commissioner share of PY Deficit/(Surplus)	-	188	188	-	119	119
<b>Sub Total</b>	<b>173</b>	<b>1,931</b>	<b>2,104</b>	<b>(1,417)</b>	<b>1,219</b>	<b>(199)</b>
<b>Precepts, Demands and Shares</b>						
Central Government Share	42,424	-	42,424	42,023	-	42,023
Oxford City Share	33,939	12,072	46,011	33,619	11,582	45,201
Oxfordshire County Precept Share	8,485	52,575	61,060	8,405	50,454	58,859
Police & Crime Commissioner share of PY Precepts Share	-	6,983	6,983	-	6,702	6,702
<b>Sub Total</b>	<b>84,848</b>	<b>71,630</b>	<b>156,478</b>	<b>84,047</b>	<b>68,738</b>	<b>152,785</b>
<b>Disregarded Amounts</b>						
Renewable Energy	22	-	22	-	-	-
<b>Sub Total</b>	<b>22</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Charges</b>						
Transitional Protection due to Central Government	85	-	85	-	-	-
Write Offs	368	450	818	834	1,472	2,306
(Increase)/Decrease in Bad Debt Provision	276	149	425	(635)	(604)	(1,239)
(Increase)/Decrease in Provision for Appeals	652	-	652	9,763	-	9,763
Appeals charged to the Collection Fund	(530)	-	(530)	-	-	-
Cost of Collection	220	-	220	217	-	217
Disregarded amounts	-	-	-	-	-	-
<b>Sub Total</b>	<b>1,071</b>	<b>599</b>	<b>1,670</b>	<b>10,179</b>	<b>868</b>	<b>11,047</b>
<b>(Surplus)/Deficit arising during year</b>	<b>(2,393)</b>	<b>(43)</b>	<b>(2,436)</b>	<b>9,004</b>	<b>(504)</b>	<b>8,500</b>
<b>(Surplus)/Deficit brought forward 1st April</b>	<b>10,503</b>	<b>(1,891)</b>	<b>8,612</b>	<b>1,499</b>	<b>(1,387)</b>	<b>112</b>
<b>(Surplus)/Deficit Carry forward</b>	<b>8,110</b>	<b>(1,934)</b>	<b>6,176</b>	<b>10,503</b>	<b>(1,891)</b>	<b>8,612</b>

## COLLECTION FUND

### CF1. Non-Domestic Rates

Under the arrangements for Business Rates, the Council collects Non-Domestic Rates for its area, based on local rateable values, multiplied by a uniform business rate. From April 2013 the Business Rates Retention Scheme has replaced the former scheme. The baseline element of rates the Council were allowed to retain for 2015/16 was assessed at £5.682 million. The Council were required to pay to Central Government both the Central Share of £42.424 million plus the calculated tariff of £27.48 million. In addition we were required to pay £8.485 million to Oxfordshire County Council.

The local rateable value (2010 Rating List) as at 31 March 2016 was £229.0 million (£229.6 million at 31 March 2015). The multiplier for 2015/16 was set at 49.3 pence in the pound (48.2 pence for 2014/15).

### CF2. Council Tax

The Council Tax Base is a measurement of the taxable capacity of the area. Dwellings are converted into Band D equivalents, taking into account exemptions and discounts. Dwellings are classified into eight valuation bands (A to H) based on 1991 capital valuations. The Council Tax is set for Band D dwellings and the tax for the other bands is calculated as a proportion of the Band D charge.

For 2015/16 Council Tax including precepts was set at £283.00 for a Band D property (2014/15 £277.40)

The Council Tax Base was calculated as follows:

Valuation Band	Total no. Dwellings on Valuation List	Total Equivalent Dwellings (after discounts, etc)	Ratio to Band D	Band D equivalents
A	2,444	1,133	6/9	755
B	9,182	5,018	7/9	3,902
C	18,826	13,416	8/9	11,926
D	15,737	11,936	9/9	11,936
E	6,859	5,181	11/9	6,332
F	2,796	2,393	13/9	3,457
G	3,220	2,841	15/9	4,735
H	580	355	18/9	710
	<b>59,644</b>	<b>42,273</b>		<b>43,753</b>
Crown Properties				-
Allowance of 2.5% for non-collection				(1,094)
Total				<b>42,659</b>

## GROUP ACCOUNTS: INTRODUCTION AND BARTON OXFORD LLP

Group Accounts have been prepared to incorporate within the Statement of Accounts two Joint Venture (JV) activities within which the Council holds a 50% share of the operations of the ventures.

The two ventures are as follows:

- Barton Oxford LLP
- Oxford West End Development Limited

The accounting requirement: "Accounting for Joint Boards IFRS 11" states the presentation requirements basis as the Equity method, and this means that a disclosure note is provided showing Oxford City Council's share of the net assets and liabilities as at 31 March 2016. In addition "Disclosure of interests in Other Entities IFRS 12" requires disclosure of summary information for the joint venture as a whole and not just the Council's share. The Council's Group accounts show the long term investment in the Balance Sheet, and profits and losses in the Council's Comprehensive Income and Expenditure.

### **Barton Oxford LLP**

The Barton Oxford LLP is a legally committed body contracted to develop homes on land at Barton. Strategic financial and operating decisions relating to the Joint Venture requires the unanimous consent of the parties sharing control. The Barton Oxford LLP controls the assets of the joint venture, incurs liabilities and expenses and earns income.

The Barton Oxford LLP was established on 23 September 2011. The Council entered into a partnership with Grosvenor Developments Limited to form the Barton Oxford LLP, a joint venture vehicle to develop social and affordable housing on land owned by the Council at Barton. The Council has a 50% interest in the company and shares profits and losses.

The Council transferred land to the LLP on 31 October 2011. It is estimated that the value will be repaid with interest by January 2019. As at 31 March 2016 land had not been sufficiently developed to be purchased and sold to developers, therefore turnover was nil. 50% of the net liabilities of £17K have been incorporated in to the Council's Group Accounts.

Group Accounts are required by the Accounting Code of Practice where an authority has interests in subsidiaries, associates and/or jointly controlled entities, subject to consideration of materiality. The Barton Oxford LLP has been established with Joint control and total expenditure up to 31 March 2016 was £17.625 million. Therefore a material organisation has been created and Group Accounts are required.

The accounting requirement: "Accounting for Joint Boards IFRS 11" states the presentation requirements basis as the Equity method, and this means that a disclosure note is provided showing Oxford City Council's share of the net assets and liabilities as at 31 March 2016. In addition "Disclosure of interests in Other Entities IFRS 12" requires disclosure of summary information for the joint venture as a whole and not just the Council's share. The Council's Group accounts show the long term investment in the Balance Sheet, and profits and losses in the Council's Comprehensive Income and Expenditure.

The Group Statements in the Comprehensive Income and Expenditure and Balance Sheet reflect the Equity Accounting method and therefore the Net assets of the LLP excluding the land transferred from Oxford City Council to the LLP, which is shown as long term debtor and deferred capital receipt in Oxford City Council's accounts, along with the associated capitalised interest.

## GROUP ACCOUNTS: BARTON OXFORD LLP

The first parcel of land will be disposed of during 2016/17, with further disposals in 2017, 2018 and 2019. Costs attributable to the disposals will run on beyond 2019, and profit distribution happens after all costs have been accounted for in the LLP. The current expectation is that profit will be distributed by the LLP in 2022, at which point the Council will receive its share of the profit.

Barton Oxford LLP accounts are completed on a UK GAAP basis under FRS2 and the Council's accounts are completed on an IFRS basis, however all accounting policies are compatible.

### Financial Information on Barton LLP

<b>Profit &amp; Loss Account</b>	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Expenses	12	10
<b>Operating (Surplus) / Loss</b>	<b>12</b>	<b>10</b>
Interest receivable	(3)	(3)
<b>Loss from continuing operations</b>	<b>9</b>	<b>7</b>

<b>Balance Sheet</b>	<b>2015/16 £000</b>	<b>2014/15 £000</b>
<b>Non Current Assets</b>	<b>17,625</b>	<b>9,057</b>
Debtors	428	354
Cash and cash equivalents	382	506
<b>Current Assets</b>	<b>810</b>	<b>860</b>
Amounts falling due within one year	(3,209)	(234)
<b>Current Liabilities</b>	<b>(3,209)</b>	<b>(234)</b>
<b>Net Assets attributable to members</b>	<b>15,226</b>	<b>9,683</b>

<b>Members' interests</b>	<b>Barton Oxford LLP as at 31 March 2016</b>		
	<b>Oxford City Share £000</b>	<b>Grosvenor D L Share £000</b>	<b>Total £000</b>
Capital classified as a liability	1,060	14,200	15,260
Other reserves classified as equity	(17)	(17)	(34)
<b>Members' Interests as at 31 March 2016</b>	<b>1,043</b>	<b>14,183</b>	<b>15,226</b>

<b>Members' interests</b>	<b>Barton Oxford LLP as at 31 March 2015</b>		
	<b>Oxford City Share £000</b>	<b>Grosvenor D L Share £000</b>	<b>Total £000</b>
Capital classified as a liability	1,007	8,700	9,707
Other reserves classified as equity	(12)	(12)	(24)
<b>Members' Interests as at 31 March 2015</b>	<b>995</b>	<b>8,688</b>	<b>9,683</b>

### Oxford City Council Commitment to Barton LLP

The City Council has made no commitments which would give rise to a future outflow of cash or other resources

## GROUP ACCOUNTS: OxWED

### Oxford West End Development Limited (OxWED)

The OxWED was established during 2015-16. The Council entered into a partnership with Nuffield College to form the Oxford West End Development Limited, a joint venture vehicle to develop The Oxford West End area. The Council has a 50% interest in the company and shares profits and losses.

The OxWED scheme involves the acquisition of railway lands jointly with Nuffield College and combines the site with the Council's adjoining holdings and promote mixed-use development. Nuffield College has entered into a JV partnership with the Council through an investment vehicle on a 50:50 basis and will invest half the cost of the acquisition of the LCR land.

A competitive process will be undertaken for a private sector partner and the development will proceed as planned with planning permission sought, strategic infrastructure being installed, and onward sale of plots for development of housing and commercial properties.

The Oxford West End Development Limited statement of accounts for the year ended 31 March 2016 are the first statement for the Company. The Company made a loss for the year of £0.109 million, and suffered a reduction in Investment property value of £0.521million. The total reduction in equity being £0.630 million.

Investing activities for the year ended involved the acquisition of Investment property of £13.021 million which was valued as at the 31 March 2016 at £12.500 million and therefore resulted in the fall in value of £0.521 million

### Financial Information on OxWED

<b>Profit &amp; Loss Account</b>	<b>2015/16 £000</b>
Other Income	(33)
Expenses	13
<b>Operating (Surplus) / Loss</b>	<b>(20)</b>
Interest charges	129
<b>Loss from continuing operations</b>	<b>109</b>
Devaluation of Investment Property	521
<b>Other comprehensive expenditure</b>	<b>521</b>
<b>Total Comprehensive Income and Expenditure loss</b>	<b>630</b>
<b>Balance Sheet</b>	<b>2015/16 £000</b>
<b>Non Current Assets</b>	<b>12,500</b>
Debtors	78
Cash and cash equivalents	51
<b>Current Assets</b>	<b>129</b>
Amounts falling due within one year	(159)
<b>Current Liabilities</b>	<b>(159)</b>
<b>Net Assets attributable to members</b>	<b>12,470</b>

**GROUP ACCOUNTS: OXWED**

**Members' interest**

Capital classified as a liability  
Other reserves classified as equity

**Members' Interests as at 31 March 2016**

<b>Oxford West End Development Limited as at 31 March 2016</b>		
<b>Oxford City Share £000</b>	<b>Nuffield College Share £000</b>	<b>Total £000</b>
6,550	6,550	13,100
(315)	(315)	(630)
<b>6,235</b>	<b>6,235</b>	<b>12,470</b>

**Oxford City Council Commitment to OxWED**

The City Council has made no commitments which would give rise to a future outflow of cash or other resources



## GROUP ACCOUNTS

### Group Accounts

The Group Accounts consist of the following:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Notes to the Statement of Accounts
- Cash Flow

This statement shows the movement in year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

The Net Increase/(Decrease) before Transfers to/from Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

**GROUP ACCOUNTS: MOVEMENT IN RESERVES STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2016**

This statement shows the total Movement in Reserves for the whole group.

	Total Authority Reserves	Group Movements	Authorities share of Reserves including Group Operations
	£000	£000	£000
<b>Balance at 31st March 2014 carried forward</b>	<b>494,238</b>	<b>(8)</b>	<b>494,230</b>
<b>Movement in Reserves during 2014/15</b>			
Surplus/(Deficit) on the Provision of Services	45,860	(4)	45,856
Other Comprehensive Income and Expenditure	38,664	-	38,664
<b>Total Comprehensive Income and Expenditure</b>	<b>84,524</b>	<b>(4)</b>	<b>84,520</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	0	-	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>84,524</b>	<b>(4)</b>	<b>84,520</b>
Transfers (to)/from Earmarked Reserves	-	-	-
<b>Increase/(Decrease) in 2014/15</b>	<b>84,524</b>	<b>(4)</b>	<b>84,520</b>
<b>Balance at 31st March 2015 carried forward</b>	<b>578,762</b>	<b>(12)</b>	<b>578,750</b>
<b>Movement in Reserves during 2015/16</b>			
Surplus/(Deficit) on the Provision of Services	8,986	(59)	8,927
Other Comprehensive Income and Expenditure	98,883	(261)	98,623
<b>Total Comprehensive Income and Expenditure</b>	<b>107,869</b>	<b>(320)</b>	<b>107,549</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	-	-	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>107,869</b>	<b>(320)</b>	<b>107,549</b>
Transfers (to)/from Earmarked Reserves	-	-	-
<b>Increase/(Decrease) in 2015/16</b>	<b>107,869</b>	<b>(320)</b>	<b>107,549</b>
<b>Balance at 31st March 2016 carried forward</b>	<b>686,631</b>	<b>(332)</b>	<b>686,299</b>

**GROUP ACCOUNTS: COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2016**

This statement shows the accounting cost in 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 regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (page 100).

	2015/16 Oxford City Council			2015/16 Group C&E			2014/15	
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Group Movements £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Net Expenditure £000
Central Services to the Public	3,322	(1,733)	1,588	-	3,322	(1,733)	1,588	1,964
Cultural Services	16,901	(4,352)	12,549	-	16,901	(4,352)	12,549	11,653
Environment and Regulatory Services	19,305	(7,012)	12,294	-	19,305	(7,012)	12,294	11,693
Planning Services	7,696	(7,104)	591	-	7,696	(7,104)	591	5,786
Highways and Transport Services	11,398	(10,387)	1,011	-	11,398	(10,387)	1,011	1,403
Local Authority Housing (HRA)	34,157	(45,623)	(11,466)	-	34,157	(45,623)	(11,466)	(10,870)
Other Housing Services	71,219	(67,466)	3,753	-	71,219	(67,466)	3,753	3,149
Corporate and Democratic Core	3,669	(23)	3,646	-	3,669	(23)	3,646	3,456
Non Distributed Costs	11,836	(987)	10,849	-	11,836	(987)	10,849	(129)
<b>Cost of Services</b>	<b>34,815</b>		<b>34,815</b>		<b>34,815</b>		<b>34,815</b>	<b>28,105</b>
Other Operating Expenditure			(642)				(642)	(43,784)
Financing and Investment Income and Expenditure			(7,820)	59			(7,761)	(682)
Taxation and Non-Specific Grant Income			(35,339)	-			(35,339)	(29,499)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>(8,986)</b>	<b>59</b>			<b>(8,927)</b>	<b>(45,860)</b>
(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets			(78,973)	261			(78,713)	(71,872)
(Surplus)/Deficit on Available for Sale Financial Instruments			(1,356)	-			(1,356)	-
Actuarial (Gains)/Losses on Pension Assets and Liabilities			(18,554)	-			(18,554)	33,208
<b>Other Comprehensive Income and Expenditure</b>			<b>(98,883)</b>	<b>261</b>			<b>(98,623)</b>	<b>(38,664)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(107,869)</b>	<b>320</b>			<b>(107,549)</b>	<b>(84,524)</b>

**GROUP ACCOUNTS: BALANCE SHEET AS AT 31 MARCH 2016**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are Usable Reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves to deal with unforeseen events and any statutory limitations on their use (for example the Capital Receipts Reserve can only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; as well as reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	<b>Oxford City Council 2015/16 £000</b>	<b>Group 2015/16 £000</b>	<b>Group Movement 2015/16 £000</b>	<b>Group 2014/15 £000</b>
Property, Plant & Equipment	782,828	782,828	-	718,366
Heritage assets	2,509	2,509	-	2,496
Investment Properties	110,916	110,916	-	100,871
Intangible Assets	1,181	1,181	-	1,030
Long Term Investments	11,218	18,511	7,293	9,882
Long Term Debtors	76,334	68,709	(7,625)	67,093
<b>Long Term Assets</b>	<b>984,986</b>	<b>984,654</b>	<b>(332)</b>	<b>899,738</b>
Short Term Investments	46,666	46,666	-	35,586
Assets Held for Sale	854	854	-	1,351
Inventories	817	817	-	773
Short Term Debtors	15,426	15,426	-	27,585
Cash and Cash Equivalents	9,136	9,136	-	6,712
<b>Current Assets</b>	<b>72,899</b>	<b>72,899</b>	<b>-</b>	<b>72,007</b>
Short Term Borrowing	-	-	-	(895)
Short Term Creditors	(26,692)	(26,692)	-	(36,441)
<b>Current Liabilities</b>	<b>(26,692)</b>	<b>(26,692)</b>	<b>-</b>	<b>(37,336)</b>
Long Term Creditors	(173)	(173)	-	(114)
Provisions	(8,100)	(8,100)	-	(7,902)
Long Term Borrowing	(198,528)	(198,528)	-	(198,534)
Other Long Term Liabilities	(134,050)	(134,050)	-	(145,607)
Capital Grants Receipts in Advance	(3,711)	(3,711)	-	(3,502)
<b>Long Term Liabilities</b>	<b>(344,562)</b>	<b>(344,562)</b>	<b>-</b>	<b>(355,658)</b>
<b>Net Assets</b>	<b>686,631</b>	<b>686,299</b>	<b>(332)</b>	<b>578,750</b>
Usable Reserves	(69,358)	(69,287)	71	(59,206)
Unusable Reserves	(617,273)	(617,012)	261	(519,544)
<b>Total Reserves</b>	<b>(686,631)</b>	<b>(686,299)</b>	<b>332</b>	<b>(578,750)</b>

## GROUP ACCOUNTS: NOTES

### Basis of Accounting

Oxford City Council Statement of Accounts are prepared on an IFRS basis, as modified for public sector application, which include revaluation of assets when and where appropriate. The Group Accounts of Oxford City Council incorporate the financial statements of the Barton Oxford LLP and the Oxford West End Development Company (OxWED). Oxford City Council are joint members of the LLP with Grosvenor Development Limited and are joint owners of OxWED with Nuffield College.

### Barton Oxford LLP

The Barton Oxford LLP financial statements have been prepared under UKGAAP applying FRS102 which is broadly equivalent to IFRS. For previous years the LLP applied the historical cost convention in accordance with applicable United Kingdom law, accounting standards and the Limited Liability Partnerships Statement of Recommended Practice. The change to reporting under FRS102 has not had a material effect on the comparable figures from the previous period. The accounting policies have been applied consistently throughout the current and preceding year on a going concern basis, except in respect of the equity accounting replacement.

### OxWED

The OxWED financial statements have been prepared IFRS which is therefore directly compatible with the Oxford City Council accounts. The company was incorporated in January 2016 and so therefore there are no prior year comparatives.

### Accounting Policies

Accounting Policies of Oxford City Council, the LLP and the Company have been considered to ensure the underlying accounting standards are compatible for the Group. In all respects the standards are compatible for 2015/16. Cash and cash equivalents, debtors and creditors are all provided on the same basis. The development expenditure of the LLP is recorded at the lower of cost and net realisable value. Cost includes the cost of acquisition, professional fees and construction costs but excludes overheads. This is compatible with Oxford City accounting policies in that the assets are under construction and therefore recorded at cost under IFRS. Therefore in all material respects for 2015/16 the accounting policies are materially aligned.

### Method of Consolidation

The method of consolidation adopted in the financial statements is to provide separate core financial statements consolidated on an Equity basis.

Oxford City Council has provided land with an initial transfer value of £850,000 to the LLP. Interest on the transfer value is payable at a fixed rate of 5% compounded monthly until repayment. The loan and interest is due to be repaid in January 2019, on completion of the development. The loan and interest amounted to £1,059,694 as at 31 March 2016 (£1,007,980 as at 31 March 2015) these sums are included in the Council's Balance Sheet as a debtor and deferred capital receipt.

Oxford City Council provided a loan of £6.5 million to OxWED as a 50% contribution for the purchase of some land and working capital of £50,000. The loan for the land is expected to be repaid when development on the site has been completed and is therefore recorded in the Oxford City Council accounts as a long term debtor. The working capital loan is currently expected to be repaid within the year and therefore has been recorded as a short term debtor in the Oxford City Council accounts.

## GROUP ACCOUNTS: CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

The Cash flow statement of the Group under the Equity method of consolidation does not include the cash flows of the Oxford Barton LLP or the OxWED Company, but is restricted to recording the book movement of gains and losses. The Cash Flow Statement shows the changes in the Cash and Cash Equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

	<b>Oxford City Council 2015/16 £000</b>	<b>Group 2015/16 £000</b>	<b>Group 2014/15 £000</b>
Net (Surplus)/Deficit on the Provision of Services	(8,986)	(8,986)	(45,860)
Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements	(23,956)	(23,956)	10,707
<b>Net Cash Flows from Operating Activities</b>	<b>(32,942)</b>	<b>(32,942)</b>	<b>(35,153)</b>
Investing Activities	29,944	29,944	38,124
Financing Activities	574	574	490
<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>	<b>(2,424)</b>	<b>(2,424)</b>	<b>3,461</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period	(6,712)	(6,712)	(10,173)
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>(9,136)</b>	<b>(9,136)</b>	<b>(6,712)</b>

**GROUP ACCOUNTS: CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

**Operating activities within the Cashflow Statement include the following cashflows relating to Interest**

Cash Interest Received  
Cash Interest Paid

**Total**

Oxford City Council 2015/16 £000	Group 2015/16 £000	Group 2014/15 £000
952	952	772
(6,546)	(6,546)	(6,678)
<b>(5,594)</b>	<b>(5,594)</b>	<b>(5,906)</b>

**Investing Activities**

Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets  
Purchase of Short-Term and Long-Term Investments  
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets  
Other Capital Cash Receipts in Advance

**Total Cash Flows from Investing Activities**

Oxford City Council 2015/16 £000	Group 2015/16 £000	Group 2014/15 £000
32,708	32,708	48,712
12,958	12,958	(191)
(6,381)	(6,381)	(6,758)
(9,341)	(9,341)	(3,639)
<b>29,944</b>	<b>29,944</b>	<b>38,124</b>

**Financing Activities**

Repayment of Long Term Borrowing  
Other receipts from Financing Activities  
Payments for the reduction of a Finance Lease Liability

**Total Cash Flows from Financing Activities**

Oxford City Council 2015/16 £000	Group 2015/16 £000	Group 2014/15 £000
908	908	718
(386)	(386)	(248)
52	52	20
<b>574</b>	<b>574</b>	<b>490</b>

**Cash and Cash Equivalents**

Cash Investments - regarded as Cash Equivalents  
Bank Overdraft

**Total Cash and Cash Equivalents**

Oxford City Council 2015/16 £000	Group 2015/16 £000	Group 2014/15 £000
7,760	7,760	5,890
1,376	1,376	822
<b>9,136</b>	<b>9,136</b>	<b>6,712</b>

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# **ACCOUNTING POLICIES**

## ACCOUNTING POLICIES

### AP. Accounting Policies

#### AP.1 General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, and this requires the preparation to be in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Accounting Code of Practice 2015/16 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the Local Government and Finance Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historic cost modified by the revaluation of certain categories of non-current assets and financial instruments.

#### AP.2 Accruals of Income and Expenditure

All transactions of the Council are accounted for in the year in which they take place, not simply when the cash payments are made or received:

- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services
- supplies and services 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 Stock on the Balance Sheet. This also applies where the Council acts as agent, most significantly for Council Tax and NNDR collection. The Council collects all precepts on behalf of the major preceptors and the deficit or surplus held will be shown as a debtor or creditor balance respectively
- interest receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- income and expenditure are credited and debited to the relevant service revenue accounts, unless they properly represent capital receipts or capital expenditure.

Revenue from the sale of goods is recognised when the 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 Council.

Exceptions to this principle are:

- i) utility bills and similar instalment payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts
- ii) certain payments made on a claims basis which are regular in terms of incidence (such that the accounting period contains twelve full months) or for which the accrual would be immaterial

## ACCOUNTING POLICIES

- iii) accruals of less than £500 are not adjusted for within the accounts due to the level of materiality of the transactions.

### **AP.3 Cash and Cash Equivalents**

Cash is represented by cash in hand and demand deposits with financial institutions repayable without penalty on notice of no more than 24 hours. Cash Equivalents are readily convertible to known amounts of cash with insignificant risk of change in value. The Council regards overnight funds to represent a Cash Equivalent. Cash also includes bank overdrafts that are repayable on demand and that are integral to an authority's cash management.

### **AP.4 Prior Period Adjustments, Changes in Accounting Policies and Material 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, ie in the current and future years affected by the change and do not give rise to a 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 Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) 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.

### **AP.5 Exceptional Items**

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

### **AP.6 Charges to Revenue and Non-Current Assets**

Services, Support Services and Trading Accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of Intangible Fixed Assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from Revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. The Council makes a contribution by applying a prudent assessment. Depreciation, revaluation and impairment losses and amortisations are replaced in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement.

The principles of capital accounting are applicable to all non-current assets. However, the Council is able to prepare the financial statements in accordance with the concept of materiality; capitalisation of expenditure on fixed assets is not necessary where the amounts involved are not material to the fair presentation of the financial position and which would not affect the understanding of the users of the accounts. The Council has a general de-minimis level of £5,000 for capital expenditure purposes. Therefore, the Council will capitalise new assets that are greater than the following limits:

## ACCOUNTING POLICIES

- Individually have a cost of at least £5,000 (£1,500 for residential properties); or
- Collectively have a cost of at least £5,000 (£1,500 for residential properties) and individually have a cost of more than £250, where the assets are functionally interdependent, have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.
- Form part of the initial equipping and setting-up cost of a new building, or significant refurbishment, irrespective of their individual or collective cost.

Where an asset has been acquired for less than £5,000 but has been funded by ring fenced capital funding, this will be treated as capital.

### **AP.7 Employee Benefits**

#### **Benefits Payable during Employment**

Short-term employee benefits (those falling due within 12 months of the year end) such as wages, salaries, paid annual leave, sick leave, bonuses and non monetary benefits for current employees, are considered as an expense in the year in which the employee renders the service to the Council.

An accrual is made against services in the surplus or deficit on the provision of service, (where considered material) for the cost of holiday entitlement and other forms of leave earned by employees but not taken before the year end and which may be carried forward into the next financial year based on following years salary. Accruals are not made for immaterial costs in respect of outstanding car mileage claims.

Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulated Compensation Absences Adjustment Account in the Movement of Reserves Statement.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

The statutory provision requires the General Fund to be charged with the amount agreed to be payable to the Pension Fund, not the amount calculated under IFRS. In the Movement of Reserves Statement, appropriations are made to and from an Employment Reserve; a balance of this account appears on the Balance Sheet. The Employment Reserve is matched by the accrual for termination.

#### **Post-employment Benefits**

Employees of the Council are members of the Local Government pension fund administered by the Oxfordshire County Council.

#### **The Local Government Pension Scheme**

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- the liabilities of the Oxfordshire County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to-date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

## ACCOUNTING POLICIES

- the liabilities are discounted to their value at current prices, using a discount rate of 3.7%. The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond yield curve
- the assets of Oxfordshire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – margin above yield

The change in the net pension's liability is analysed into the following components:

1. Current Service Cost – the increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
2. Past Service Cost – the increase or reduction in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
3. Net interest on the net defined benefit liability (asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

4. The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
5. Actuarial Gains and Losses – changes in the net pension liability that arises because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

Charge comprising:

6. Contributions paid to Oxfordshire County Council Pension Fund – cash paid as employer's contribution to the pension fund in settlement of liabilities; not accounted as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement 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. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## ACCOUNTING POLICIES

### **Discretionary Benefits**

The 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 to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **AP.8 Financial Instruments and Financial Assets**

#### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effected rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This means that, for most of the borrowings that the Council has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

#### **Financial Assets**

Financial assets are classified into two 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.

#### **Loans and Receivables**

Loans and Receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans at less than market rate (soft loans). These loans are immaterial and held as long term debtors in the balance sheet.

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 and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## ACCOUNTING POLICIES

### Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual 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 rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

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 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 is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### AP.9 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

## ACCOUNTING POLICIES

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify the way in which the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are to be consumed by the recipient, or the future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant 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.

### **AP.10 Community Infrastructure Levy**

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport and flood defences) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure. CIL recognised in Comprehensive Income and Expenditure Statement will be earmarked where appropriate through the MIRS.

### **AP.11 Heritage Assets**

A tangible Heritage Asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. An intangible Heritage Asset is an intangible asset with cultural, environmental or historical significance. Examples of intangible Heritage Assets include records of significant historical events.

Property Heritage Assets that are operational are not separately identified, and are included in the appropriate Property Plant and Equipment, or Investment property category of the Council's Balance Sheet.

Property Heritage Assets that are not operational will be identified separately on the face of the Balance Sheet in the Category of Heritage Assets and will follow the accounting treatment appropriate to the asset.

### **Measurement Rules in relation to other Heritage assets**

The Council's Heritage Assets can be categorised as follows:

- The Great Mace and Plate Room Silver Plaques and Cutlery
- Furniture
- Civic Regalia and Chains of Office (including number Plate)
- Firearms
- Pictures and Drawings



## ACCOUNTING POLICIES

These assets are deemed to have an indeterminate life and high residual values, and the Council does not consider it necessary to provide for depreciation. The assets movements are relatively static with very little acquisitions or disposals. However, acquisitions are initially recognised at cost. These assets are valued at market value in the Statement of Accounts. Valuations are undertaken every five years where a material change in value is anticipated. New acquisitions will only be recognised where the cost is greater than £5,000.

- Memorials gardens and City Walls

The Council has identified War Memorials in St Giles, and Marston Road, which along with the ancient City walls (inside New College, and Hall Street) and the Rewley Abbey Wall meet the criteria of Heritage Assets. However, these assets lack any comparable market values and cost records do not exist. The cost of providing a Balance Sheet valuation on these assets would be disproportionate to any benefit to the user of the Authorities financial statements and therefore are excluded from the Balance Sheet.

- Heritage Non Operational Property

The Council has identified the Plain Fountain which is a significant Asset in terms of its cultural and heritage presence. The Asset is included in the Balance Sheet at it Depreciated replacement Cost. The value will be reviewed every five years to ensure any potential material changes can be reflected. The asset has an indeterminate life in excess of 80 years and therefore will not be depreciated.

- Oxford City First Registration number plate

The Council's Mayor's Car carries the first registration plate issued in Oxford, and the plate is valued at market value. The value will be reviewed every five years to ensure any potential material changes can be reflected.

These assets are deemed to have an indeterminate life and high residual values, and the Council does not consider it necessary to provide for depreciation. The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment - see note AP.18. The Council may occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with the statutory accounting requirements relating to capital expenditure and capital receipts where any receipt is greater than £10,000.

### AP.12 Intangible Assets

Expenditure on non monetary assets that do not have physical substance but are controlled by the Council as a result of a past event (e.g. software licences and system development expenditure) are capitalised when it is expected that future benefits or service potential will flow from the intangible asset to the Council and are amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Internally Generated Assets are capitalised when it is demonstrable that the project is technically feasible and it is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase. (Research expenditure is not capitalised).

## ACCOUNTING POLICIES

Expenditure on the development of websites is not capitalised if the website is primarily intended to promote or advertise the Council's goods or services. Website development for a business purpose would be capitalised. Intangible Assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciation of an Intangible Asset is amortised over the asset's useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an Intangible Asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on Intangible Assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of General Fund Balance in the Movement of Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **AP.13 Interest in Companies and Other Entities**

The Council has material interest in the Barton Oxford LLP. The LLP is a joint venture developing Land which will be sold for Housing development. The Council has a 50% interest in the Company and shares the profit and losses.

The Council has material interest in the Oxford West End Development Company Ltd (OxWED). The company is a joint venture developing Land which will be sold for Housing or commercial development or retained for rental. The Council has a 50% interest in the Company and shares the profit and losses.

The Council has material interests therefore in Barton Oxford LLP and OxWED Ltd and these joint ventures require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as Long term Debtors and Investments and these are removed on consolidation into the Group Accounts to prevent double counting.

### **AP.14 Inventories and Long Term Contracts**

Inventories are normally valued at the lower of cost or net realisable value where practical. However, for small value stocks current purchase price or average cost may be used. This is a departure from the Code, but the effect is not material to the Council's accounts.

Where the Council has entered into contracts that run for longer than one year, they are disclosed as a note to the accounts. Entries are only realised in the Balance Sheet if the contracts become onerous, in which case the Council would recognise the difference between the fair value of the contract and the actual payments due to be made, effectively creating a Provision.

### **AP.15 Investment Property**

Investment Properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods, or is held for sale.

## ACCOUNTING POLICIES

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use subject to data availability from Tenants and materiality considerations. Properties are not depreciated but are re-valued annually according to market conditions at the year-end, This involves an assessment of properties where material changes could have occurred and valuation to all those cases. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to Investment Property are credited to the Financing and Investment line in the Comprehensive Income and Expenditure Statement, and result in a gain for the General Fund Balance.

Revaluation and Disposal Gains and Losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve (for any sale cash received, where greater than £10,000).

### AP.16 Leases

Lease classification is made at the inception of the lease, which is at the earlier of the date of the lease agreement and the date of commitment by the parties to the principle provision of the lease. Lease are classified as Finance Leases where the terms of the lease transfer substantially all the risk and rewards incidental to ownership of the property, plant or equipment to the lessee. All other leases are classified as Operating Leases. Where a lease covers both land and buildings, the land and building elements are considered separately for classification. Land is treated as having an indefinite economic life, unless impairment or extraction have an impact of such substance that the indefinite economic life is brought into question.

Each lease is assessed by reference to a number of primary indicators which collectively or individually to provide evidence of a Finance Lease. Arrangements that do not have a legal status of a lease but convey a right to use an asset in return for payments are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### a) The Authority as Lessee

##### Finance Leases

Property, Plant and Equipment held under Finance Leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease 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. Initial direct costs of the Council are added to the carrying amount of the asset. 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.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under Finance Leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

## ACCOUNTING POLICIES

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Operating Leases**

Rentals paid under Operating Leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **b) The Authority as Lessor**

#### **Finance Leases**

Where the Council grants a Finance Lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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 Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease 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 not permitted by statute to increase the General Fund Balance and is required to be treated as a Capital Receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts 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 financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the rentals are received, the repayment element is used to write down the long term debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Operating Leases**

Where the Council grants an Operating Lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## ACCOUNTING POLICIES

### AP.17 Overheads and Support Services

The cost of Overheads and Support Services are charged to those that benefit from the supply of services based on use and in accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) Service Reporting Accounting Code of Practice 2015/16 (SeRCOP).

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties

These two categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### AP.18 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### Recognition

Expenditure on the acquisition, creation and replacement of components is capitalised on an accruals basis. The cost of components replaced are added to the asset carrying value, and an assessment of the carrying value of the component replaced is made, and then derecognised. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

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 Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase are deemed to be at fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of Existing Use Value for Social Housing (EUV-SH) surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – fair value, determined as the amount that would be paid for the asset in its Existing Use Value (EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

## ACCOUNTING POLICIES

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum they are re-valued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service).

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

Assets are assessed at each year-end to determine whether there is any indication that they may be impaired. Where indications exist and differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, and where material, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer\*
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life, as advised by a suitably qualified officer
- infrastructure – straight-line

Where an asset comprises major components whose costs are significant in relation to the total cost of the asset, the components are depreciated separately.

## ACCOUNTING POLICIES

\* Council Dwellings depreciation is applied in accordance with the self financing transitional rules which allow the Housing Revenue Account movement in reserves to be adjusted to ensure depreciation impact is equal to the major repairs allowance.

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 historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **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. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less sales costs. Where there is a subsequent decrease in the net fair value, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. 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 non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation 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 or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The Revaluation Reserve on Assets Held for Sale (AHFS) is frozen in the previous asset category as the identification of an AHFS removes the capital accounting requirement. It is only when the asset disposal takes place that the revaluation reserve is moved to the Capital Adjustment Account.

### **Disposals**

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to Housing Revenue Account (HRA) asset disposals (75% for Right to Buy (RTB), 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. In the case of pooling of HRA land and other asset receipts the Council can apply the sums to capital regeneration, and social housing investment. Furthermore, the Council entered into an agreement in 2012/13 with the Secretary of State in which capital receipts in relation to RTB disposals over and above the number specified for the year in Communities and Local Governments (CLG) self-financing valuation for Oxford City Council will not be subject to pooling, as long as the Council re-cycles the non-pooled receipts into new affordable housing within 3 years.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## ACCOUNTING POLICIES

### **AP.19 Provisions, Contingent Liabilities and Contingent Assets**

#### **Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by the transfer of economic benefit, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or payment of compensation.

The Council maintains a Provision for the funding of the self-financed element of insurance claims. This Provision is funded through contributions from the relevant Service Revenue Accounts.

Provisions for bad or doubtful debts are separately disclosed against debtors on the Balance Sheet and are not included in the Provisions figure. Known uncollectible debts have been written off.

Provisions are charged to the appropriate Revenue Account and when payments for expenditure are incurred to which the Provision relates they are charged direct to the Provision. Provisions are reviewed at each Balance Sheet date and if no longer required are reversed. In addition, Provisions for bad debts have been made within the accounts for expected losses of income in respect of sums due but not received from debtors. With effect from 1 April 2013 onwards, under the Local Government Finance act 2013, where the Council is acting as an agent under the Business Rates retention scheme on behalf of the major preceptors, Central Government, and the Council itself (as principal), the Council makes provisions for ratepayer appeals against the rateable value of business properties in accordance with the CIPFA Code of Practice on Local Authority Accounting. The amount recognised as a provision is the best estimate at the Balance Sheet date of the expenditure required to settle the present obligation, taking account of the risks and uncertainties that surround many events and circumstances.

#### **Contingent Liabilities**

Contingent Liabilities are not recognised as liabilities in the Balance Sheet; however, all contingent liabilities are disclosed if there is a possibility of an outflow of economic benefit.

A Contingent Liability arises where an event has taken place that gives the Council a possible obligation and whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent Liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

#### **Contingent Assets**

A Contingent Asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent Assets are not recognised in the Balance Sheet but disclosed in a Note to the Accounts where it is probable that there will be an inflow of economic benefit or service potential.

The Council does not make provisions for unequal pay because the risk of claims continues to reduce, and the sums are not regarded as material.



## ACCOUNTING POLICIES

### AP.20 Reserves

#### Useable Reserves

A reserve is money that we have set aside to cover expenditure that we will incur in a future period, and this can be created from excess income over expenditure resulting in a balance on the General Fund or Housing Revenue Account. Reserves are created by appropriating amounts from the General Fund or Housing Revenue Account Balance through the Movement in Reserves Statement, and are held voluntarily to meet future activity costs. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate Service Revenue Account in that year to count against the Net cost of Services in the Income and Expenditure Account. The Reserve is then appropriated back to the General Fund balance so that there is no net charge against Council Tax for the expenditure.

Useable reserves can also be created from a capital source such as capital grants. These can also be earmarked or held in a general unapplied reserve, but capital reserves can only be used for expenditure of a capital nature or in special cases where statute provides an exception.

The Major Repairs Reserve is required by statutory provision in relation to the Housing Revenue Account (HRA).

The Council also has other specific Earmarked Reserves set out in more detail in the Notes to the Core Statements. These are set aside for purposes falling outside the definition of provisions. They are earmarked specifically to meet future requirements of revenue or capital expenditure.

#### Unusable Reserves

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits. They do not represent usable resources for the Council.

The main unusable reserve is the Capital Adjustment Account which represents the balance of the surpluses or deficits arising from the periodic revaluations of fixed assets and the amounts set aside from revenue or capital receipts to finance expenditure on fixed assets and certain other capital financing transactions. Other unusable reserves include the Revaluation Reserve which contains valuation gains recognised since 1 April 2007 and the Pension Reserve which reflects the Council's liability to the pension fund.

### AP.21 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax. An example of such expenditure would include Disabled Facilities Grants.

### AP.22 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### AP.23 Carbon Reduction Commitment Allowances

The Council is not required to participate in the second phase of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, therefore first phase accounting policy is no longer employed.

## ACCOUNTING POLICIES

### AP.24 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

### AP.25 Principal and Agent Accounting Policy

In the majority of transactions the Council undertakes it is acting entirely on its own behalf and completely owns any risks and rewards of the transaction. This is known as the Council acting as a Principal.

However there are some situations whereby the Council is acting as an Agent, where the Council is acting as an intermediary for all or part of a transaction or service. The two main instances where this occurs are in relation to Council Tax and Business Rates whereby the Council is collecting Council Tax and Business Rates income on behalf of itself and preceptors (Oxfordshire County Council, and other preceptors and the Department for Communities and Local Government (DCLG), and Oxfordshire County Council in relation to Business Rates).

The implications for this is that any balance sheet transactions at the year end, in relation to these Agent relationships, are split between the principal parties and, therefore, the balances contained on the Balance Sheet for a particular debt are the Council's own proportion of the debt and associated balances. The proportion of transactions that relate to the other parties to the relationship are shown as debtors or creditors due from/to these parties.

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# **GLOSSARY OF TERMS AND ABBREVIATIONS**

## GLOSSARY OF TERMS AND ABBREVIATIONS

### **ACE**

Arts Council England.

### **Accounting Period**

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **Accruals**

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

### **Amortisation**

The term used to refer to the charging of the value of a transaction or asset (usually related to intangible assets) to the Income and Expenditure Account over a period of time, reflecting the value to the Council; similar to the depreciation charge for tangible fixed assets.

### **Asset**

An asset is an economic resource which can be tangible or intangible. An asset is owned or controlled to produce positive economic value.

### **Asset Held for Sale**

Assets are classified as held for sale if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use. This excludes from consideration any assets that are going to be abandoned or scrapped at the end of their useful lives.

### **Balance Sheet**

The balance sheet is the summary of the financial balances of the Council.

### **Beacon Dwelling**

A generic property type representative of other assets held in the Council dwelling portfolio.

### **Billing Authority**

A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

### **Capital Expenditure**

Spending which produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery, and intangible assets such as computer software. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure which does not fall within the definition must be charged to a revenue account.

### **Capital Adjustment Account**

A reserve that reflects financing of capital from revenue and capital receipts together with the adjustment of the minimum revenue provision.

### **Capital Receipts**

The proceeds from the sale of fixed assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on fixed assets or to finance new capital expenditure, within rules set down by government. Capital receipts cannot, however, be used to finance revenue expenditure.

## GLOSSARY OF TERMS AND ABBREVIATIONS

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The professional accountancy body concerned with local authorities and the public sector.

### **CO**

Cabinet Office.

### **Code of Practice (The Code)**

The Code of Practice on Local Authority Accounting in the United Kingdom. The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local authority. It prescribes the accounting treatments and disclosures for all normal transactions of an authority and involves interpretations of accounting standards issued by the International Accounting Standards Board.

### **Collection Fund**

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

### **Collection Fund Adjustment Account**

A reserve account that reconciles differences between statutory requirements as a Billing Authority and proper accounting practice.

### **Contingent Assets/Liabilities**

Potential gains and losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a debtor or provision in the accounts.

### **Contingent Rent**

A contingent rent is the difference between the inception rent and the current rent, and can relate to both rental income and rental expenditure on leased properties. A contingent rent on a leased property is the increases in the amount to be paid for the property arising from rent reviews during the contract, and these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. A contingent rent on leased out property is where the contingent rental increases due to rent reviews are recognised in income as they are received as an addition to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Current Asset**

A current asset is any asset which can reasonably be expected to be sold, consumed, or exhausted within a year. Typical current assets include cash, cash equivalents, short-term investments, accounts receivable, inventory and the portion of prepaid liabilities which will be paid within a year.

### **DCLG**

Department for Communities and Local Government.

### **DCMS**

Department of Culture, Media and Sport.

### **DECC**

Department of Energy and Climate Change.

## GLOSSARY OF TERMS AND ABBREVIATIONS

### **Deferred Credits**

This is the term applied to deferred capital receipts. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, e.g. mortgages. The balance is reduced by the amount repayable in any financial year.

### **Deferred Grants**

Amounts received or receivable which have been used to finance capital expenditure within the year. Under the capital accounting arrangements these amounts will be written off over the same period as the assets to which they relate.

### **DEFRA**

Department for Environment, Food and Rural Affairs.

### **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

### **DFT**

Department for Transport.

### **DWP**

Department of Work and Pensions.

### **Earmarked Reserves**

These are funds set aside for a specific purpose, or a particular service, or type of expenditure.

### **Finance Lease**

Arrangement whereby the lessee is treated as the owner of the leased asset, and is required to include such assets within fixed assets on the balance sheet.

### **GAAP**

Generally Accepted Accounting Practice.

### **General Fund**

The General Fund is the Council's main account which contains all of its revenue expenditure.

### **General Fund Balance**

Balance at Year End not earmarked for any specific purpose.

### **Group Accounts**

Are the collective financial statements of a group, plus the investments in associates and interests in joint ventures, presented as a single economic entity.

### **HCA**

Homes Communities Agency.

### **Heritage Assets**

Are assets with historic, cultural, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

### **HIA**

Home Improvement Agency.



## GLOSSARY OF TERMS AND ABBREVIATIONS

### **HMO**

House in Multiple Occupation.

### **Housing Revenue Account (HRA)**

The Housing Revenue account is a ring fenced account within the Council's General Fund which can only be used for expenditure (mainly management and maintenance) and income (mainly rent from tenants) relating to the council-owned housing stock and cannot be used for funding any other council expenditure.

### **IAS**

International Accounting Standard.

### **Intangible Asset**

An intangible asset is an asset that lacks physical substance (unlike physical assets such as machinery, software and buildings) and usually is very hard to evaluate. It includes patents, copyrights, franchises, goodwill, trademarks, trade names and computer software.

### **International Financial Reporting Standard (IFRS)**

International Financial Reporting Standards are approved by the International Accounting Standards Board and are designed as a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. Oxford City Council's accounts are prepared in accordance with IFRS modified for use in the public sector by CIPFA.

### **Impairment**

An accounting adjustment made to the value of the asset when its carrying amount (the amount at which an asset is recognised in the Balance Sheet after deducting accumulated depreciation and impairment losses) exceeds its recoverable amount (the higher of assets fair value less cost of sale and its value in use).

### **Investments**

Deposits for less than one year with approved institutions.

### **Infrastructure Assets**

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

### **Inventory**

Inventory or stock refers to the goods and materials that the Council holds for the ultimate purpose of use, resale or repair.

### **Investment Property**

Investment property is (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of operations.

### **Joint Venture**

Contractual or binding agreement whereby two or more parties are committed to undertake an activity that is subject to joint control.

### **LGA**

Local Government Association.

## GLOSSARY OF TERMS AND ABBREVIATIONS

### **Liability**

A liability is the measure of future payments or other economic settlement that the Council is obliged to make to other entities as a result of past transactions or other past events.

### **Long Term Assets - Tangible**

Tangible assets (i.e. land and buildings) that yield benefits to the Council and the services it provides for a period of more than one year.

### **Long Term Assets – Intangible**

Assets which are of benefit to the organisation but have no physical presence such as software licences.

### **Long Term Debtors**

Amounts due to the Council more than one year after the Balance Sheet date.

### **National Non-Domestic Rates (NDR)**

Under the arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collects Non-Domestic Rates for its area based on local rateable values, multiplied by nationally set rates. The total amount, less certain relief and deductions, is paid to a central pool managed by the Government, which in turn, pays back to Councils their share of the pool based on a standard amount per head of the local adult population

### **Non-Current Asset**

This is the same as a Long Term Asset.

### **Non operational Assets**

Fixed assets held by an organisation but not directly occupied, used or consumed in the delivery of services. An example of a non operational asset is an investment property or an asset being held pending its sale.

### **Operational Asset**

Fixed assets held by the Council and used or consumed in the delivery of its services.

### **Operating Lease**

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

### **Pension Fund**

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

### **Pooling of Housing Capital Receipts**

Pooling is the term given to the requirement to pay Central Government a proportion of certain types of capital receipt. From 1 April 2004 Housing capital receipts have been subject to pooling at a rate of 75% for Right To Buy (RTB) dwellings and 50% for other Housing land and assets, net of statutory deductions and allowances. Furthermore, the Council in June 2012, entered into an agreement with the Secretary of State to exclude "additional" RTB capital receipts from the pooling mechanism as long as the Council recycled the retained resources into the provision of replacement social housing properties (1-4-1) within 3 years and in accordance with an agreed funding formula.

### **Precept**

The amount by which a Precepting Authority (e.g. a County Council) requires from a Billing Authority (e.g. District Councils) to meet its expenditure requirements.

## GLOSSARY OF TERMS AND ABBREVIATIONS

### **Profit on the Sale of Fixed Assets**

This is a recent accounting requirement for Local Government, and requires the book value of the asset sold to be compared to the net proceeds to calculate the profit or loss on the transaction.

### **Provisions**

Sums set aside to meet future expenditure where a specific liability is known to exist but is of uncertain timing or amount.

### **PWLB**

Public Works Loans Board - part of Central Government from which the Council can obtain borrowing.

### **Revenue**

Cost and income relating to the day-to-day running of services e.g. salaries and wages, supplies and services, transport and service relating income.

### **Revenue Expenditure Funded from Capital under Statute (Refcus)**

Capital expenditure which is allowable by statute to be funded from capital resources but which does not fall within the Code's definition of fixed assets. Examples include grants and similar advances made to other parties to finance capital investment.

### **Reserves – Unusable**

Funds set aside to adjust for accounting transactions. These funds cannot be used to pay for future Council expenditure and can only be adjusted in accordance with the Code.

### **Reserves – Usable**

Funds set aside or saved for future use to pay for future Council expenditure.

### **Revenue Support Grant**

This funding is the Government Grant provided by the Department for Communities and Local Government (DCLG), which is based on the Government's assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year.

### **Surplus Asset**

Where assets are not in use but do not meet the criteria of Assets Held for Sale they will be considered surplus and will be accommodated in the class of Property, Plant and Equipment.

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# **INDEX OF NOTES TO THE ACCOUNTS**

## INDEX OF NOTES TO THE ACCOUNTS

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# **INDEPENDENT AUDITORS REPORT AND CERTIFICATE**

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# **Statement of Accounts 2015/16**

## Oxford City Council

Audit and Governance Committee Progress Report

June 2016



Audit and Governance Committee  
Oxford City Council  
Town Hall  
St Aldates  
Oxford  
OX1 1BX

June 2016

Dear Committee Member

## **Audit Progress Report**

We are pleased to attach our Audit Progress Report. Its purpose is to provide the Committee with an overview of the progress that we have made with the work that we need to complete during the 2015/16 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations. We will bring a progress report to each Committee except for those where we will bring the Audit Plan or the Audit Results Report.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Paul King  
Executive Director  
For and behalf of Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This progress update is prepared in the context of the Statement of responsibilities. It is addressed to the Audit and Governance Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute..

## 2015/16 audit

### 2014-15 Planning

Since our last progress report we have presented our 2015/16 Audit Plan to the Audit and Governance Committee. We will continue to keep the plan under review and will inform you of any changes to our risk assessments and planned work.

### Meetings and progress to date

We continue to have regular meetings with key officers as part of our ongoing audit process.

These have proved beneficial as we have discussed a number of areas of the statements including the accounting treatment for available for sale assets, the fair value of investments and borrowing, the real asset property investment and group consolidation and valuation.

Our interim reviews have not identified any issues we wish to bring to your attention.

We also held meetings with the Housing Benefit team and selected samples for testing for our initial work in mid-June.

Future meetings include:

- Weekly meetings with key finance staff during the opinion audit visit to discuss significant risks around the accounts, and updates on our work
- Quarterly meetings with the Executive Director for Organisational Development & Corporate Services and Senior Finance Officers to discuss the significant risks faced by the Council and our approach and progress with the audit.

### Audit and Governance Committee

If members of the Audit and Governance Committee have any particular issues they want to discuss with us we would be pleased to discuss these with you.

## Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2015/16 Audit and Governance Committee cycle.

Audit phase	EY Timetable	Deliverable	Reported	Status
High level planning	<b>Ongoing</b>	Audit Fee Letter	June 2015	Completed
179 Risk assessment and setting of scope of audit	<b>Dec 2015 - January 2016</b>	Audit Plan	March 2016	Completed
Testing of routine processes and controls	<b>Feb - March 2016</b>	Progress Report	June 2016	
Year-end audit	<b>June - September 2016</b>	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2016	Work is planned to start the week commencing 20th June 2016 and is expected to last for four weeks into July 2016.

EY | Assurance | Tax | Transactions | Advisory

## Ernst & Young LLP

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109 St Aldate's  
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OX1 1DS

22 April 2016

Ref: Ox City Fee Ltr 16/17

Direct line: 07974757910

Email: PKing1@uk.ey.com

Dear Peter

## Annual Audit and Certification Fees 2016/17

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at Oxford City Council.

### Indicative audit fee

For the 2016/17 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- ▶ Audit of the financial statements
- ▶ Value for money conclusion
- ▶ Whole of Government accounts.

For Oxford City Council our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We can rely on the work of internal audit as planned;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council;
- ▶ There is an effective control environment; and
- ▶ Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2015/16, our audit planning process for 2016/17 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

### Certification fee

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on actual 2014/15 certification fees, and incorporating a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

### Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £	Actual fee 2014/15 £
Total Code audit fee	86,175	86,175	114,900
Certification of housing benefit subsidy claim	25,575	25,438	34,100
<b>Total</b>	<b>111,750</b>	<b>111,613</b>	<b>149,000</b>

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

### Billing

The indicative audit fee will be billed in 4 quarterly instalments of £27,937.50.

### Audit plan

Our plan is expected to be issued in March, 2017. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Head of Financial Services and, if necessary, prepare a report outlining

the reasons for the fee change for discussion with the Audit Committee.

**Audit team**

The key members of the audit team for the 2016/17 financial year are:

Paul King  
**Executive Director**

[PKing1@uk.ey.com](mailto:PKing1@uk.ey.com)

Tel: 07974 757910

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David Guest  
**Assistant Manager**

[DGuest@uk.ey.com](mailto:DGuest@uk.ey.com)

Tel: 07867 152507

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We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely



Paul King  
Executive Director  
For and on behalf of Ernst & Young LLP  
United Kingdom

cc Nigel Kennedy                      Head of Financial Services  
Councillor James Fry              Chair of the Audit and Governance Committee

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# Oxford City Council

Internal Audit Annual Report and Annual  
Statement of Assurance

2015-16



Agenda Item 10

FOR COMMITTEE APPROVAL



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## Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

# EXECUTIVE SUMMARY

## Internal Audit 2015-16

This report details the work undertaken by internal audit for Oxford City Council and provides an overview of the effectiveness of the controls in place for 2015-16.

The following reports have been issued for the period 1 October 2015 to 31 March 2016:

Audit 1a. Accounts Payable	Audit 5. Budgetary Control, Risk Management and Performance
Audit 1b. Accounts Receivable	Audit.6 Finance - Year End Financial Reporting Timetable
Audit 2. Finance Systems	Audit.7 Enforcement
Audit 3. SIGMA Systems	Audit.8 Housing and Property: Homelessness Prevention
Audit 4. Trading Services	Audit.9 Business Improvement and Technology

We have detailed the opinions of each report and key findings on pages five to seven.

Our internal audit work for the 6 month period from 1 October 2015 to 31 March 2016 was carried out in accordance with the internal audit plan approved by management and the Audit Committee. The period 1 April 2015 to 30 September 2015 was performed by the previous Internal Audit Service, PwC. As part of our Opinion we held discussions with PwC prior to their departure and also acknowledge the output of their 'Half Year Summary' reported to the December 2015 Audit Committee.

The whole plan has been completed with the agreement of the Audit and Governance Committee.

## Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Board, through the Audit and Governance Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

### Opinion

The basis for forming my opinion is as follows:

- An assessment of the design and operation of the underpinning risk management arrangements and supporting processes.
- An assessment of the range of individual opinions arising from risk based audit assignments contained within internal audit risk based plans that have been reported throughout the period. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
- Any reliance that is being placed upon third party assurances.

Overall, we are able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. In forming our view we have taken into account that:

- The majority of audits provided moderate assurance for the period 1 October 2015 to 31 March 2016. Furthermore, PwC issued no critical or high findings for the period 1 April 2015 to 30 September 2015 and as per their classifications all reports issued resulted in a Low risk opinion.
- The Council has achieved their budget for 2015-16 and has plans in place to ensure that the budget gap is addressed in the Medium Term Financial Plan. The Council has recognised the reduction of government funding in their future financial plans.
- Some areas of weakness have been identified through our reviews, including accounts receivable and payable, and with the management of IT interfaces. The Council is working on addressing these issues. Implementation of recommendations whilst raising some concerns over the revision of dates has thus far been satisfactory.

# REVIEW OF 2015-16 WORK (BDO LLP)

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Audit 1a. Accounts Payable	10	11	3	Moderate	Limited	The Council has a sound system of internal controls, derived primarily from the electronic P2P system embedded within Agresso which automates many controls to achieve system objectives. However, there were two significant weaknesses identified in the operation of controls, relating to weak controls over procurement cards and a breach of delegated limits over purchase order authorisation.
Audit 1b. Accounts Receivable	11	9	3	Moderate	Limited	We see there is a moderate design of controls because there are strategic controls in place with Financial Regulations and the Money Laundering Policy in addition to software designed to capture and record accounts receivable transactions. Although we have not identified any major errors, the lack of effectiveness of the controls over debt recovery and invoice requests creates risks around income collection and segregation of duties.
Audit 2. Finance Systems	-	6	7	Moderate	Moderate	We identified good design of controls to manage both the day-to-day operation of finance systems and management oversight. Furthermore, from our testing and observation of the control environments we did not identify any high recommendations or significant instances of non-compliance of controls in place.
Audit 3. SIGMA Systems	12	8	9	N/A	N/A	The nature of our review was advisory and many of the recommendations relate to things for the Council to consider, rather than weaknesses with current arrangements. However, based on the testing performed we conclude that moving to the new arrangements will be more efficient and effective for the Council.
Audit 4. Trading Services	2	4	3	Moderate	Moderate	Whilst the opinion is moderate the areas of greatest concern are the increased levels of debt and the ICT Infrastructure supporting the service. The design and control effectiveness is considered moderate because through our review the performance of Direct Services to date has been good which is supported through strong staff knowledge and a Trading Board which meets regularly.

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# REVIEW OF 2015-16 WORK (BDO LLP)

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Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Audit 5. Budgetary Control, Risk Management and Performance (draft)	TBC	TBC	TBC	TBC	TBC	TBC - this report has been issued to management however, is not ready for issue to Committee at this stage. This will be reported to the Committee in September 2016.
Audit.6 Finance - Year End Financial Reporting Timetable	-	8	7	N/A	N/A	The review undertaken is an advisory piece and so no specific assurance level will be issued, however overall our review has concluded that the Council has the foundations of good processes in place to be ready for the accelerated closedown when it is formally introduced. The recommendations we have raised highlight areas where the current processes could be improved further and potential risks which could arise over the coming years.
Audit.7 Enforcement	-	4	-	Moderate	Moderate	To move towards substantial assurance we would expect the service to implement our recommendations and evidence strong joint-working across the various enforcement teams with best practice targeting of enforcement embedded throughout.
Audit.8 Housing and Property: Homelessness Prevention	-	3	1	Moderate	Moderate	A revised action plan should be created for the Homelessness Strategy which should be presented to the Council's Housing Panel; this recommendation was also endorsed by the Housing Scrutiny Panel in September 2015.
Audit.9 Business Improvement and Technology	-	5	-	Limited	Moderate	We have concluded the design is limited as there are not embedded controls around escalating incidents. The effectiveness is considered moderate as the controls when designed operated well.

# REVIEW OF 2015-16 WORK (PwC)

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Reports Issued	Recommendations and significance				Overall Report Conclusions	Summary of Key Findings / Recommendations
	C	H	M	L	Conclusion	
Collection Fund	-	-	-	1	Low	PwC identified one low risk issue relating to the debt recovery process. In 8 of the 25 cases selected PwC found that there had been delays in attempting to recover the debt. Some of these delays were due to several staff in the Recovery Team leaving. Since PwC raised these findings at the time of their review, Officers have taken action to follow up and move the debts to the next stage of recovery.
Housing Benefits	-	-	1	3	Low	Work is ongoing in relation to recovery of housing benefit overpayments and PwC highlighted this as a medium risk in their report. Arrears relating to housing benefit overpayment has risen to £6m at the end of August 2015, an increase of £0.8m (15%) compared to the same time last year. £2.8m of debt has no recovery agreement in place.
Housing Rents	-	-	-	6	Low	<ul style="list-style-type: none"> <li>• Refunds and credits: Former Tenants (Right to Buy) - Refunds are not always processed on a timely basis, in one case a refund is still owed to a former tenant after 3 months.</li> <li>• Refunds and credits: Processing - There is unclear and inconsistent understanding by staff for target dates to process refunds.</li> <li>• Refund reconciliations - Monthly rent refund reconciliations between Agresso and Northgate are not reviewed.</li> </ul>
Procurement	-	-	-	-	N/A	PwC's review gathered views from users of the procurement service, specifically focusing on compliance with the process, barriers to use of the service and training needs and awareness of the process and requirements. PwC have identified some areas of good practice and also noted a number of areas for focus for the Council over the coming months which would help to further strengthen the procurement processes.
Post-implementation review: Revenues team restructure	-	-	-	-	N/A	<p>In May 2014 the Council put in place two additional posts; a Court Recovery Office and an Appeals and Complaints Officer, to strength processes for recovery of council tax, business rates and housing benefit overpayments. PwC considered the new processes that have been put in place for recovery and found the overall design of the recovery processes to be robust.</p> <p>The team's focus has initially been on council tax and business rates recovery and significant progress has been made in embedding processes and improving collection for these two debt types; reflected by a reduction in arrears since the recovery team restructure. Challenges are still faced with recovery of housing benefit overpayments, for which there are fewer recovery mechanisms available and recovery requires high levels of resource input.</p>

\* The table is the summary of PwC findings as per their definitions. The PwC recommendations and their significance including the summary of their findings has been taken directly from their 'Half Year Summary' which was reported to the December 2015 Audit and Governance Committee.

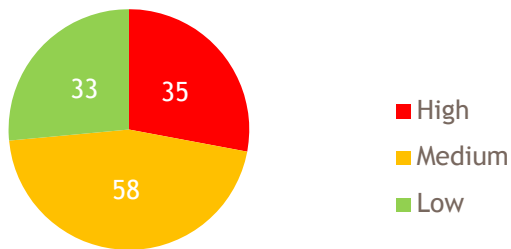
# EXECUTIVE SUMMARY

## Recommendations and assurance dashboard

The number of recommendations raised and their significance in 2015-16 for the period 1 October 2015 to 31 March 2016 are set out below. It is not considered relevant to compare the number of recommendations raised with the previous Internal Audit Service as the definitions for risks are different and would not allow a meaningful like-for-like comparison:

2015-16 for the period 1 October 2015 to 31 March 2016

Number of recommendations:

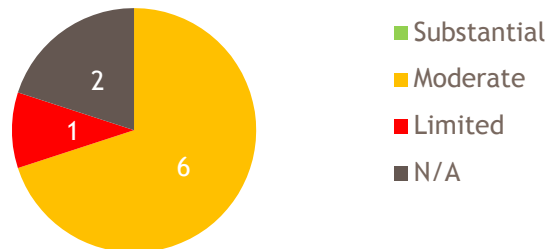


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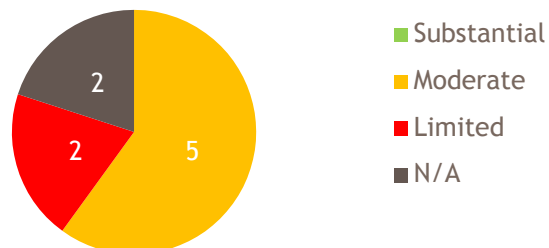
We also provide an overall opinion on both the design and operational effectiveness of the controls operating over the areas we review when we are providing assurance:

2015-16 for the period 1 October 2015 to 31 March 2016

Control design:



Control effectiveness:



# HOW WE HAVE ADDED VALUE DURING THE YEAR

## Follow up process

- We have taken on the responsibility of tracking and reporting the implementation of recommendations from the Finance Team
- Each follow-up is performed face-to-face and evidence is verified
- We have identified themes of where implementation of recommendations has not been as successful and are taking action to ensure appropriate senior buy-in of implementation progress.

## Best practice

- Best practice information has been provided in many of our reports most notably, the SIGMA review, Accounts Receivable and Finance System
- SIGMA review - we provided a flowchart for the control environment and templates for how controls should be recorded
- Accounts Receivable - we provided examples of how the Council can move their debt recovery procedures from 'shove' to 'nudge' techniques
- Finance Systems (Fixed Assets) - we benchmarked the capitalisation policies of the Council to other authorities.

## On-site presence

- We have ensured there is a strong on-site presence with almost all terms of reference and closing meetings being held face-to-face
- We have held monthly meetings with the Section 151 Officer and will be improving our reporting with weekly update reports
- The Internal Audit Manager has met all Executive Directors and Heads of Service and understood their views of risks and challenges facing the Council.

## Additional and prompt support

We have performed the following reviews in addition to the plan ensuring the Council receive a flexible and dynamic audit service:

- Flood Grant
- CFB06
- HRA Grant Claim.



# BACKGROUND TO ANNUAL OPINION

## Introduction:

### Background

Our role as internal auditors to Oxford City Council is to provide an opinion to the Board, through the Audit and Governance Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for the 6 month period from 1 October 2015 to 31 March 2016 was carried out in accordance with the internal audit plan approved by management and the Audit Committee, adjusted during the year for any emerging risk issues.

The plan was based upon the approved Internal Audit Plan created by the previous Internal Audit Service (PwC). We assessed the Plan as giving sufficient coverage to provide an opinion to the Council. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

# BACKGROUND TO ANNUAL OPINION

## Scope and approach

### Audit Approach

We have reviewed the control policies and procedures employed by Oxford City Council to manage risks in business areas identified by management set out in the 2015-16 Internal Audit Annual Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Oxford City Council management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

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The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

### Coverage

During 2015-16 BDO LLP has reviewed and evaluated Oxford City Council processes in the following areas:

<ul style="list-style-type: none"><li>• Audit 1a. Accounts Payable</li><li>• Audit 1b. Accounts Receivable</li><li>• Audit 2. Finance Systems</li><li>• Audit 3. SIGMA Systems</li></ul>	<ul style="list-style-type: none"><li>• Audit 4. Trading Services</li><li>• Audit 5. Budgetary Control, Risk Management and Performance</li><li>• Audit.6 Finance - Year End Financial Reporting Timetable</li></ul>	<ul style="list-style-type: none"><li>• Audit.7 Enforcement</li><li>• Audit.8 Housing and Property: Homelessness Prevention</li><li>• Audit.9 Business Improvement and Technology</li></ul>
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# BACKGROUND TO ANNUAL OPINION

## Reporting mechanisms and practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Audit and Governance Committee is to agree reports with management and then present and discuss the matters arising at the Audit and Governance Committee meetings.

## Management action on our recommendations

Management have generally been conscientious in reviewing and commenting on our reports. For the reports which have been finalised, management have responded positively. The responses indicate that appropriate steps to implement our recommendations are expected.

## Recommendation follow-up

195 Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

The follow-up process is a new approach for the Council as this responsibility has been taken on by Internal Audit (previously this was performed by the Finance Team). Therefore, management are becoming familiar with our approach and the evidence required to verify the implementation of a recommendation. We have found that implementation dates have been over-ambitious which has led to revision of dates. Whilst saying this, there have been instances of good implementation and we believe this can be enhanced within the coming year by involving more senior management in the progress of recommendations for their area.

## Relationship with external audit

All our final reports are available to the external auditors through the Audit and Governance Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

# BACKGROUND TO ANNUAL OPINION

## Report by BDO LLP to Oxford City Council

As the internal auditors of Oxford City Council we are required to provide the Audit and Governance Committee, and the Section 151 Officer with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.






In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides Oxford City Council with moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2015-16. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:





- All internal audits undertaken by BDO LLP during 2015-16
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to Oxford City Council
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work
- Reviewing the work and the 'Half Year Summary' of the previous Internal Audit Service (PwC).

# CONTRACTUAL KEY PERFORMANCE INDICATORS

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<i>Quality Assurance</i>	<i>Detail on KPI's</i>	<i>RAG Rating 2015-16</i>
<ul style="list-style-type: none"> <li>High quality documents produced by the auditor that are clear and concise and contain all the information requested.</li> </ul>	We have not received negative feedback about the quality of reports. See page 15 for a visual summary of our survey results.	
<ul style="list-style-type: none"> <li>Frequent communication to the customer of the latest mandatory audit standards and professional standards prescribed by the main accountancy bodies.</li> </ul>	Sector updates are provided within the Audit Committee progress report.	
<i>Reporting Arrangements</i>		
<ul style="list-style-type: none"> <li>The auditor attends the necessary, meetings as agreed between the parties at the start of the contract</li> </ul>	All meetings attended including Audit and Governance Committee meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the partner or audit manager.	
<ul style="list-style-type: none"> <li>Information is presented in the format requested by the customer.</li> </ul>	We have been requested to issue reports for Executive Director approval into a Word and not PowerPoint format which has been accommodated.	
<i>Audit Protocol</i>		
<ul style="list-style-type: none"> <li>External audit can rely on the work undertaken by internal audit (where planned)</li> </ul>	No issues have been raised concerning the work of internal audit. A pre-Audit Committee call between the respective Audit Managers takes place to discuss risks facing the Council.	

# CONTRACTUAL KEY PERFORMANCE INDICATORS

<i>Delivery</i>	<i>Detail on KPI's</i>	<i>RAG Rating 2015-16</i>
<ul style="list-style-type: none"> <li>Draft report to be produced 3 weeks after the end of the fieldwork</li> </ul>	Complete with exception to trading services.	
<ul style="list-style-type: none"> <li>Management to respond to internal audit reports within 3 weeks</li> </ul>	Due to the wide scope of the report and significant number of personnel to be interviewed, this report was delayed in being issued as it took greater time to triangulate findings.	
<ul style="list-style-type: none"> <li>Final report to be produced 1 week after management responses</li> </ul>	The final reports issued to date have been issued one day after receipt of management response.	
<ul style="list-style-type: none"> <li>Positive result from any external review</li> </ul>	Following an External Quality Assessment by the Institute of Internal Auditors in April 2015, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	

# CONTRACTUAL KEY PERFORMANCE INDICATORS

We set out the main messages from our reviews completed and presented to this Audit and Governance Committee; a full listing of results from our audit satisfaction surveys can be seen in appendix I. In the detail below we set out the completion of key milestones for each review alongside the feedback of auditees.

**1** Overall audit experience was rated an average TBC out of 3.9 for all reviews conducted; with no score lower than a 3 from any respondents

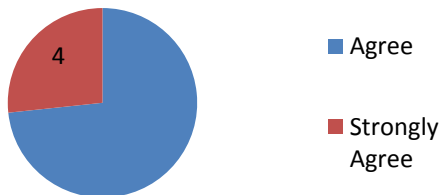
Overall Audit Experience

3.9 out of 5

Out of 16 reviews, scored 3 out of 5 for two reviews and the for the other 14 reviews scored 4 out of 5

**3** In answer to 'Did our work add value?' 27% of respondents gave the highest response of strongly agreed with no respondent giving a response lower than agreed

Did our work add value?



**2** In answer to 'Was the Terms of Reference aligned to strategic/departmental objectives?' the results were as follows

Was Terms of Reference aligned to strategic/departmental objectives



**4** With regards to 'How would you rate the closedown meeting in terms of discussing and agreeing findings?' we score no lower than 3 with an average score of 4.1

4.1 out of 5

Agreement of findings at closedown meeting

# APPENDIX I – AUDIT SURVEY DETAILED RESULTS

After each completed review we request that all those involved complete an online survey which captures the auditees views on the internal audit service. The views are captured in the three areas of: audit planning, fieldwork and reporting. The table below details the results of feedback for completed reviews.

	Accounts Payable		Accounts Receivable		SIGMA System		Finance Systems	HCA Compliance	
<b>AUDIT PLANNING</b>									
Was the Terms of Reference aligned to strategic/departmental risks?	Agree	Strongly Agree	Agree	Strongly Agree	Agree	Agree	Strongly Agree	Strongly Agree	Agree
Was the timeline of events through to reporting agreed and clearly explained?	Agree	Strongly Agree	Strongly Agree	Agree	Agree	Agree	Agree	Strongly Agree	Agree
How would you rate our understanding of your business through our input in conversations and correspondence?	4	5	5	4	4	4	4	4	4
<b>AUDIT FIELDWORK</b>									
How would you rate communication with regards to the progress of the audit and, if applicable, any significant issues identified?	4	5	5	4	4	4	4	4	5
How would you rate the closedown meeting in terms of discussing and agreeing findings?	4	5	4	4	4	4	4	4	5
How would you rate the audits contribution to delivering added value and insightful experiences?	4	4	4	4	4	4	4	4	5
<b>AUDIT REPORTING</b>									
Was the final report clear and concise?	Agree	N/A	Strongly Agree	Agree	Agree	Disagree	Agree	Agree	Agree
Was agreement with all key stakeholders obtained prior to final distribution?	Agree	Strongly Agree	Strongly Agree	Agree	Strongly Agree	Agree	Agree	Strongly Agree	N/A
Where recommendations were made, were they constructive and practical?	Agree	Strongly Agree	Strongly Agree	Agree	Agree	Agree	Agree	Strongly Agree	N/A
Did our work add value?	Agree	Agree	Strongly Agree	Agree	Strongly Agree	Agree	Strongly Agree	Strongly Agree	N/A
How would you rate the overall audit experience?	4	4	4	4	4	4	4	4	4

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## KEY

Strongly Disagree, Disagree, Agree, Strongly Agree  
1 (poor), 2, 3 (average), 4, 5 (exceptional)



# APPENDIX I – AUDIT SURVEY DETAILED RESULTS

After each completed review we request that all those involved complete an online survey which captures the auditees views on the internal audit service. The views are captured in the three areas of: audit planning, fieldwork and reporting. The table below details the results of feedback for completed reviews.

	Enforcement	Homelessness Prevention	Flood Grant	
<b>AUDIT PLANNING</b>				
Was the Terms of Reference aligned to strategic/departmental risks?	Agree	Agree	Strongly Agree	Agree
Was the timeline of events through to reporting agreed and clearly explained?	Agree	Agree	Strongly Agree	Agree
How would you rate our understanding of your business through our input in conversations and correspondence?	3	4	4	3
<b>AUDIT FIELDWORK</b>				
How would you rate communication with regards to the progress of the audit and, if applicable, any significant issues identified?	3	4	5	4
How would you rate the closedown meeting in terms of discussing and agreeing findings?	3	4	5	4
How would you rate the audits contribution to delivering added value and insightful experiences?	3	4	4	4
<b>AUDIT REPORTING</b>				
Was the final report clear and concise?	Agree	Agree	Agree	Agree
Was agreement with all key stakeholders obtained prior to final distribution?	Agree	Agree	Agree	Agree
Where recommendations were made, were they constructive and practical?	Agree	Agree	Agree	Agree
Did our work add value?	Agree	Agree	Agree	Agree
How would you rate the overall audit experience?	3	4	4	4

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## **KEY**

Strongly Disagree, Disagree, Agree, Strongly Agree  
1 (poor), 2, 3 (average), 4, 5 (exceptional)

# APPENDIX I – AUDIT SURVEY DETAILED RESULTS

After each completed review we request that all those involved complete an online survey which captures the auditees views on the internal audit service. The views are captured in the three areas of: audit planning, fieldwork and reporting. The table below details the results of feedback for completed reviews.

	Trading Services	Financial Year-End Timetable	Business Improvement and Technology
<b>AUDIT PLANNING</b>			
Was the Terms of Reference aligned to strategic/departmental risks?	Disagree	Agree	Agree
Was the timeline of events through to reporting agreed and clearly explained?	Agree	Agree	Agree
How would you rate our understanding of your business through our input in conversations and correspondence?	4	4	3
<b>AUDIT FIELDWORK</b>			
How would you rate communication with regards to the progress of the audit and, if applicable, any significant issues identified?	1	4	3
How would you rate the closedown meeting in terms of discussing and agreeing findings?	4	4	3
How would you rate the audits contribution to delivering added value and insightful experiences?	2	4	3
<b>AUDIT REPORTING</b>			
Was the final report clear and concise?	Agree	Agree	Agree
Was agreement with all key stakeholders obtained prior to final distribution?	Strongly Agree	Agree	Agree
Where recommendations were made, were they constructive and practical?	Agree	Agree	Agree
Did our work add value?	Agree	Agree	Agree
How would you rate the overall audit experience?	3	4	4

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## **KEY**

Strongly Disagree, Disagree, Agree, Strongly Agree  
1 (poor), 2, 3 (average), 4, 5 (exceptional)

# APPENDIX I

## OPINION AND RECOMMENDATION SIGNIFICANCE DEFINITIONS

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LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

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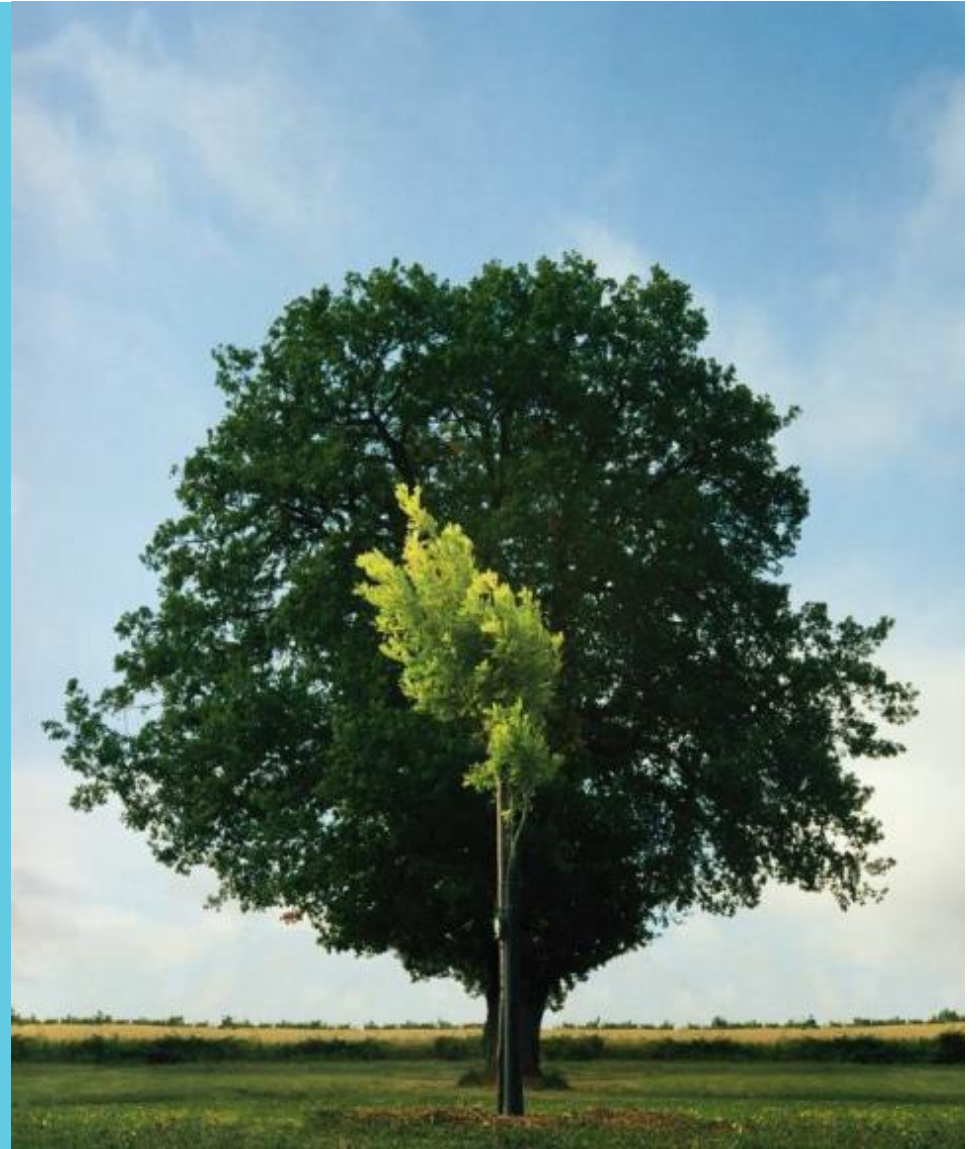
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**Oxford City Council**  
**INTERNAL AUDIT PROGRESS**  
**REPORT**  
2015  
**June 2016**



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# PROGRESS AGAINST 2015/16 AND 2016/17 INTERNAL AUDIT PLAN

## Internal Audit

This report is intended to inform the Audit and Governance Committee of progress made against the 2015/16 and 2016/17 internal audit plans which was approved by Audit and Governance Committee. A summary of progress made against the 2015/16 and 2016/17 internal audit plans, the work we have done, together with our assessment of the systems reviewed and can be seen overleaf.

Please note that our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the Audit Sponsor, identifying the headline and sub-risks which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

## Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in appendix II of this report, and are based on us giving either "substantial", "moderate", "limited" or "no" assurance. The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

## Work outside of the Internal Audit Plan

We completed three reviews outside the agreed Internal Audit Plan on:

- Business Plan Review. This was a review of the Westhill Farm Business Plan and has been reported to Scrutiny Committee.
- Council's Commercial Property Portfolio. This was a short review to assess the Excel workbooks holding data on the Council's property portfolio to assess the robustness of formulas in place. No major concerns were identified and our audit findings were agreed/noted.
- Overtime. In response to a concerns with a whistleblowing case we reviewed overtime procedures and payments. As the case is still live the results of this review cannot be reported.

## Overview of 2015/16 work to date

We have completed and finalised the reports for:

- Audit.4 Trading Services
- Audit 6. Year End Financial Reporting Timetable.

For those reports issued with Moderate opinions and above (or those which are advisory pieces and do not have opinions), the Executive Summary is enclosed in this report. The Business Improvement and Technology Report has been issued with a Limited opinion and therefore the report is reported in full separately to this Committee.

All 2015/16 reports are now finalised with exception to Audit.5 Budgetary Control, Risk Management and Performance which is in draft. We have issued our 2015/16 Head of Internal Audit Opinion – this reports an overall assurance of Moderate.

## Overview of 2016/17 work to date

We have completed and finalised the reports for:

- Audit 2. Empty and Void Property Management.

This report has been issued with a Limited opinion on effectiveness and therefore the report is reported in full separately to this Committee.

## Follow-Up of Recommendations

We have issued a separate report for the quarterly follow-up of recommendations.

# PROGRESS AGAINST 2015/16 INTERNAL AUDIT PLAN

The reviews to be completed for the period 1 October 2015 to 31 March 2016 were agreed at a meeting of Heads of Service on 6 October 2015 which the Internal Audit Manager and Head of Internal Audit attended.

Name of review	Audit Sponsor	Agreed Days	Planning	Fieldwork	Reporting	Committee Reported to	Assurance	
							Design	Effectiveness
<b>EFFICIENT, EFFECTIVE COUNCIL</b>								
Audit.1a Accounts Payable	Nigel Kennedy	6	✓	✓	✓	December 2015	Moderate	Limited
Audit.1b Accounts Receivable	Nigel Kennedy	6	✓	✓	✓	December 2015	Moderate	Limited
Audit.2 Finance Systems	Nigel Kennedy	15	✓	✓	✓	December 2015	Moderate	Moderate
Audit.3 SIGMA System	Jo Colwell	7	✓	✓	✓	December 2015	N/A	N/A
Audit.4 Trading Services	Graham Bourton and Jackie Yates	18	✓	✓	✓	June 2016	Moderate	Moderate
Audit.5 Budgetary Control, Risk Management and Performance	Nigel Kennedy	12	✓	✓	✓ (in draft)	(TBC	TBC	TBC
Audit.6 Finance - Year End Financial Reporting Timetable	Nigel Kennedy	10	✓	✓	✓	June 2016	N/A	N/A
Audit.9 Business Improvement and Technology	Paul Fleming and Helen Bishop	12	✓	✓	✓	June 2016	Limited	Moderate
<b>CLEANER, GREENER OXFORD</b>								
Audit.7 Enforcement	Patsy Dell	12	✓	✓	✓	March 2016	Moderate	Moderate

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# PROGRESS AGAINST 2015/16 INTERNAL AUDIT PLAN

The below table identifies those audits that were not in the agreed 2015/16 internal audit plan and therefore are those reviews performed by internal audit in addition to the plan.

Name of review	Audit Sponsor	Agreed Days	Planning	Fieldwork	Reporting	Committee Reported to	Assurance	
							Design	Effectiveness
<b>MEETING HOUSING NEEDS</b>								
Pooling of Housing Capital Receipts Grant Certification	Nigel Kennedy	7	✓	✓	✓	December 2015	N/A	N/A
Flood Support Scheme Grant Certification	Nigel Kennedy	5	✓	✓	✓	March 2016	N/A	N/A
HCA Compliance Claim	Nigel Kennedy	7	✓	✓	✓	December 2015	N/A	N/A
Audit.8 Housing and Property: Homelessness Prevention	Dave Scholes and Stephen Clarke	10	✓	✓	✓	March 2016	Moderate	Moderate

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# PROGRESS AGAINST 2016/17 INTERNAL AUDIT PLAN

The reviews to be completed for the period 1 April 2016 to 31 March 2017 were agreed at the March 2016 Audit Committee.

Name of review	Audit Sponsor	Agreed Days	Planning	Fieldwork	Reporting	Committee Reported to	Assurance	
							Design	Effectiveness
<b>EFFICIENT, EFFECTIVE COUNCIL</b>								
Audit 3. Application Specification Review	Helen Bishop	10	✓	w/c/ 25/07/16. Was due in Q1 – postponed.				
Audit 4. ICT Service Desk	Helen Bishop	13	✓	w/c 01/08/16. Was due in Q1 – postponed.				
Audit 6. Business Continuity and Disaster Recovery	Nigel Kennedy / Helen Bishop	12	✓	w/c 05/09/16				
Audit 7. Project Management	Helen Bishop	12	✓	w/c 04/07/16				
Audit 8. Benefits Administration	Nigel Kennedy	12	✓	w/c 04/07/16				
Audit 9. Procurement	Nigel Kennedy	13	✓	w/c 12/09/16				
Audit 10. Accounts Receivable	Nigel Kennedy	10	✓	w/c 26/09/16				
Audit 11. Payroll (Inc. Care Statement)	Nigel Kennedy	10	✓	w/c 26/09/16				
Audit 12. General Ledger	Nigel Kennedy	10	✓	w/c 05/10/16				
Audit 13. Building Control	Patsy Dell	12	✓	w/c 19/09/16				
Audit 14. Trading Service - End to End Review	Nigel Kennedy / Graham Bourton	12	✓	w/c 29/11/16				

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# PROGRESS AGAINST 2016/17 INTERNAL AUDIT PLAN

The reviews to be completed for the period 1 April 2016 to 31 March 2017 were agreed at the March 2016 Audit Committee.

Name of review	Audit Sponsor	Agreed Days	Planning	Fieldwork	Reporting	Committee Reported to	Assurance	
							Design	Effectiveness
EFFICIENT, EFFECTIVE COUNCIL								
Audit 15. Trading Board Effectiveness	Graham Bourton	4	✓	November 2016				
Audit 16. Channel Shift	Helen Bishop	15	✓	TBC				
Audit 17. Culture Review	Simon Howick	12	✓	w/c 09/01/17				
Audit 18. Treasury Management	Nigel Kennedy	10	✓	w/c 09/01/17				
CLEANER, GREENER OXFORD								
Audit 1. Energy Purchasing	Graham Bourton	12	Review removed from the Audit Plan.					
STRONG, ACTIVE COMMUNITIES								
Audit 5. Museum Project	Ian Brooke	12	Review removed from the Audit Plan.					
MEETING HOUSING NEEDS								
Audit 2. Empty and Void Property Management	Stephen Clarke	12	✓	✓	✓	June 2016	Moderate	Limited

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# PROGRESS AGAINST 2016/17 INTERNAL AUDIT PLAN

The reviews to be completed for the period 1 April 2016 to 31 March 2017 were agreed at the March 2016 Audit Committee.

Name of review	Audit Sponsor	Agreed Days	Planning	Fieldwork	Reporting	Committee Reported to	Assurance	
							Design	Effectiveness
<b>ADDITIONAL REVIEWS TO THE AUDIT PLAN</b>								
Audit 19. Overtime Review	Nigel Kennedy / Helen Bishop	8	✓	✓	Issued in draft to management in May 2016	[not to be released yet]	[not to be released yet]	[not to be released yet]
Audit 20. Business Plan Review	David Edwards	15	✓	✓	✓	June 2016 – Scrutiny Committee	N/A	N/A
Audit 21. Commercial Property Portfolio	Nigel Kennedy	4	✓	✓	✓	N/A – this report did not result in a report	N/A	N/A
Audit 22. Grant Claim	Nigel Kennedy	8	✓	w/c 18/07/16			N/A	N/A

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# EXECUTIVE SUMMARY – TRADING SERVICES




## STRATEGIC OBJECTIVE THIS REVIEW RELATES TO

Efficient, Effective Council: A flexible and accessible organisation, delivering high-quality, value-for-money services

## LEVEL OF ASSURANCE

<b>Design</b>	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
<b>Effectiveness</b>	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

## SUMMARY OF RECOMMENDATIONS

High	 2
Medium	 4
Low	 3
<b>Total number of recommendations: 9</b>	

## OVERVIEW

Between 2010 and the end of the 2015/16 financial year, the City Council will have lost 47% of its government grant and further cuts are expected in the future. To manage this, the Council's 2015-19 Corporate Plan sets out plans to increase total savings and increase income over the next four years to a value of £22.5 million. An element of this additional income will be derived from increasing trading services activity, which is seen as a significant area of focus in managing the Council's financial resilience particularly within year three of the Councils 2015-19 Corporate Plan where the value of expected trading service income increases significantly.

**During our review we noted the following areas of good practice:**

- The Trading Board meet regularly and have input from each of the services management
- The Trading Board has a risk register and monitors actions at each meeting
- Through discussions with key leads in each area, there is a strong knowledge of the customer base, customer needs and challenges faced by the team
- Direct Services are expanding services with current clients well, such as universities, hospitals and academy schools
- The annual production of costings (including recovery of overheads) and the reconciliation process operates well.

Over and above the good practice noted above is that Direct Services has a track record of meeting and achieving its financial targets. There are many risks Direct Services will always face around recruitment, staff turnover, competition and changing customer needs however, past performance indicates that these challenges have been managed sufficiently to achieve financial targets. There is confidence amongst Direct Services that they are operating effectively and achieving repeat business and whilst there are greater and new challenges ahead, the past challenges have not been easy and subsequently this gives confidence around meeting future targets.

**However we also found the following areas for improvement:**

- Direct Services faces difficulties with recruiting staff with appropriate skill sets within the current package offered by the Council (Finding 2 - Medium)
- The Council should map out the current relationships for potential opportunities held and analyse these to allow a more formal approach to targeting clients (Finding 5 - Medium)
- A Business Plan should be formalised with greater narrative and reported to the Trading Board (Finding 6 - Medium)
- The Council should procure a solution to their software issues and in the shorter term take actions to improve the IT infrastructure in place (Finding 7 - High)
- The Section 151 Officer should report as a formal agenda item the debt position and action to the Trading Board (Finding 8 - High)

Feedback and lessons learned from tenders should be recorded consistently and regularly and themes identified for discussion at Trading Board (Finding 9 - Medium).

### Conclusion



We have raised 2 high, 4 medium and 3 low recommendation with a moderate opinion on both the design of controls and their effectiveness. Whilst the opinion is moderate the areas of greatest concern are the increased levels of debt and the ICT Infrastructure supporting the service. The design and control effectiveness is considered moderate because through our review the performance of Direct Services to date has been good which is supported through strong staff knowledge and a Trading Board which meets regularly.

# EXECUTIVE SUMMARY – YEAR END FINANCIAL REPORTING TIMETABLE

## STRATEGIC OBJECTIVE THIS REVIEW RELATES TO

Efficient, Effective Council: A flexible and accessible organisation, delivering high-quality, value-for-money services

## SUMMARY OF RECOMMENDATIONS

High	
Medium	 2
Low	 4

**Total number of recommendations: 6**

## OVERVIEW

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A key element of the Accounts and Audit Regulations 2015 is that, with effect from the 2017/18 financial year, the timetable for the preparation and approval of the financial statements will be brought forward to a draft financial statements deadline of 31 May and an audit deadline of 31 July. Currently, the draft financial statements must be signed off by the Section 151 Officer by 30 June, and the audited financial statements must be approved and published by 30 September.

Oxford City Council (the Council) started trialling a reduced timetable in the 2014/15 financial year in order to prepare for the upcoming change in regulations. The first year of this reduced timetable was overall a success in that draft financial statements were produced by the end of May 2015, however there were some key slippages in the timetable particularly in relation to asset valuations. This has been improved significantly for the 2015/16 year end. Additionally although the financial statements had been prepared by the end of May 2015 it was noted that a full suite of working papers were not ready by this date, which would be required once the audit timetable is reduced.

### During the review we noted the following areas of good practice:

- The Council is ahead of many of the other Councils in our portfolio in trying to achieve a faster close well ahead of the statutory requirement and by asking us to undertake this review to identify improvement points to help ensure that they are ready for the change in 2017/18
- There is a detailed and specific timetable detailing which officer is responsible for each task in the preparation of the financial statements
- Requesting an accelerated report for the Oxford County Council Pension Fund to allow quicker inclusion of pension figures for the current period

### However we also found the following areas for improvement:

- There is no formal policy of staff expectations for the closedown process, eg with regards to annual leave and responding to audit queries, and so the planned timetable may not be met (Detailed Finding 1)
- Continuing to work with third parties on which reliance is placed to ensure that they deliver in line with the revised timetable (Detailed Finding 2)

### Conclusion

We have issued two medium and four low recommendations. The review undertaken is an advisory piece and so no specific assurance level will be issued, however overall our review has concluded that the Council has the foundations of good processes in place to be ready for the accelerated closedown when it is formally introduced. The recommendations we have raised highlight areas where the current processes could be improved further and potential risks which could arise over the coming years.

# APPENDIX I – DEFINITIONS

The below table sets out the definitions for the assurance levels and recommendation significant we issue in our audits.

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LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
<b>High</b>	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
<b>Medium</b>	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
<b>Low</b>	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

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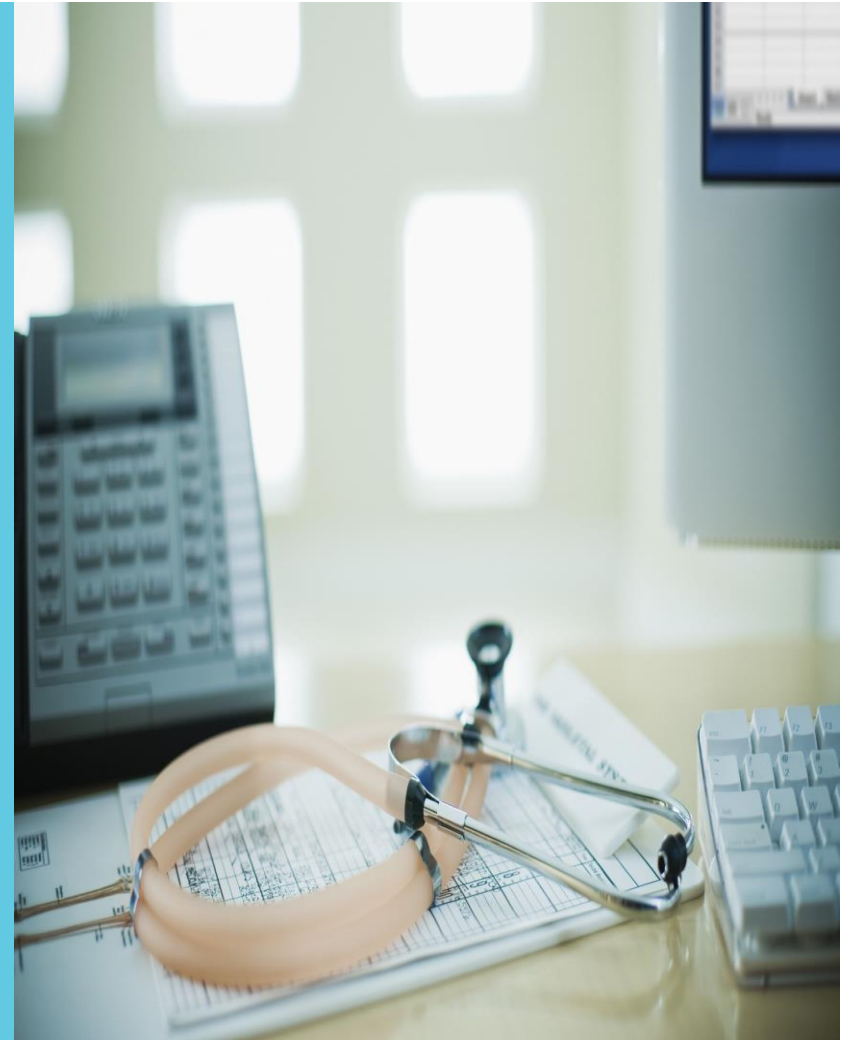
# Oxford City Council

## INTERNAL AUDIT REPORT

### Business Improvement and Technology - System Interfaces

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May 2016

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Limited	Moderate



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REPORT STATUS	
Auditors:	Tom Delaney
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Jackie Yates	Executive Director for Organisational Development and Communications
Helen Bishop	Head of Business Improvement
Paul Fleming	Chief Technology Manager
Nigel Kennedy	Section 151 Officer

## Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

# EXECUTIVE SUMMARY

## CLIENT STRATEGIC RISKS

Risk	An Efficient and Effective Council: A customer-focused organisation, delivering efficient, high-quality services that meet people’s needs.
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## LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)

Design	Limited	System of internal controls is weakened with system objectives at risk of not being achieved.
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

## SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)

High	
Medium	5
Low	-

Total number of recommendations: 5

## OVERVIEW

### Background

Oxford City Council (the ‘Council’) utilise many IT applications to support the delivery of their objectives. These applications and the data held on them must be held securely to minimise manipulation of data, interface with each other to support successful transfer of information and be upgraded/tested to ensure they are fit for purpose. From 1st April we have migrated the management of the City’s ICT infrastructure to SCC, bringing the first line support back in house. This alters the shape and focus of the service from what was delivered previously.

### Good Practice

- The client engages a third party to perform annual penetration testing on the Council’s network, which is a proactive approach to identifying potential vulnerabilities. For any weaknesses identified, an action plan is put in place to, where practicable, undertake mitigating actions
- Those staff interviewed, both within IT and those in the wider operational roles had a strong knowledge of their role and the associated risks. The Council are in the process of engaging SOCITM to review the work we have done so far in setting up our new structure, systems and processes. In addition, we have started to pull together our own plan to improve our service offering. This will include activities regarding:
  - Vision for the service
  - Developing the service management platform and reviewing and developing processes
  - Developing customer service and performance management of the service and individuals (including training and management development).

### However, the following areas for improvement are identified

- Management should document and communicate a process for raising, handling and escalating incidents (Finding 1 - Medium)
- Management should develop a suite of management information for reporting to senior management (Finding 1 - Medium)
- 'Multi skilled' to ensure continuity of service and/or applications support (Finding 2 - Medium)
- The user access management process (to include, new starters, internal moves and leavers) should be reviewed and guidance produced to act as a directive control and to promote consistency across the different applications (Finding 3 - Medium)
- There is no system audit trail activated in order to provide a mechanism of tracing whether inappropriate action has been taken by those with privileged user access (Finding 4 - Medium)
- Current scripts should be enhanced to enable automated alerts to be generated in the event of issues with interface failures (Finding 5 - Medium).

### Conclusion

We have issued 5 medium recommendations. We have concluded the design is limited as there are not embedded controls around escalating incidents. The effectiveness is considered moderate as the controls when designed operated well.

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# DETAILED RECOMMENDATIONS

RISK: When the cases are subject to a 'near-miss events' for applications held, lessons are not captured and learned to support continuous learning

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Ref.	Finding	Sig.	Recommendation
1	<p>It was confirmed by the Chief Technology Manager that there is no formal documentation or process for raising, handling and escalating incidents at present as it is built into the ITSM vFire solution. This system is not fully embedded as staff are not consistently applying the capabilities of the workflow in the system.</p> <p>Through interviews with other staff members, it was identified that there is no clearly defined process that they are all aware of, nor do they consistently apply an approach. The theme from interviews was that it is handled on a case by case basis.</p> <p>As Council staff and management are aware, there have been recent incidents regarding IT interfaces, for example:</p> <ul style="list-style-type: none"> <li>In April where a 'technical' glitch resulted in rents being taken twice from residents. This was flagged and £314,000 had to be returned to residents. This was done within a 4 hour period so no-one was impacted with a financial loss; however, it caused reputational damage.</li> </ul> <p>Through discussions with the IT support Analyst who was involved in the incident, it was advised that the error was due to a manual intervention in the process. Additionally, it helped to highlight an issue with one of the scripts whereby two reconciliations were being made from the same source meaning that there would never be an imbalance. The script has been fixed and no issues have been identified since.</p> <p style="text-align: right;"><i>(Continued on next page)</i></p>	Med	<p>We recommend that management document and communicate a process for raising, handling and escalating incidents, and as a minimum, provide examples of incidents that may be deemed as low, medium or high in importance and the resulting process and timeframes that would follow.</p> <p>Where third party involvement is required, information around the process, timeframes and escalation routes should also be included in the guidance.</p> <p>Further to the above, we recommend that management develop a suite of management information for reporting to senior management, including incident management. This could potentially detail the results of any trend analysis that has been performed by management.</p>

# DETAILED RECOMMENDATIONS

RISK: When the cases are subject to a 'near-miss events' for applications held, lessons are not captured and learned to support continuous learning			
Ref.	Finding	Sig.	Recommendation
1	<p><i>(Continued)</i></p> <ul style="list-style-type: none"> <li>Additionally, since the transition of services from Oxfordshire County Council to Oxford City Council, there have been incidents where data transfers have been blocked due to the different configurations of the City Council's firewalls to that of the County firewalls. Management have confirmed that all incidents identified to date have been corrected; however, at this point there is no guarantee that the issue will not re-occur.</li> </ul> <p>We acknowledge that there can not be a strict 'one size fits all' approach; however, without clear guidance as to the basic steps to follow, there is a risk that the lack of awareness of procedures or the timeliness of escalation may impact on the overall resolution. Alternatively, staff outside of IT may not be aware of the process and fail to escalate.</p> <p>Further to the above, it was identified that for those incidents that are raised and dealt with, there is limited management information provided to senior management in terms of themes and trends of past incidents or lessons that have been learnt. Without this, there is a risk that senior management do not get oversight of incidents that could impact on the operations or reputation of the Council.</p>	Med	
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE

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# DETAILED RECOMMENDATIONS

Agreed. ICT will develop a Service Level Agreement that will document high, medium and low level incidents and service requesters with respective time frames. To support this there will be the relevant management information. This will be done by 31.07.16.

The following is already in place since 1st April as mitigation:

- senior managers from ICT and Business Development allocated to service areas, regular meetings between these representatives and liaising with the service head and their management teams on a regular basis to ensure ICT is aware of all issues and priorities for attention;
- Weekly ICT update on the level of calls outstanding and progress with the major underlying issues;
- Regular intranet updates;
- Rigorous call allocation by ICT Senior Managers to the team, so there is overview of the issues logged;
- Daily ICT and Business Development Management meetings to ensure all staff are kept in the loop of the agreed action plan, issues outstanding and progress;
- Daily technical call to SCC (our infrastructure provider) to escalate issues to ensure a speedy response.

**Responsible Officer:**

**Chief Technology and Information Manager**

**Implementation Date: July 2016**

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# DETAILED RECOMMENDATIONS

RISK: Inadequate systems knowledge and training for those who manage interfaces to ensure data is properly secured and managed			
Ref.	Finding	Sig.	Recommendation
2	<p>It was identified that the current applications support staff have not documented any processes and other staff are not generally involved in the process. Through audit interviews with the IT Support staff, it was advised that they feel that others may be able to pick up the basics but would not be able to pick up all elements of the role as there is no guidance or specific training.</p> <p>Further to this, it was observed through the review that the team rely heavily on the knowledge, skills and experience of the Chief Information Manager and should he not be available, there may be a key dependency risk.</p>	Med	<p>We recommend that where possible, staff are 'multi skilled' to ensure continuity of service and/or applications support, so that should key IT support staff be unavailable for any reason, there is minimal, to negligible impact on operational activities - a staff skills needs assessment should be performed with an action plan devised.</p> <p>It is also recommended that, in line with current management thinking, procedure guidance is compiled for all core activities undertaken within IT.</p>
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
<p>A skills matrix (that you have already seen) is maintained highlighting the skill levels of all staff across the Operations and Application teams. The training plans will be further deployed to address gaps as well as develop the individual team members. This is further picked up in appraisals and embedded in personal development plans.</p>			<p><i>Responsible Officer:</i></p> <p><i>Chief Technology and Information Manager</i></p> <p><i>Implementation Date: July 2016</i></p>

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# DETAILED RECOMMENDATIONS

RISK: Unauthorised access to systems is obtained impacting the integrity of data held			
Ref.	Finding	Sig.	Recommendation
3	<p>It was identified that the practices undertaken around user access management are inconsistent across Active Directory (AD) and individual applications and that there is limited guidance or process notes to act as a 'directive' control. The processes are:</p> <p><b>Active Directory (AD):</b></p> <p>AD is managed by the IT team. For new starters, the support staff will create a new AC account once a request has been received by the line manager of the starter. However, we were informed that the time frames in which these requests are received is inconsistent and on occasions they are not received until after the employee has started, resulting in tight requirements to ensure that it does not impact on operational activity.</p> <p>For leavers, we were informed that requests are sporadic and often not received until some time after an employee has left.</p> <p><b>In-scope Applications:</b></p> <p>For individual applications, in terms of application access controls, this is performed by local administrators. We were informed that there are some documents 'scattered' in different locations; however, they are out of date.</p> <p>In the main, the process requires a line manager to notify of a new starter and detail the role that the member of staff is to undertake. It was identified through discussion that the process can differ dependent on the person that is setting up access; however, a common theme through interviews was that when a request is received, an account of another user is 'mirrored' which means that the new user will get the same credentials as the copied account.</p> <p style="text-align: right;"><i>(Continued on next page)</i></p>	Med	<p>We recommend that the user access management process (to include, new starters, internal moves and leavers) is reviewed and guidance is produced to act as a directive control and promote consistency across the different applications.</p> <p>This should be distributed to relevant stakeholders to enhance the consistency of application.</p> <p>Where applicable, this should be linked with a HR starters and leavers process to enhance the time frame of requests.</p>

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# DETAILED RECOMMENDATIONS

RISK: Unauthorised access to systems is obtained impacting the integrity of data held			
Ref.	Finding	Sig.	Recommendation
3	<p><i>(Continued)</i></p> <p>Although this process may be more efficient, some users access rights can be enhanced organically which, when copied, presents a risk that a new user may be granted more access than is required for their role.</p> <p>It should be noted that we were unable to perform any sample testing of user access levels in order to quantify any associated risk. This information was requested from the outset of the review however, the data was considered too large to provide and therefore we have to conclude without receiving the data.</p>	Med	
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
<p>225 There is already manual process to link up the work required by HR and ICT. However, the scope for automation has already been identified, and is scheduled on the ICT work plan for review and amendment by mid July 2016.</p> <p>This will include automated, early notification of new starters and leavers as soon as this information is updated on the HR system (iTrent). This will allow ICT to proactively contact managers and initiate the processes to provision new equipment / services for new starters and to close down access and recover assets for leavers.</p>			<p><i>Responsible Officer:</i></p> <p><i>Chief Technology and Information Manager</i></p> <p><i>Implementation Date: July 2016</i></p>

# DETAILED RECOMMENDATIONS

RISK: When authorised administrator access to systems is utilised, data is manipulated or compromised other than to test, monitor and upgrade systems as expected

Ref.	Finding	Sig.	Recommendation
4	<p>There are a number of staff with privileged user access rights within the Council and although records indicate that this level of access is required for an aspect of their roles, there is no system audit trail activated in order to provide a mechanism of tracing whether inappropriate action has been taken.</p> <p>This increases the risk that either malicious or accidental changes could be made without any identifiable accountability.</p>	Med	<p>We recommend that management switch on the system audit trails to ensure that, in the event of an incident, they are able to trace the full history or events.</p> <p>To ensure control over those with such elevated access they can delete audit trails, where practicable, either a block of this access should be introduced or alternatively, a script should be developed to alert for any alteration of the audit trail.</p>
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
<p>226 Network Access level logging is already in place as part of the existing PSN compliance. We will review the availability and feasibility of implementing application level logging for the key applications (PARIS, Academy, Northgate Housing, Agresso) by end of August 2016</p>			<p><i>Responsible Officer:</i></p> <p><i>ICT Operations Manager</i></p> <p><i>Implementation Date: August 2016</i></p>

# DETAILED RECOMMENDATIONS

RISK: Council applications do not integrate correctly with interfacing applications resulting in lost or inaccurate data			
Ref.	Finding	Sig.	Recommendation
5	<p>The IT applications support staff who have responsibility for the technical aspects of the interfaces for in-scope applications have developed scripts that will highlight when an interface has not run as designed or failed in its entirety.</p> <p>Although these scripts are effective in their output, they are not all automated which means there is a reliance on support staff to ensure that they perform their daily routine. If they are not around, for example, on leave or off sick, the responsibility would fall on another member of staff. This presents a risk that, if not done, there is a delay in the identification of issues and mitigating actions for failed interfaces.</p>	Med	We recommend that the current scripts are enhanced to enable automated alerts to be generated in the event of issues with interface failures. This alert should go to a managed central mailbox rather than to an individual.
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
<p>A new application level monitoring solution (Nagios) is being implemented in June 2016. This will provide a central location for application and network level monitoring and alerts including interfaces.</p> <p>Interface alerts will be in place by end of August 2016.</p>			<p><i>Responsible Officer:</i></p> <p><i>Application Manager</i></p> <p><i>Implementation Date:</i></p> <p><i>August 2016</i></p>

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# OBSERVATIONS

## PCI DSS

The PCI DSS self-assessment for the Council will be completed by end of August 2016 and will form part of the re-procurement of the payment systems scheduled to be in place by end of December 2016. Internal Audit will be reviewing PCI DSS in 2016-17.

# APPENDIX I - STAFF INTERVIEWED

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and cooperation.

NAME	JOB TITLE
Paul Fleming	Chief Technology and Information Manager
Paolo Coraci	Senior IT Support Analyst (PARIS)
Phil Dean	Senior Application Specialist (Academy, ePay)
Matt Lapworth	Senior Application Specialist (Northgate Housing)
Stacie Tomkins	Agresso Specialist
Simon Park	Officer
Paul Collins	Officer
Nikki Pearce	Procurement Officer
Lauren Armstrong	Housing Officer
Caroline Wood	Procurement Officer
Pauline Hull	Income/Agresso Officer

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# APPENDIX II - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.
Recommendation Significance				
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.			
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.			
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.			

# APPENDIX III - TERMS OF REFERENCE

## BACKGROUND

Oxford City Council (the 'Council') utilise many IT applications to support the delivery of their objectives. These applications and the data held on them must be held securely to minimise manipulation of data, interface with each other to support successful transfer of information and be upgraded/testing to ensure they are fit for purpose.

The responsibility for this areas falls under the Head of Business Improvement and managed on a day-to-day basis by the Chief Technology Manager. The Council utilise many applications such as Agresso (General Ledger), Paris (Income), Northgate (Housing), Academy (Benefits) and a Customer Support Application. For each application there are officers who have oversight of the application and would report to the Chief Technology Manager should concerns arise with the applications operation.

These systems all have significant numbers of transactions which run through them daily which are all accessed by a vast and varied number of staff, are subject to upgrades and testing and have specific access controls. This review will assess the control environment to support the objectives to safeguard these applications from inappropriate use and manipulation of data.

## PURPOSE OF REVIEW

To review the design and effectiveness of controls in relation to applications to provide assurance over the accuracy, completeness and timeliness of transactions undertaken.

## SCOPE OF REVIEW

The scope is as per the Key Risks identified overleaf.

## EXCLUSIONS

We will only be performing a high level review of Payment Card Industry (PCI) compliance as this is primarily an application review.

# APPENDIX III - TERMS OF REFERENCE

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## APPROACH



Obtain an understanding of the risk and controls with regards to Council applications through discussions with key personnel, review of systems documentation and substantive tests. Our approach includes:

- Identifying the key risks
- Evaluating the design of the controls in place to address the key risks
- Testing the operating effectiveness of the key controls.

## KEY RISKS



Based on the risk assessment carried out during the creation of the internal audit operational plan, our discussions with management, and our collective audit knowledge and understanding, the key risks associated with the area under review are:

- Inadequate systems knowledge and training for those who manage interfaces to ensure data is properly secured and managed
- Unauthorised access to systems is obtained impacting the integrity of data held
- When authorised administrator access to systems is utilised, data is manipulated or compromised other than to test, monitor and upgrade systems as expected
- Council applications do not integrate correctly with interfacing applications resulting in lost or inaccurate data
- When the cases are subject to a 'near-miss events' for applications held, lessons are not captured and learned to support continuous learning
- High level controls are inadequate to ensure compliance with Payment Card Industry (PCI) requirements.

## DOCUMENT REQUEST




Where available, please ensure that electronic copies of the following documents have been forwarded to us in advance of the review:

- Listing of all unauthorised access from 1 April 2015 to date
- Listing of all data lost/manipulated from 1 April 2015 to date
- Structure showing all applications the Council's holds and how they interface with each other
- List of training provided to Business Improvement and Technology Officers from 1 April 2015 to date
- Latest IT risk register
- Any Process documents relating to applications in use.

These documents will assist the timely completion of our fieldwork, however this list does not necessarily constitute a complete list of all documentation and evidence that we may need as part of our review.





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# Oxford City Council

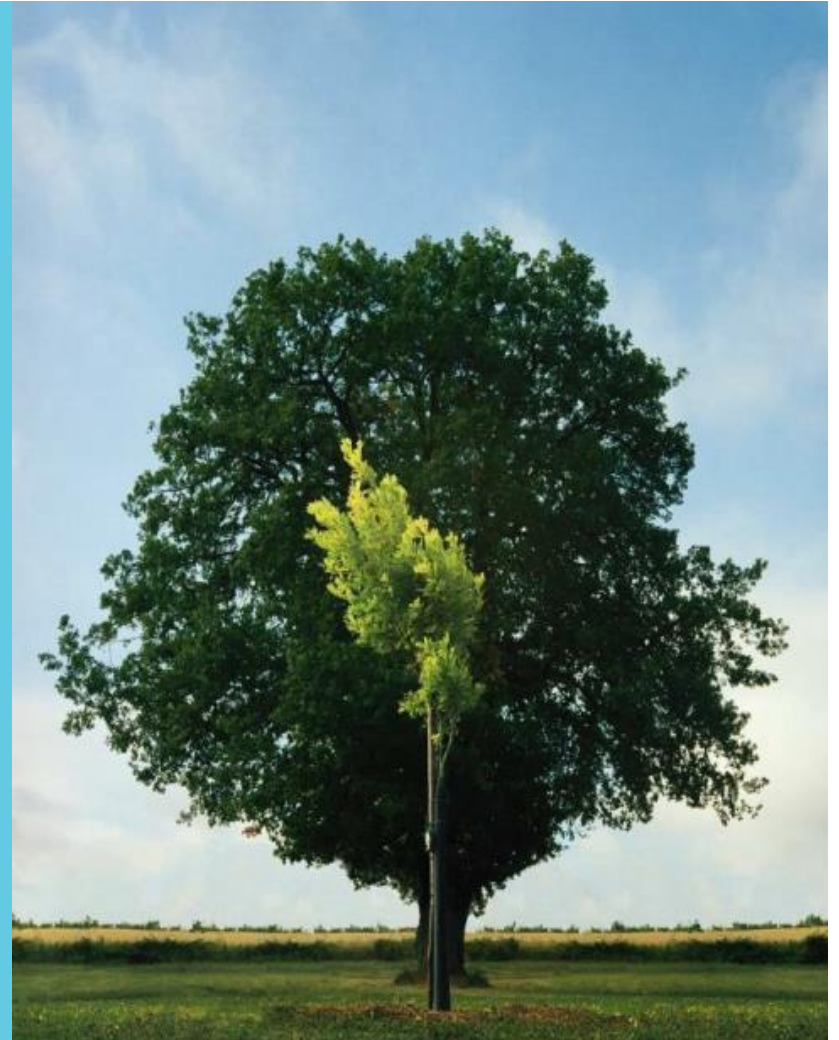
## INTERNAL AUDIT REPORT

Audit 2. Empty and Void Property Management

235  
June 2016

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Limited

**FINAL**



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REPORT STATUS	
Auditors:	Tanya John - Internal Auditor, Gurpreet Dulay- Manager
Dates work performed:	23 - 27 May, 2016
Closing Meeting:	26 May 2016 - attended by Tanya John and Bill Graves
Draft report issued:	1 June 2016
<b>Final report issued:</b>	<b>21 June 2016</b>

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## Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

# EXECUTIVE SUMMARY


## OXFORD CITY COUNCIL CORPROATE OBJECTIVE

Meeting Housing Need - Improving Oxford residents' access to affordable high-quality homes in good environments that are close to jobs/facilities

## LEVEL OF ASSURANCE (SEE APPENDIX VI FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Limited	Non-compliance with key procedures and controls places the system objectives at risk.

## SUMMARY OF RECOMMENDATIONS (SEE APPENDIX VI FOR DEFINITIONS)

High	 1
Medium	 5
Low	 3

Total number of recommendations: 9

## OVERVIEW: EMPTY AND VOID PROPERTY MANAGEMENT

Oxford City Council (the Council) seeks to reduce the time that properties remain empty. Whilst properties remain empty, no rental income is received and this impacts on the overall Housing Revenue Account. The Council have c.300-350 empty properties a year out of 7778 properties (as at 22 April 2016). The Council achieve a re-let time of 30 to 35 days however, aim to achieve a target of 18 to 23 days, which is in line with or better than the national average (See Appendix III). The key operations to re-let a property are managed as follows:

- Tenancy Management Team - Pre-termination visits should be carried out jointly with officers from both the Tenancy Management team and the Voids team. The Tenancy Management team are responsible for ensuring a correct notice is received or served and the tenancy is ended. The team is also responsible for the viewings with applicants, signing of the new tenancy agreement and creation of the new tenancy on the housing system.
- Voids Team - This team ensure the property is refurbished to the correct standard and promptly
- Housing Allocations Team - This team promotes vacancies and vets prospective candidates to ensure they are allocated to a suitable property.

### From our review, we noted the following areas of good practice:

- Prioritisation and assessment of potential tenants by the Allocations Team helps to reduce the voids period
- The Choice Based Letting (CBL) website allows the Council to effectively offer the properties to potential tenants
- Staff do have the training and/or experience to perform the roles in the void process.

### However, we also noted the following areas of improvement:

- Pre-termination inspection checks should be done during the notice period and forms should be completed for each property (Finding 1 - Medium)
- The Council Tax Team should notify the Tenancy Management Team of deaths more promptly (Finding 2 - Medium)
- A Voids Satisfaction Survey should be created and implemented with the results analysed and acted upon (Finding 4 - Medium)
- The Tenancy Management Team should agree a protocol with the Voids Team on how keys are given to/collected by each other (Finding 5 - Medium)
- Procedures documents and protocol should be agreed between Tenancy Management, Voids and Housing Allocations Teams (Finding 6 - High)
- As part of the tender specification for the housing software, the Council should request a solution to the Access database (Finding 9 - Medium).

### Conclusion

We have issued one high, five medium and three low recommendations. The most significant finding identifies that there is not a Void Management Policy or similar document which may be contributing to the effectiveness of the voids management process. Furthermore, through the review we identified weaknesses in communication around notification of deaths and transfer of keys between teams. We also found that whilst the team structures are designed and in place, these are still embedding following changes to structures in November 2015 and therefore the effectiveness in managing the void process is currently limited as evidenced by current performance.

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Pre-termination inspections are not conducted regularly resulting in delays to the turnaround time on a property

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Ref.	Finding	Sig.	Recommendation
1	<p>When a tenant wants to leave the property, they are required to give a four week notice. During the notice period, the Council should conduct a pre-termination inspection; this is conducted at the property with the tenant, the Tenancy Management Officer (TMO) and a Voids Team officer who is also a Surveyor.</p> <p>The purpose of the inspection is to:</p> <ul style="list-style-type: none"> <li>Identify any alterations made by the outgoing tenant</li> <li>Identify any rechargeable repairs</li> <li>Identify and notify Direct Services of expected volumes of work to assist with forecasting and capacity planning</li> <li>Identify any factors which will be considered as part of offering the property for re-let, such as special adaptations.</li> </ul> <p>After the inspection, pre-termination paperwork is filled out with details of the property including: tenants reason for leaving, meter readings, whether the property needs cleaning and repairs required to bring the property's condition to the standards expected. These details are then used for the property advertisement on the Choice Based Lettings (CBL) website to promote it to those on the Council's Housing Register. Furthermore, if any repairs are done on behalf of the tenant after the notice period, the Voids Team fills out a Voids Recharge Form and recharges the tenant for the repairs.</p> <p>A sample of 12 void properties for the period 1 January 2016 to 20 May 2016 were selected for testing (See Appendix I for a table summarising the results of our testing on pre-inspection terminations). The testing concluded:</p> <ul style="list-style-type: none"> <li>For two of the 12, a pre-inspection form was not retained and therefore we conclude this had not been undertaken during the notice period</li> <li>For five of the 12, the pre-inspection termination visit took place after the notice period ceased.</li> </ul>	Med	<ul style="list-style-type: none"> <li>a) Pre-termination inspections should take place during the notice period. If this is not possible, there must be record of the reason why the inspection was not done.</li> <li>b) Pre-termination inspection forms should be filled out and retained for every inspection undertaken.</li> <li>c) Performance against these targets should be measured and reported to senior management</li> </ul>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Pre-termination inspections are not conducted regularly resulting in delays to the turnaround time on a property

239

Ref.	Finding	Sig.	Recommendation
1 cont.	<p>This finding should be taken in the context of an internal review conducted assessing the reasons for voids in the period 1 January 2012 to 31 December 2012. This internal review found that the reason for voids were as follows:</p> <ul style="list-style-type: none"> <li>• Void due to deceased tenant - 43%</li> <li>• Void due to transfers - 41%</li> <li>• Voids due to eviction - 5%</li> <li>• Voids due to abandoned properties - 6%</li> <li>• Other - 5%.</li> </ul> <p>Whilst the statistics are four year old they represent the current split of reasons. It can be derived that only in 41% of cases can a pre-termination inspection be conducted.</p> <p>The risk here is that where pre-inspections are not conducted the Council:</p> <ul style="list-style-type: none"> <li>• Cannot estimate the level of repairs required</li> <li>• Are unable to request the tenant to repair the property prior to leaving the property. However, do note that in most cases the tenant may not have the skill-set or capability to undertake the work beyond minor decorations</li> <li>• Have incomplete/inaccurate information loaded to the advertisement on the CBL website which could impact the levels of rejections for properties or delay the property being advertised.</li> </ul> <p>All of these risks increase the likeliness the property will remain void for a longer period of time which increases the financial cost to the Council.</p>	Med	
<b>MANAGEMENT RESPONSE</b>			<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>
Agreed.			<p><i>Responsible Officer: Bill Graves</i></p> <p><i>Implementation Date: November 2016</i></p>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Processes to obtain notification of empty property are inadequate leading to a delayed turn around time on a property

240

Ref.	Finding	Sig.	Recommendation
2	<p>When a tenant leaves a property, the Council issue a four week notice; however if a tenant dies, the Council issues a four week notice once they are notified of the death. The Council is typically notified of the death by the tenant’s family, neighbours or via the Council’s ‘tell us once’ system. The Council is also notified of deaths by the Council Tax Team who are emailed a list of the deceased by the Registrar Office.</p> <p>We would expect that the Council Tax Team inform the Tenancy Management Team of the deaths as soon as they are notified. However, we found that the notification system was irregular and inconsistent, resulting in the Tenancy Management Team being notified of deaths up to a month after the Council Tax Team received notification.</p> <p>For the sample tested, three of the 12 properties related to deceased tenants and from our testing we found:</p> <ul style="list-style-type: none"> <li>The notices for these properties were not given by the Council as soon as they were notified of the death. In one case, the Council took 15 days to give notice for a property after they were notified of the deceased tenant Whilst saying this please note that in many cases there may be a good reason not to issue a notice in such circumstances i.e. There may be another occupier living in the property (not a joint tenant) who might be eligible to succeed the property and also delays could be due to applying sensitivity given the reason that it relates to a death.</li> </ul> <p>One of the primary reasons for properties becoming void is due to tenant deaths. The risk here is that the property of the deceased tenant remains empty for longer due to late notification to the Tenancy Management Team which results in financial loss due to the property remaining empty and houses not being allocated to those on the Council’s Housing Register. However, it should be noted that any liabilities for the property is sought to be recovered from the individuals estate.</p>	Med	<p>a) The Council Tax Team should notify the Tenancy Management Team of deaths no later than the following working day. This could be achieved via improved communication and expectations between the two teams and the Tenancy Management Team being added to the email distribution the Council Tax Team receive their notifications on.</p> <p>b) Performance against these targets should be measured and reported to senior management</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
A) Agreed - an immediate improvement would be for the Corporate scanning team to include the tenancy management team in the circulation list as part of the Tell Us Once project. B) Agreed.		<p><i>Responsible Officers: a) Tanya Bandekar b) Ann Phillips</i></p> <p><i>Implementation Date: September 2016</i></p>	



# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Refurbishment of the property is not performed promptly and/or adequately leading to a delayed turn around time on a property

241

Ref.	Finding	Sig.	Recommendation
3	<p>The Council undertakes repairs and refurbishments (known as planned maintenance) in all their properties at certain time intervals. The planned maintenance includes replacing kitchens, bathrooms, windows, etc. and these occur while the tenant is still residing at the property. The purpose of the planned maintenance is to ensure that properties remain in a good state of repair at all times otherwise, the properties may deteriorate to a level which requires more significant repair as it was not updated at a later date.</p> <p>We found that in some instances, when the Council approached the tenant to organise planned maintenance, the tenant refused to let the Council carry out the work.</p> <p>The risk here is that there is increased likelihood that void periods of properties will be longer due to more significant repairs being required on those properties where planned maintenance was not performed. This leads to increased void periods and the repair costs are typically more significant outside a planned programme resulting in financial loss to the Council.</p>	Low	<p>a) Planned maintenance should be undertaken on properties. Where they are not performed, the Council need to record why planned maintenance was not carried out</p> <p>b) If a tenant refuses to allow planned maintenance work to be carried out, this should be escalated to the Tenancy Management Team.</p>
<b>MANAGEMENT RESPONSE</b>			<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>
Agreed.			<p><i>Responsible Officers: Martin Shaw</i></p> <p><i>Implementation Date: September 2016</i></p>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Ineffective key performance indicator information is captured, reported and/or acted upon resulting in financial loss

242

Ref.	Finding	Sig.	Recommendation
4	<p>Before a property is offered to a bidder, the property must be viewed by the tenant. After the viewing, the bidder can choose to accept or reject the offer. After the viewing, the bidder is asked to fill out a form which confirms whether they accept or refuse the property including the reasons for their decision. The reasons for refusal given are often very high level with narrative such as 'inappropriate location' or 'not near amenities' and therefore limited information can be extracted from this to support the approach to future property repairs and allocation of properties.</p> <p>We understand that previously a more detailed Voids Satisfaction Survey was completed however this ceased to operate and has not been re-implemented. If such a document was established it would contain vital information regarding the repairs undertaken and if feedback is given to confirm properties are rejected due to the state of repair/adaptations, then the Voids Team could take appropriate action.</p> <p>The risk here is that the Voids Team do not receive any feedback on the work done and without feedback, they are unaware if whether there is a correlation between rejected properties and the state of repair. If this correlation is not understood with appropriate action taken this could lead to increased financial cost to the Council.</p>	Med	<p>a) The Voids Satisfaction Survey should be created and implemented</p> <p>b) The Voids Team should analyse the surveys and set an action plan (if necessary) to act upon the feedback.</p>
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
<p>Agreed. The satisfaction survey will be reintroduced and the responses shared with the Voids Team.</p>			<p><i>Responsible Officers:</i></p> <p>(a) Ann Phillips</p> <p>(b) Ian Henwood</p> <p><i>Implementation Date:</i></p> <p>(a) September 2016</p> <p>(b) November 2016</p>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Inadequate procedures to transfer keys to tenants results in extended empty and void property times

243

Ref.	Finding	Sig.	Recommendation
5	<p>At the end of the tenants four week notice period, the tenant must hand the keys back to the Tenancy Management Team. It is then the duty of the Tenancy Management Team to hand the keys to the Voids Team so that they can begin performing any repairs and maintenance to the property at the earliest opportunity.</p> <p>From our sample tested, we found that the Tenancy Management Team took between 1-5 working days (See Appendix II) to hand the keys to the Voids Team. Please note that this time period does not only include the handing of the keys between different Council teams. This time period also includes undertaking any termination inspections which could not be conducted prior to the tenant leaving the property, the transfer of the electricity to a direct services contract and obtaining up to date information to support the property advertisement for the Choice Based Lettings website. Whilst saying this, it is accepted that the transfer of keys could be improved and consideration of how to manage the logistical challenges of key transfer could be more effective.</p> <p>The risk is that the Voids Team are unable to begin the voids process without the keys hence lengthening the time period and the cost of the total voids period to the Council.</p>	Med	a) The Tenancy Management Team should agree a protocol with the Voids Team which sets out how keys will be given to/collected by the Voids Team no later than the following working day after receipt of the keys. The protocol should then be followed and its effectiveness monitored.
<b>MANAGEMENT RESPONSE</b>		<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>	
Agreed.		<p><i>Responsible Officers: Ann Phillips</i></p> <p><i>Implementation Date: November 2016</i></p>	

# DETAILED FINDINGS AND RECOMMENDATIONS

**RISK: Inadequate management oversight and discussion results in appropriate decisions and actions not being taken to support the effective operation to resolve empty and void properties**

244

Ref.	Finding	Sig.	Recommendation
6	<p>The Tenancy Management Team, Voids Team and the Housing Allocations Team work together to reduce the voids period and ensure that properties are not empty for periods in excess of target void time periods set. The three teams are interdependent and therefore it is important that the teams work well together to achieve the objective limiting the time properties are void. It is typically expected a Void Management Policy or similar document is in place to bind the relationships and expectations of the three teams.</p> <p>However, we found that communication between the three teams was ineffective . Whilst testing, we spoke to the three different teams and it was evident that there is limited communication and understanding of the respective duties between the teams. When we discussed cases selected for testing with the three teams it was apparent that this disconnect between the teams led to views being taken that the other teams in the process were the reason why void periods were extended. It should be noted that as the three teams are not located in the same place this could be a contributor to the limited communication.</p> <p>The Council do not have a Voids Management Policy or similar document and the absence of such a document is considered a contributor to the effectiveness of void property management.</p> <p>The risk here is that the teams are not be able to work as effectively to reduce the Voids period due to limited and ineffective communication resulting in extended void periods and financial loss to the Council.</p>	High	<p>a) An over-arching service agreement should be agreed between the Tenancy Management Team, Void Team and Housing Allocations Team setting out responsibilities, expectations, performance to be recorded/reported etc.</p> <p>b) The procedure documents should then be ratified by the Housing Landlord Group.</p> <p>N.B we do not recommend a formal policy be produced at this stage however, any procedure documents created should cover those in the Medway Council Void Management Policy which can be found via the below link, as this is considered a good practice Policy.</p> <p><a href="http://www.medway.gov.uk/pdf/Void%20Management%20Policy%20and%20Procedures.pdf">http://www.medway.gov.uk/pdf/Void%20Management%20Policy%20and%20Procedures.pdf</a></p>
<b>MANAGEMENT RESPONSE</b>		<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>	
A) Agreed. B) Agreed.		<p><i>Responsible Officers: Bill Graves</i></p> <p><i>Implementation Date: November 2016</i></p>	

# DETAILED FINDINGS AND RECOMMENDATIONS

**RISK: Inadequate management oversight and discussion results in appropriate decisions and actions not being taken to support the effective operation to resolve empty and void properties**

245

Ref.	Finding	Sig.	Recommendation
7	<p>A practice undertaken by some authorities is to offer an incentive scheme to tenants with the aim of improving the void turnaround time.</p> <p><u>Incentive Scheme example</u>                      To qualify for any of these payments applicants must have been a council tenant at the property they are leaving for 12 months or more and a valid notice must have been completed to notify the council that the property will be coming vacant. Payments will be offset against any rent arrears owing on the rent account once the tenancy is terminated and all Housing Benefit Payments have been adjusted. Payments could be given as follows:</p> <ul style="list-style-type: none"> <li>• £40.00 4 weeks notice</li> <li>• £60.00 Property left empty, clean and in good decorative order (Gardens have been left manageable were appropriate)</li> <li>• £20.00 All keys returned</li> <li>• £20.00 No debts on electricity and gas meter</li> <li>• £20.00 Pre-termination visit by Housing Officer.</li> </ul> <p>The Council currently do not operate an incentive scheme. In March 2016 the average void cost to the Council stood at £4,538.00. An incentive scheme might secure a shorter void period and reduce the average void cost to the Council. If the average void cost to the Council is reduced by a greater value than the incentive given, it could be considered to be a financially beneficial arrangement. This has the additional benefit of getting properties into use at an earlier date which more quickly allocates those on the Council's Housing Register.</p>	Low	<p>a) An analysis of the cost/benefits of an incentive scheme should be performed and assessed as to whether it could be implemented at the Council; this assessment could be performed via a pilot.</p> <p>b) A decision should be made by the Housing Landlord Group (and other approvals required, if necessary) to whether an incentive scheme should be pursued based on the analysis performed.</p>
<b>MANAGEMENT RESPONSE</b>			<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>
Agreed.			<p><i>Responsible Officers: Bill Graves</i></p> <p><i>Implementation Date: November 2016</i></p>

# DETAILED FINDINGS AND RECOMMENDATIONS

**RISK: Inadequate management oversight and discussion results in appropriate decisions and actions not being taken to support the effective operation to resolve empty and void properties**

246

Ref.	Finding	Sig.	Recommendation
8	<p>Key Performance Indicator (KPI) information is reported to the monthly Housing Management Group meeting. In Appendix IV we set out those KPIs which the Council currently report alongside suggestion for further KPIs which could be captured and reported.</p> <p>From our review it is felt that the KPIs currently not captured in this monthly reporting which should be are:</p> <ul style="list-style-type: none"> <li>• Number of working days taken to transfer keys from Housing Tenancy Management to Voids Teams (this could be broken down and monitored for the various steps in the process from receiving the keys, conducting termination inspections, transferring electricity and obtaining information for the Choice Based Lettings website)</li> <li>• Average number of working days to undertake repairs</li> <li>• If implemented as per Detailed Finding 5 - The total number of Voids Satisfaction Surveys received out of those eligible to complete one.</li> <li>• The areas suggested in Detailed Finding 1 and 2.</li> </ul> <p>Please note that via the Council's central performance monitoring system, CORVU, there is a measure in place to monitor the time the void repair is with the Voids Team; which has a target of 20 days.</p> <p>If the Council do not capture all relevant KPIs there is a risk that under performance may not be identified to then allow appropriate action to be taken.</p>	Low	The Housing Management Group should consider the additional KPIs and then ensure these are captured and reported on a monthly basis to the meeting.
<b>MANAGEMENT RESPONSE</b>		<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>	
Agreed.		<p><i>Responsible Officers: Bill Graves</i></p> <p><i>Implementation Date: August 2016</i></p>	

# DETAILED FINDINGS AND RECOMMENDATIONS

**RISK: Inadequate management oversight and discussion results in appropriate decisions and actions not being taken to support the effective operation to resolve empty and void properties**

Ref.	Finding	Sig.	Recommendation
9	<p>The voids process is managed through a Microsoft Access database. Whilst information is held on the Council’s housing system, Northgate, the module within the software has not been purchased and used by the Voids Team. Therefore the Voids Team capture critical elements of the voids process on the Access database.</p> <p>The Access database was created in-house and therefore lacks the support a software would have in terms of managing corrupt elements of data and recovery of data when it crashes. The reliance on the Access database therefore could be considered a risk and it is a single point of failure.</p> <p>We are aware the Council are putting out for tender their housing software in 2016.</p>	Med	As part of the tender specification for the housing software, the Council should request that a solution is found for the Access database single point of failure.
<b>MANAGEMENT RESPONSE</b>			<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>
Agreed.			<p><i>Responsible Officers: Paul Fleming</i></p> <p><i>Implementation Date: November 2016</i></p>

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# OBSERVATIONS

Here we list any observations we have noted which are not sufficiently significant to warrant being identified as a Detailed Finding.

## 1. Rents Team 'Cradle to Grave' review

The Rents Team has facilitated a working party from cross departmental representatives within Finance, Customer Services and Housing. The aim has been to look at ways to improve working practices across all the service areas, remove any duplication, and see where joined- up working can improve the customer journey and increase income to the Council. This work is still on-going with a further review of the action plan due to take place on the 14 July 2016. Some of the actions have been pending awaiting the finalisation of the Housing restructure.

248 It is considered unlikely that the impact of this review will impact the Voids and Empty Property process however, has been placed here for your information.



# APPENDIX I - PRE-TERMINATION INSPECTIONS

## SAMPLE DATA

A sample of 12 void properties for the period 1 January 2016 to 20 May 2016 were selected for testing. The table below gives details on the notice period in addition to data on the pre-termination inspections undertaken for each property. See Detailed Finding and Recommendation 1 which summarises our findings for the sample tested.

Full Address	Notice Received	End of Notice Period	Date of pre -term inspection	Was inspection during notice period?
Abingdon Road, Oxford, OX1 4XG	Not known	Not known	13.1.2016	Not known
Aldrich Road, Oxford, OX2 7SU	11.1.2016	8.2.2016	14.2.2016	No
Brome Place, Oxford, OX3 9LR	16.12.2016	13.1.2016	18.1.2016	No
Brook View, Oxford, OX4 7UR	3.12.2015	31.12.2015	11.1.2016	No
Buckler Road, Oxford, OX2 7TE	5.1.2016	2.2.2016	25.1.2016	Yes
Butterwyke Place, Oxford, OX1 1TT	26.11.2015	24.12.2015	25.1.2016	No
Butterwyke Place, Oxford, OX1 1TT	24.2.2016	23.3.2016	Not known	Not known
Cranley Road, Oxford, OX3 8BP	11.12.2015	8.1.2016	12.1.2016	No
Faulkner Street, Oxford, OX1 1UA	5.1.2016	2.2.2016	14.1.2016	Yes
Hockmore Tower, Pound Way, Oxford, OX4 3YG	N/A	N/A	Not known	Not known
Pegasus Road, Oxford, OX4 6SZ	Not known	Not known	24.2.2016	Not known
Tilehouse Close, Oxford, OX3 8AU	Not known	Not known	Not known	Not known

# APPENDIX II - KEY HANDOVER SAMPLE DATA

A sample of 12 void properties for the period 1 January 2016 to 20 May 2016 were selected for testing. The table below shows when the keys for the property were handed to the Tenancy Management Officer (TMO) and how long they took to hand over the key to the Voids Team. See Detailed Finding and Recommendation 1 which summarises our findings for the sample tested.

Keys with TMO	Date Voids Received Keys	Days taken for voids to receive keys from TMO	Days taken for voids to receive keys from TMO including weekends
11.1.2016	14.1.2016	3	3
15.2.2016	17.2.2016	2	2
18.1.2016	18.1.2016	0	
7.1.2016	12.1.2016	5	3
25.1.2016	25.1.2016	0	0
21.1.2016	25.1.2016	4	2
29.3.2016	5.4.2016	7	5
11.1.2016	12.1.2016	1	1
11.1.2016	14.1.2016	3	3
20.1.2016	25.1.2016	5	3
22.2.2016	24.2.2016	2	2
31.12.2015	6.1.2016	6	2

# APPENDIX III - HOUSE MARK AVERAGE RE-LET DATA

The table below summarises the findings from House Mark in their 'Voids and lettings analysis 2015' report analysis re-let times for the period 2012/13 to 2014/15. The Council have between 5-10,000 properties and as at March 2016 the re-let time was 40.1 days with the average for 2015/16 at 34.3 days. The table below demonstrates that the Council are performing below the average.

Financial year	2012-13	2013-14	2014-15	
Measure	Average re-let time in days (standard re-lets)	Average re-let time in days (standard re-lets)	Average re-let time in days (standard re-lets)	Number of landlords
Housing Association	25.59	27.14	24.60	132
LA/ALMO	26.00	30.38	28.75	46
<5,000 properties	24.61	24.07	23.05	64
5-10,000 properties	25.90	28.00	25.25	57
10,000+ properties	27.49	32.24	29.00	57
Central	24.00	24.39	24.74	51
London	26.27	30.65	27.13	27
North	26.91	32.28	29.00	63
South	23.48	22.84	22.28	33
<b>ALL</b>	<b>25.70</b>	<b>27.92</b>	<b>25.70</b>	<b>178</b>

# APPENDIX IV - KEY PERFORMANCE INDICATOR ANALYSIS

The below table (left) summarise those Key Performance Indicators (KPIs) that the Council report to the Housing Management Group on a monthly basis. The below table (right) sets out further KPIs which should be considered as part of the monthly reporting as it may identify trends in areas where performance standards are not being met.

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Oxford City Council KPIs currently in use
Total re-let time (HouseMark definition)
Percentage appointments kept
Percentage post-inspections
Percentage of post inspections passing inspection
Percentage of Right to Repair completed on time
% Emergency Responsive Repairs completed on time (Category E)
% Urgent Responsive Repairs completed on time (Category A)
% Routine Responsive Repairs completed on time
Number of repairs jobs completed
Percentage of gas services in date
Percentage of emergency gas repairs completed on time (Category E)
Percentage of urgent gas repairs completed on time (Category A)
Percentage of routine gas repairs completed on time
Average cost per void
Satisfaction with repairs

Other KPIs for consideration
Number of refusals and reasons for refusal
Number of working days taken to transfer keys from Housing Tenancy Management to Voids Teams
Average number of working days to undertake repairs
The total number of Voids Satisfaction Surveys received out of those eligible to complete one

# APPENDIX V - STAFF INTERVIEWED

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and cooperation.

NAME	JOB TITLE
Ann Phillips	Tenancy Management Manager
Tom Porter	Allocations Manager
Ian Henwood	Responsive Repairs and Voids Manager
Bill Graves	Landlord Services Manager

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# APPENDIX VI - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

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Recommendation Significance	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

# APPENDIX VII - TERMS OF REFERENCE

## BACKGROUND

Empty Homes is the term used to describe properties that have become void or vacant. There are a number of ways that properties can become void:

- Council tenants transferring to other void properties with a housing priority
- Council tenants moving to other tenures such as Housing Associations, Home Ownership schemes or elderly/vulnerable residential accommodation such as nursing homes
- Council tenants that have breached their tenancy conditions by non-payment of the rent, anti-social/unacceptable behaviour and being evicted with a court order for possession of the tenancy
- Council tenants that have died without leaving a successor that has a legal right to occupy the property
- Council tenants that have abandoned their tenancy without informing the Council that they intend to move out.

The main objective is to reduce the time that Council properties remain empty. Whilst properties remain empty, no rental income is received and this impacts on the overall Housing Revenue Account that is used to provide essential housing services.

Oxford City Council have c.300-350 empty properties a year out of 7778 properties (as at 22 April 2016). The Council achieve a re-let time of 30 to 35 days however, aim to achieve a target around 18 to 23 days. The key operations to re-let a property are managed as follows:

- Tenancy Management Team - This team become aware of notifications and then ensure pre-termination inspections are performed and any aspects impacting the outgoing or incoming tenant are managed
- Responsive and Void Property Team - This team ensure the property is refurbished to the correct standard and promptly
- Housing Allocations Team - This team promotes vacancies and vets prospective candidates to ensure they are allocated to a suitable property.

These activities are reported at the Housing Management Team meetings and overseen by the Head of Housing and Property Services.

## SCOPE OF REVIEW

The scope will cover the Key Risks set out overleaf.

## PURPOSE OF REVIEW

Review the arrangements to manage empty and void properties to ensure they are promptly and effectively brought into use. This will include ensuring the reporting of data is accurate and sufficiently scrutinised.

# APPENDIX VII - TERMS OF REFERENCE

## EXCLUSIONS

This review will not consider the Sheltered Housing Scheme at Bradlands.

## APPROACH

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks. Any opportunities identified to improve arrangements will be offered for consideration alongside recommendations to resolve any weakness in controls.

## KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding, the key risks associated with the area under review are:

- Processes to obtain notification of empty property are inadequate leading to a delayed turn around time on a property
- Refurbishment of the property is not performed promptly and/or adequately leading to a delayed turn around time on a property
- Procedures to promote empty properties are insufficient and unduly increase the turn around time on a property
- Pre-termination inspections are not conducted regularly resulting in delays to the turnaround time on a property
- Inadequate prioritisation and assessment of the potential tenant results in the property remaining empty resulting in financial loss
- Staff do not possess the training and/or experience to ensure empty and void properties are let effectively and efficiently
- Inadequate procedures to transfer keys to tenants results in extended empty and void property times
- Ineffective key performance indicator information is captured, reported and/or acted upon resulting in financial loss
- Inadequate management oversight and discussion results in appropriate decisions and actions not being taken to support the effective operation to resolve empty and void properties.

## DOCUMENTATION REQUEST

Please provide the following documents in advance of our review (where possible):

- Minutes from monthly Housing Management Team meeting from 1 April 2016 to date
- Minutes from monthly Housing Landlord Group meeting from 1 April 2016 to date
- Listing of voids for the period 1 January 2016 to date (received).

Any documents provided will assist the timely completion of our fieldwork, however we may need to request further documentation and evidence as we progress through the review process.



# APPENDIX VII - TERMS OF REFERENCE


## TIMETABLE

Audit Stage	Date
Commence fieldwork	23 May 2016
Number of audit days planned	12
Planned date for closing meeting	30 May 2016
Planned date for issue of the draft report	1 June 2016
Planned date for receipt of management responses	8 June 2016
Planned date for issue of proposed final report	10 June 2016
Planned Audit Committee date for presentation of report	29 June 2016

## KEY CONTACTS

BDO LLP	Role	Telephone and/or email
Greg Rubins	Head of Internal Audit	t: 07583 114 121   e: greg.rubins@bdo.co.uk
Gurpreet Dulay	Internal Audit Manager	t: 07870 555 214   e: gurpreet.dulay@bdo.co.uk
Tanya John	Internal Auditor	e: tanya.john@bdo.co.uk
Oxford City Council		
Bill Graves	Landlord Services Manager	bgraves@oxford.gov.uk
Nigel Kennedy	Section 151 Officer	nkennedy@oxford.gov.uk
Stephen Clarke	Head of Housing and Property Services	sclarke@oxford.gov.uk
Ann Phillips	Tenancy Management Manager	aphillips@oxford.gov.uk
Tom Porter	Housing Allocation Manager	tporter@oxford.gov.uk
Ian Henwood	Responsive Repairs and Voids Manager	ihenwood@oxford.gov.uk

## SIGN OFF

On behalf of BDO LLP:		On behalf of Oxford City Council:	
Signature:		Signature:	Stephen Clarke
Title:	HEAD OF INTERNAL AUDIT	Title:	Head of Housing and Property Services
Date:	16 May 2016	Date:	16 May 2017

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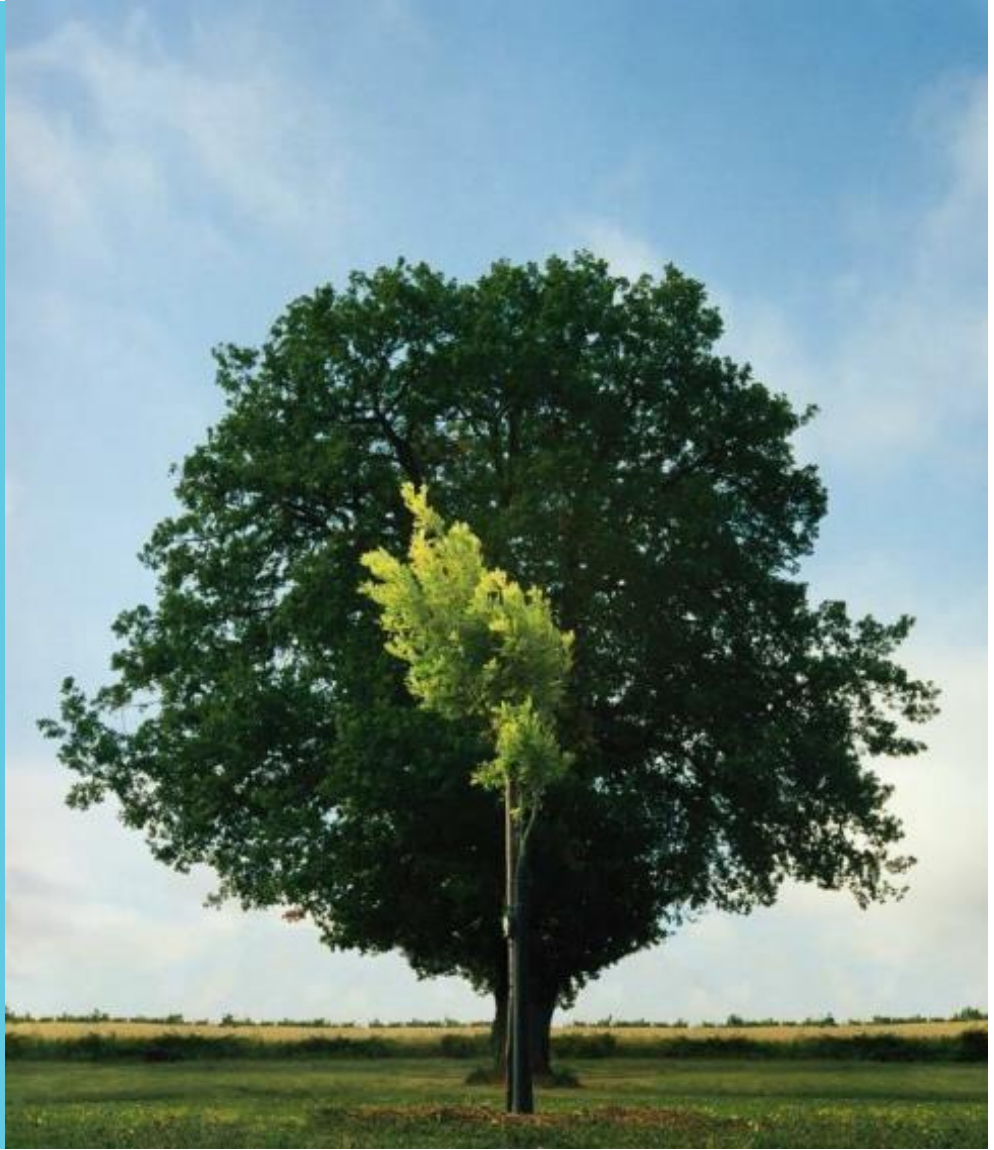
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# OXFORD CITY COUNCIL

## INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS REPORT

June 2016



# INTRODUCTION AND EXECUTIVE SUMMARY

## Introduction

Ahead of each Audit and Governance Committee we follow-up those recommendations raised by Internal Audit which are due for implementation. We request commentary by responsible officers on the progress to our recommendations and for those High and Medium recommendations due we verify progress to source evidence and conclude either that the recommendation is complete or incomplete.

There were 43 recommendations due for June 2016 comprising of 22 High recommendations and 21 Medium recommendations.

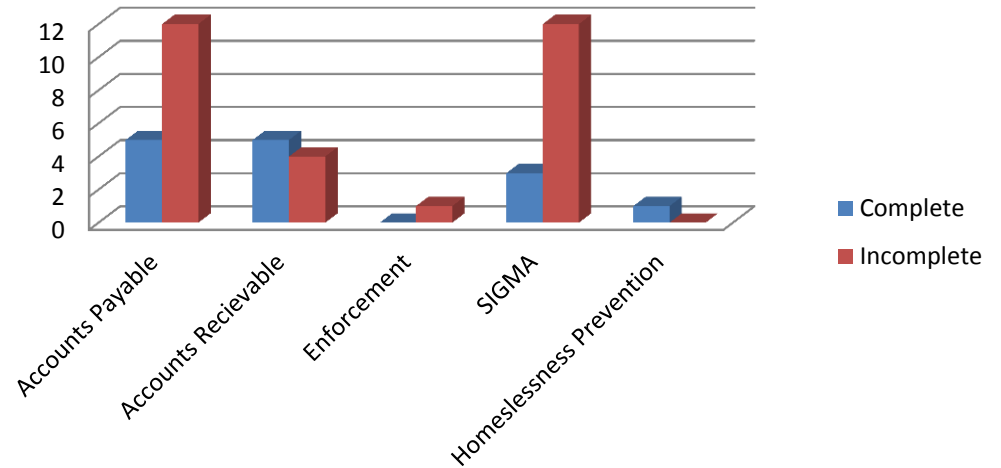
## Executive Summary

Please find below a summary of the 43 recommendations that were due for completion prior to the June 2016 Audit and Governance Committee:

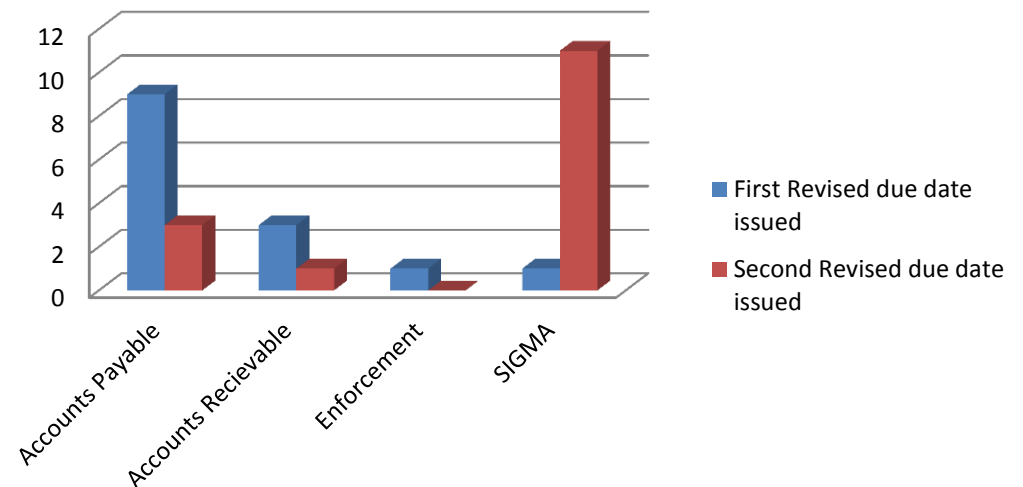
### 2015-2016 Recommendations

- 6 High and 8 Medium recommendations have been implemented and can be removed from the Recommendation Tracker
- 16 High and 13 Medium recommendations are not complete of which 14 have been issued a first revised due date and 15 recommendations have been allocated a second revised due date. These recommendations will continue to be followed up until they are complete
- We recognise that of the 43 recommendations, 15 have been allocated a second revised due date. In order to ensure that recommendations are completed on the original implementation date we will:
  1. Continue to emphasise to staff to be realistic about the implementation dates when completing their management responses at the completion stage of each internal audit review
  2. Issue the recommendations tracker to all the relevant Heads of services one week after the respective audit committee
  3. Issue reminder emails 6 weeks prior to the follow up review to ensure timely completion of each recommendation.

Recommendations due for June 2016 that were either complete/incomplete



Recommendations due for June 2016 with a revised due date issued for the first time or second time since Quarter 1



# RECOMMENDATIONS COMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Original Due Date	Notes on Completion
Accounts Payable	1c) If there are staff changes prior to the quarterly update, the hard copy ASL should be amended to reflect these changes immediately and distributed to all relevant departments.	M	Caroline Wood	Mar-16	We verified that Amendments are forwarded to the payments team via a payments form these are reflected in the ASL and distributed accordingly.
Accounts Payable	3b) In relation to the Key2 and Servitor system, it must be ensured that all individuals listed within the ASL have the appropriate limit to authorise the payment. Should this not be the case the purchase order should be returned and an appropriate authorisation should be sought	H	Caroline Wood	Mar-16	It was verified that all individuals have been checked to ensure that where an individual is able to authorise a purchase order their limits are set up within the key2 and servitor system. Where purchase orders have been authorised with inappropriate limits these have been returned by the payments team to seek appropriate approval
Accounts Payable	3e) The functionality to goods receipt on an individual transaction line basis is available in the Agresso system; reinforcement of this functionality to Agresso users and training should be given	H	Caroline Wood	Mar -16	<p>We verified that as part of the P2P system upgrade there was a training session held for all individuals using the P2P system the training session covered the following areas:</p> <ul style="list-style-type: none"> <li>• Requisitioners</li> <li>• Background of the system</li> <li>• Finance rules in place</li> <li>• Process overview</li> <li>• Supplier set up</li> <li>• How to process Goods received notes</li> <li>• How to raise requisitions</li> <li>• The key messages and the problems encountered if the goods/services were not raised as expected through scenario based learning.</li> </ul>

# RECOMMENDATIONS COMPLETE

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Original Due Date	Notes on Completion
Accounts Payable	<p>4c) If approvals are not completed within a timely manner these should be escalated to the Management Accounting Manager</p> <p>4d) Individuals that are set up as card holders within the DCAL system should not be able to approve their own transactions</p>	H	Caroline Wood	<p><del>Jan - 16</del> Mar - 16</p>	<p>4c) We verified that a timescale of one month is provided to individuals and is then flagged up to the Management accounting manager. Reminder emails are sent to management and then escalated when required</p> <p>4d) The decal system has been updated whereby individuals who are card holders and authorisers cannot authorise on transactions that are above their post or are their own transactions appropriate parameters have been set in place.</p>
Accounts Receivable	2a) The ASL should be distributed in full on an annual basis to reflect any changes and updates to all relevant departments and individuals – see Detailed Finding 1	M	Damon Venning	Dec - 15	We verified that an updated ASL was distributed in December 2016 and an updated copy was also published on the Council Intranet. The Team leader of the incomes team publishes the ASL as soon as a change has been made to the ASL and an updated ASL is distributed on a bi - annual basis.
Accounts Receivable	<p>5a) The accounts receivable management should reconsider the point at which the accounts receivables team must contact legal enforcement or a civil enforcement company to recover overdue debt. This must in line with the Council's appetite to recover funds using these means and we would expect this consideration to be in line with a set operational plan for debt recovery</p> <p>5c) Receivables officers must be proactive in monitoring overdue debt and ensuring contact is maintained at agreed follow-on dates until the debt is fully recovered</p>	H	Damon Venning	<p><del>Jan - 16</del> Mar - 16</p>	<p>5a) We verified through a review of monthly management meeting minutes that legal action is considered and discussions are held with management as to which point to refer debtors to enforcement action</p> <p>5c) We have verified through the monthly management meeting minutes and roles adopted by the following: Team leader is responsible for the commercial debt, Niel is responsible for the Direct services debt and Kelly is responsible for sundry services these individuals are required to pro-actively follow up overdue debt.</p>

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# RECOMMENDATIONS COMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Original Due Date	Notes on Completion
Accounts Receivables	<p>7a) The requirement to perform Customer Due Diligence (CCD) checks must be communicated to all relevant staff setting out the consequences to the Council of non-compliance with legislation</p> <p>7b) The communication regarding CCD to relevant staff must set out how to conduct these checks and where evidence must be retained</p>	M	Damon Venning	<p><del>Jan - 16</del></p> <p>May - 16</p>	7a/b) Through verification of a training manual a training session was held in March 2016 part of the training session involved communicating to individuals around the best practice procedures to be used as part of CCD. Furthermore, through review of email trails we verified that credit checks were completed and also emails were sent confirming the credit check scores.
SIGMA System	<p>4a) The SIGMA team, in agreement with finance, should set a maximum query error threshold above which the Council would halt payments until resolution is reached – it is expected that this would be between £3,000 and £10,000</p> <p>4b) The error threshold should be recorded in writing or a policy document and approved by a representative from the SIGMA team and finance</p> <p>4c) The error threshold should be subject to review at least annually to ensure it is set at the correct financial value</p>	M	Andrew Sunderland	<p><del>Dec - 16</del></p> <p>Mar - 16</p>	<p>4a) We verified that an error threshold of £3000 and £10,000 is now in place and included within the SLA.</p> <p>4b) This is now contained within the service level agreement this was agreed within the SIGMA team and Finance and was signed off by Nigel Kennedy. The SLA was reviewed and the error rate threshold is set at £3000 errors above this value will not be paid.</p> <p>4c) The error threshold is subject to an annual review and is scheduled to be reviewed in July 2016.</p>
Homelessness Prevention	2a) The Council website path <a href="http://www.oxford.gov.uk/homelessness">www.oxford.gov.uk/homelessness</a> should be reviewed to ensure all appropriate documents are available and easily accessible	M	Fatheya Latif	Mar - 16	We verified through the Council website pathway <a href="http://www.oxford.gov.uk/homelessness">www.oxford.gov.uk/homelessness</a> all appropriate documents were available to download from the council website and were easily accessible. *

# RECOMMENDATIONS INCOMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
Accounts Payable	<p>1a) For each approver included within the hard copy ASL the appropriate budget limits and corresponding cost centres should be clearly outlined for each service area</p> <p>1b) The Council should distribute the hard copy ASL on a quarterly basis to reflect any changes and updates to all relevant departments and individuals</p> <p>1c) Long term solution: Ensure one ASL central electronic source is available to all staff which is a live update against which delegated limits can be verified</p>	M	Caroline Wood	Mar - 16	<p>1a) The payments team requested service heads to update their corresponding ASL accordingly, however relevant departments have not been responsive and have not sent updated listings within the required timeframes</p> <p>1b) as per above, due to no response there are currently no updated ASL listing to be sent out</p> <p>1c) All relevant departments have been contacted and requested to send through the updated ASL to amalgamate into a centralised ASL. However, this is currently a work in progress as departments are not responsive</p>	Aug -16



# RECOMMENDATIONS INCOMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
Accounts Payable	<p>2a) Parameters should be created within the Agresso system where the individual who enters supplier details onto the BIF cannot upload these details onto the Agresso system</p> <p>2b) The Payments Team Leader should verify that the individual who entered supplier details did not simultaneously upload the file to the Agresso system without following due procedure</p>	M	Caroline Wood	Mar- 16	<p>2a) In March the Council went live in regards to the Agresso supplier set up process. The process has been delayed due to ongoing IT issues; Agresso was not processing emails to suppliers. As a result all supplier details are currently being manually entered until the process flow is corrected. The BIF File process has been updated and as a result removed from the process flow.</p> <p>2b) The updated Agresso system went live in March 2016 whereby supplier details are directly entered into the system and a work flow is in place which automatically uploads to Agresso however due to ongoing IT issues the work flow to automatically upload to Agresso has been delayed</p>	Aug - 16

# RECOMMENDATIONS INCOMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
Accounts Payable	3a) Individuals listed within the ASL should not authorise purchase orders/Invoices that are beyond their authorisation limits. Communication should take place between the Section 151 Officer and the Corporate Management Team to review delegates limits and training needs	<b>H</b>	Nigel Kennedy	Jan – 16	The authorization levels for all staff is currently being reviewed across the Council as referred to in other recommendations.	<del>Mar – 16</del> Aug - 16

# RECOMMENDATIONS INCOMPLETE

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<p>Accounts Payable</p>	<p>3c) The software providers to the Key2 and Servitor system should be contacted to request that electronic work flows functionality are upgraded into the systems</p> <p>3d) In relation to the Key2 and Servitor system, communication should be given about following procedures where the individual who authorised the purchase order should not be the individual who initially raised the purchase order</p> <p>3f) Sufficient training should be provided to all users of the Key2 system</p>	<p>H</p>	<p>Caroline Wood</p>	<p>Mar - 16</p>	<p>3c) Due to the ongoing IT migration process this recommendation has not been implemented and is a work in progress</p> <p>3d) Training has been scheduled to communicate this message to individuals using both the Servitor and Key 2 system. However, this is work in progress</p> <p>3f) The payments team had training in November 2015 however, further knowledge on the key2 and servitor system is required for further resilience. Further training dates need to be provided ongoing.</p>	<p>Aug -16</p>
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# RECOMMENDATIONS INCOMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
Accounts Payable	<p>4a) DCAL system users should be reminded of the minimum expectations around the narrative to be placed into the system</p> <p>4b) Receipts must be kept in an agreed format and location with communication made to set out clearly the procedures required to be followed to retain hard copy receipts to all users.</p>	H	Caroline Wood	Jan - 16	<p>4a) Draft guidance is due to be issued at the end of June 2016 and further work has been completed on the Dcal system</p> <p>4b) Part of guidance notes to be published, are able to store receipts on the decal system so the guidance needs to be updated.</p>	<del>Mar - 16</del> Aug - 16
Accounts Payable	<p>6e) A monthly action log should be retained detailing the following key areas:</p> <ul style="list-style-type: none"> <li>•Issue identified</li> <li>•Risk relating to the issue</li> <li>•Action plan to mitigate the risk identified</li> <li>•Severity rating for the level of risk as high, medium or low</li> <li>•Responsible officer to implement the action plan</li> <li>•Due date of the action to be implemented</li> <li>•Due date to follow up the action implemented</li> <li>•The responsible person to oversee the action log.</li> </ul>	M	Caroline Wood	Dec - 15	6e) KPIs are considered within the monthly management meetings however action logs have not yet been created. This will be addressed in the next 2 months.	<del>Mar - 16</del> Aug - 16

# RECOMMENDATIONS INCOMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
Accounts Receivable	5b) The accounts receivable team should ensure reminder letters are sent at consistent points within the process, including a first reminder one week after the invoice due date	H	Damon Venning	Dec - 15	5b) A correction within the Agresso system parameters was made where all reminder letters are sent 8 days from the due date. However, the second reminder letter will be implemented in September 2016. The income teams are looking to procure a new financial system which will have more debt recovery processes in comparison to the current system.	<del>May - 16</del> Sept - 16
Accounts Receivable	5d) The Council should consider introducing behavior economics into the recovery of their debt particularly via the presentation of the letters sent to customers when recovering debt. As a measure of good practice we have attached various 'nudge and shove' behavioral economic techniques which can be used to modify reminder letters which are proven to have a significantly positive impact on the recovery of debt - see appendix II.	H	Damon Venning	April - 16	5d) Training was conducted in February 2016 which considered a number of nudge techniques. Furthermore, live training was provided to staff on language techniques to use for debt recovery letters. A consultant has been hired scheduled for December 2016 where the correspondence will be revised and embedded into the Northgate system.	Dec - 16

# RECOMMENDATIONS INCOMPLETE

270

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
Accounts Receivable	<p>9a) An end-to-end map needs to be drawn of the relationship between the central accounts receivable team and the originator departments with regards to the raising and recovery of Council monies</p> <p>9b) This map then needs to be critiqued by all stakeholders with clear direction set out for how efficiencies in the process can be made</p>	M	Damon Venning	Apr - 16	9a/b) This date was originally put in before the audit plan was approved. Internal Audit will be constructing the end to end map process between the central accounts team and originator departments this review is scheduled within the approved audit plan for 16-17 as a result the revised due date has now been changed to December 2016	Dec - 16
SIGMA Systems	1) The control sheet must be completed and approved by two separate members of the SIGMA team upon any contractual change of rates charged on energy invoices	M	Andrew Sunderland	Dec - 15	Currently there are no contract rate changes made since July 2015 the contract rates are subject to change in October 2016. Furthermore, the water rates changed in March 2016. Therefore, the Council will be notified of changes to rates in September 2016 and the rates will be updated in October 2016. As a result we will review this recommendation once the new rates have been revised.	<del>Mar - 16</del> Oct - 16

# RECOMMENDATIONS INCOMPLETE

271

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
SIGMA Systems	4d) The financial benefits realised from the SIGMA system should be distributed to the SIGMA team, finance and other stakeholders as part of management information agreed – see Detailed Finding 10	M	Andrew Sunderland	Dec - 15	4d) The SIGMA team are currently keeping track of the volume and transactions that have been going through the system. However, the information has not been widely communicated. This will be discussed within the monthly Finance meeting and a plan will be put forward on the methods to be used to communicate on a wider basis	<del>Mar - 16</del> Aug - 16
SIGMA Systems	5a) A report should be run each week which lists query follow-up dates in date order  5b) Queries must be followed up no later than the date they become due	H	Andrew Sunderland	Dec - 15	5a) The focus for the SIGMA team was to clear all arrears on credit and debit balances and fully embed the system. As a result the reporting elements have not been considered this recommendation will be reviewed in August 2016.  5b) Once the SIGMA team are in a situation to regulate the reporting elements the due dates for queries will be followed more stringently	<del>Mar - 16</del> Aug - 16

# RECOMMENDATIONS INCOMPLETE

272

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
SIGMA Systems	<p>6a) An evidenced reconciliation must be undertaken within 48 working hours of an Agresso file import and prior to the payment run on Agresso</p> <p>6b) The format of the reconciliation template in appendix II should be incorporated into the reconciliation as a minimum</p> <p>6c) The reconciliation hard copy should be scanned and sent to the finance team upon completion</p> <p>6d) The best practices set out in appendix II should be incorporated into the reconciliation control</p>	H	Andrew Sunderland and Stacie Tomkins	Dec - 15	<p>6abc) Reconciliations are conducted between the SIGMA system and Agresso however these are currently not being evidenced. As a result this recommendation will be followed up in August 2016</p> <p>6d) A revised Template as set out in appendix II has not been implemented as reconciliations are currently not being documented. As a result this recommendation will be reviewed in August 2016</p>	<p><del>Mar - 16</del></p> <p>Aug - 16</p>
SIGMA Systems	9) At least quarterly meetings should be held between the SIGMA team Managers and finance	M	Paul Spencer, Andrew Sunderland and Finance Business Partners	Feb - 16	9) Quarterly Finance meetings are due to be scheduled with Anna Winship. However, these have not yet been agreed as a result a revised due date has been implemented for August 2016	<p><del>Mar - 16</del></p> <p>Aug - 16</p>



# RECOMMENDATIONS INCOMPLETE

273

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
SIGMA Systems	<p>11a) A minimum of three energy invoices across all suppliers should be spot checked per SIGMA export file for the first three months post implementation. See appendix I where we detail the spot checks that should be undertaken and best practices which should be implemented as part of this recommendation</p> <p>11b) After three months the SIGMA team in agreement with finance should consider the level of spot-checking that is required per each SIGMA export file</p>	H	Andrew Sunderland and Nathan Kirwan/Paul Spencer	Dec - 15	<p>11a) Spot checks have not been carried out across all suppliers this recommendation will be reviewed in August 2016.</p> <p>11b) On average there are six export files a week that are created there are discussions with Paul Spencer on the level of spot checking to be carried out</p>	<p><del>Mar - 16</del> Aug - 16</p>
SIGMA Systems	12) To conduct a Post Implementation Review 8 weeks after the go-live date following the requirements set out in appendix III as a minimum	M	Paul Spencer and Anna Winship	Mar - 16	12) Due to ongoing IT issues the implementation of the SIGMA was delayed as a result a post implementation review has not been scheduled this will be discussed within the quarterly finance meetings. As a result, the due date has been revised to August 2016	Aug - 16

# RECOMMENDATIONS INCOMPLETE

274

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
Enforcement	1) A separate and more detailed Planning Enforcement Policy is created in line with the guiding principles of the Council's Corporate Enforcement Policy	M	Ian Wright	Dec - 15	1) As part of the restructure, the Council's planning services have been restructured to planning and regulatory services. There is currently one resource available to cover the roles within the planning regulatory services as a result the planning and enforcement policy has not been completed. This will go forward to the scrutiny committee and the policy is due to be implemented in December 2016	Dec - 16

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**To:** Audit & Governance Committee

**Date:** 29 June 2016

**Report of:** Head of Financial Services

**Title of Report:** Investigation Team Performance for Financial Year 2015/16

## Summary and Recommendations

**Purpose of report:**

1. To appraise Members of the activity and performance of the Corporate Investigation Team for the period 1 April 2015 to 31 March 2016

**Key decision** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Corporate Plan Priority – Efficient & Effective Council

**Recommendation(s):** That the report be noted

## Appendices

Appendix 1 – Internal Investigations – Exempt from publication

### Background

1. Following the introduction of the Single Fraud Investigation Service SFIS, the remit of the Investigation Team has moved away from tackling Housing Benefit fraud to a corporate orientated approach aligned to our services' fraud risks and the priorities identified by the Audit Commission. 2015-2016 is the first full year the team have operated as a Corporate Fraud Team.

The aims and objectives of the Team are to provide high quality professional corporate fraud investigation services to the Council to prevent and detect fraud and error within the Council and partner organisations, and to assist cross border agencies where possible. Through this activity, financial losses are prevented and additional revenue is identified for recovery.

## Performance

- For 2015/16, there were three Service Performance Indicators used to track performance on a monthly basis. Performance against these targets is shown in the table below.

<b>Table 1 - Investigations Team Performance from 01 April 2015 to 31 March 2016</b>			
<b>Measure</b>	<b>Annual Target</b>	<b>Total</b>	<b>Comment</b>
Number of properties returned to housing stock	20	21	Target exceeded.
Income raised and payments prevented from non welfare benefit fraud	£200,000	£3,905,860 (£653,026 income recovered & £3,252,834 losses prevented)	See Table 2 for breakdown
Users Satisfied with Investigation Service	95%	100%	*100% satisfaction feedback. (see explanatory note below)

\*46 satisfaction surveys issued on conclusion of interviews under caution. 31 responses, 100% of which are either satisfied or very satisfied with the service.

3. Table 2 below provides an analysis of the income recovered and loss avoided by the Team.

<b>Table 2 – Breakdown of Income &amp; Savings achieved 1 April 2015 to 31 March 2016</b>			
	<b>Income</b>	<b>Loss</b>	
	<b>Generated</b>	<b>Avoidance</b>	<b>Comment</b>
	£	£	
Council Tax Reduction Scheme	75,903	22,334	Achieved through investigation of benefit claims, 57 of which were closed in the period. The loss avoided is based on a standard 32 week entitlement which is the average number of weeks a claim is likely to have continued without intervention
Right to Buy		2,726,500	35 Right To Buy applications withdrawn following intervention / investigation. 30 x £77,900 (max discount)
Council Tax Discount / Exemption adjustments	52,643		In 46 cases out of 54 accepted for investigation, it was determined that a discount or exemption was awarded incorrectly due to customer misrepresentation
Non Domestic Rates	416,118		14 accounts where investigation work has resulted in the discovery of unregistered business premises and the identification of reductions where no entitlement exists
Properties Recovered		378,000	The cost of keeping a family in temporary accommodation for one year as determined by the Audit Commission - £18,000 per property for each of the 21 social properties recovered
Housing Application		126,000	7 General Register Housing Applications stopped through investigation activity preventing temporary accommodation costs or property allocation - £18,000 per instance

Administrative Penalty income	423		50% of the fraudulent overpayment of Council Tax Reduction Scheme Allowance. 1 case.
Training Course Income	1,511		Through facilitation, sale and delivery of training courses to external customers
Unlawful Profit Order	508		6 cases of sub-letting resolved, 1 of which resulted in the imposition of a Court order to recover illegal gains made by the social housing tenant
Compensation from Proceeds of Crime Investigations	105,920		From capital identified during the course of a criminal investigation, bank accounts frozen and funds confiscated after successful prosecution
Totals	<b>653,026</b>	<b>3,252,834</b>	<b>3,905,860</b>

4. Activity from 1 April to 31 March 2016 included:

- a. 6 cautions administered in respect of Council Tax Reduction Scheme offences
- b. 1 Administrative Penalty offered and accepted in respect of Council Tax Reduction Scheme offences
- c. 15 successful prosecutions relating to Housing Benefit and Council Tax Reduction Scheme cases. Press releases prepared and issued for all prosecutions. Sentences administered include:
  - i. 4 cases with 12 month community orders
  - ii. 2 cases with 18 months custodial sentence suspended for 2 years
  - iii. 1 case with a 2 year custodial sentence
  - iv. 1 case with a 1 year custodial sentence
  - v. 1 case with a 3 month curfew order
  - vi. 1 case with a 6 month curfew order
  - vii. 1 case with 26 weeks custodial sentence
- d. The team appeared in season one of “Council House Crackdown” in July, a 5 part BBC television documentary detailing the work of Housing Investigators around the country. It was felt that the programme was positive and helped to raise awareness of tenancy fraud issues. The programme was considered a success by the television network and season 2 was subsequently commissioned. The team have again taken part in filming and will feature in the next 10 episode season, first episode of which aired 23 May 2016.



## Internal Investigations

- Two internal investigations commenced in the period and as at 31 March 2016, are ongoing. See Appendix 1.

## Department for Communities and Local Government Grant (DCLG) Funding / Fraud Hub

- Fraud hub working arrangements have continued to evolve in accordance with the funding award from the DCLG, key milestones achieved include:
  - Agreements in place with South Oxfordshire District Council and Vale of White Horse District Council for the provision of corporate investigation services. As at 31 March 2016, total income generation to the value of £122,226 has been identified as below:

Value (£)	South Oxfordshire District Council	Vale of White Horse District Council
Housing Benefit Overpayments	27,255	70,454
Council Tax Reduction Scheme Overpayments	3,600	10,096
Council Tax Benefit Overpayments		3,557
Administrative Penalties	2,414	4,850
<b>Total</b>	<b>33,269</b>	<b>88,957</b>

- Agreement in place with Oxfordshire County Council for the provision of investigation services. The team is providing an end to end investigation function which includes logging referrals, reporting, investigating and taking sanction action where appropriate. Several investigations of varying types are underway with some concluded. Outcomes have included recommendations of civil recovery and process improvements to prevent further abuse occurring in specific service areas.

A proactive Blue Badge Enforcement exercise was undertaken on behalf of the County Council under the terms of the Business Agreement. 11 badges were seized over the course of a 3 day exercise. The badges had either expired or were being misused. Further action against the badge users is now being taken and criminal interviews have been conducted. The outcome of the interviews is being analysed and consideration being given to potential prosecution action, or other form of sanction where appropriate. Positive publicity was received through press and radio news articles and County Council member support were attached to the exercise.

- The newly acquired Data Warehouse system is being used internally to cross match City Council data sets. Pilot initiatives have commenced using Council Tax Single Person Discount (SPD) and Housing Private Rented Sector (PRS) Deposit & Bond data. The SPD pilot initiative was undertaken in one parish in the City and has shown that 23% of the SPD awards in this area required alteration. This has given cashable savings in excess of £33,000. A programme of reviews across all other parishes will continue throughout the year.

### **Fraud and Error Reduction Incentive Scheme (FERIS)**

7. An announcement by the DWP in early 2016 stated that the FERIS scheme would continue for a further 12 months. The targets have been adjusted to allow local authorities a reasonable chance of receiving subsidy through the scheme through further initiatives. Oxford City Council were successful in securing funding made available through the scheme, as were South and Vale Councils. As a result of this, Oxford City Council have again been commissioned to provide the FERIS visiting service to South and Vale District Councils until March 2017.

### **Protecting the English Public Purse Fraud Briefing 2015.**

8. The European Institute for Combatting Corruption and Fraud, conducted a fraud and corruption survey in 2015/16, which the team participated in. The results were included in the "Protecting the English Public Purse 2015" document, which summarised the responses from all local authority fraud teams which took part. A Fraud Briefing for Oxford City Council was provided in addition to the main survey results which identified the City Council as one of the top performing authorities for tackling fraud and corruption in England.

### **Legal Issues**

9. The continuing work of the Investigation Team, coupled with the Council's Avoiding Bribery, Fraud and Corruption, Whistle Blowing and Money Laundering policies and procedures give assurance that the Authority is compliant with the Bribery Act 2010, the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002. Failure to adhere to the Policies would impact on the legal and reputational risk to the Council.
10. All data sharing both internally and externally is covered by Data Sharing Protocols and is conducted in the interests of prevention and detection of fraud, crime and other financial irregularity, as per the provisions of section 29 of the Data Protection Act 1998.

11. Agreements devised for joint working with other organisations have been agreed with Legal Services.

### **Financial Issues**

12. The net cost of the team excluding income from the Housing Revenue Account was £220,370 for the financial year 2015/16. The team were charged with identifying fraud, error and loss to recover these costs as an indication of value for money. The Team has identified cashable income of £653,026 and has prevented losses of £3,252,834, in line with the forecasts made in the February report.

### **Environmental Impact**

13. The majority of visits undertaken by staff in the Team are done using the Council pool vehicles. All staff are conscious of the environmental implications of service delivery and will always seek the lowest impact route where possible.

### **Level of Risk**

14. The risk of fraud both from within the Council's business and impacting on the Council's business may be significant. The maintaining of a fraud investigation resource acts as a deterrent to fraudulent activity and the saving; both cashable and non-cashable has more than offset the cost of running the Investigating Team for the 2015/16 financial year.

**Name and contact details of author:-**

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By virtue of paragraph(s) 7 of Part 1 of Schedule 12A  
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## MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE

Tuesday 1 March 2016

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**COUNCILLORS PRESENT:** Councillors Fry (Chair), Fooks (Vice-Chair), Coulter, Darke, Munkonge and Paule.

**OFFICERS PRESENT:** Nigel Kennedy (Head of Financial Services), Jeremy Thomas (Head of Law and Governance), Jennifer Thompson (Committee and Members Services Officer), Scott Warner (Investigation Manager), Anna Winship (Management Accountancy Manager), Jackie Yates (Executive Director Organisational Development and Corporate Services), Gurpreet Dulay (Manager, BDO Internal audit), Greg Rubins (Partner, BDO internal audit), Paul King (Ernst & Young external auditor) and David Guest (Ernst & Young external auditor)

### 42. APOLOGIES FOR ABSENCE

There were no apologies.

### 43. DECLARATIONS OF INTEREST

There were no declarations.

### 44. INVESTIGATION TEAM PERFORMANCE AND ACTIVITY Q1-Q3 REPORT

The Chair took this item first.

The Committee considered the report of the Head of Financial Services, setting the activity and performance of the Corporate Investigation Team from 1 April 2015 to 31 January 2016.

In response to questions officers reported:

- The team aimed to cover its costs by generating income and hoped to repeat this year's success while accepting this may be harder.
- The targets for the FERIS scheme had reduced significantly.
- Income generated and loss avoidance figures for right to buy, property recovery, and housing application fraud prevention were calculated using the Audit Commission methodology.
- Business rates were subsumed into the overall figures in the budget not separately identified: this was a significant amount of money but not a large percentage of the total income.
- The satisfaction survey dealt with the process rather than the outcome and was generally completed at the time of the interview. Surveys could be taken away for completion but were generally not sent back.

Councillors asked for information on the actual net income recovered for the city and county councils in this financial year, in particular for business rates, through recovery and loss prevention.

The Committee noted the report and commended the team on their success.

#### **45. EXTERNAL AUDIT - AUDIT PLAN 15-16 MARCH REPORT**

The Committee considered the report of the Council's external auditors, Ernst & Young, setting out how they would carry out their responsibilities for the 2015-16 audit.

Paul King and David Guest, Ernst & Young, outlined the plan for the 2015-16 audit. They reported a reduction in fees from 2014/15 audit. They had not identified any significant risks in the council's arrangements and no significant risks to the value for money assessment. The definition of 'sustainable' used related to financial stability for the continuation of an activity. Measuring social value (as in the Public Services (Social Value) Act 2012) was beyond the remit of the audit. Materiality was consistent with previous years (0.1% of the gross expenditure).

The Committee agreed the audit plan as set out.

#### **46. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT FOR 2014/15**

The Committee considered the report of the Council's external auditors, Ernst & Young, summarising the work on the Council's housing benefit subsidy claim and the outcome.

David Guest, Ernst & Young, introduced the report, outlined the certification process and explained there was no leeway or materiality permitted in the certification. He thanked officers for their help with the audit.

He and officers reported and answered questions as follows:

- There was no leeway in the extremely proscriptive auditing requirements from the Department of works and Pensions.
- There was a caseload of around 12,000 individuals. Claims were tending to become more complex and require more work to assess.
- Speed of assessment and accuracy were not always compatible performance targets. It was acknowledged that errors created extra work for staff and adverse impacts for claimants.
- Additional testing was required because of the number of errors, creating a significant amount of work for a small net effect.

The Committee agreed to note the certification of claims letter and returns report.

#### **47. LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING**



The Committee considered the local government audit briefing from the Council's external auditors, Ernst & Young and noted:

- The Head of Financial Services had prepared responses to consultations on the New Homes Bonus and Council Tax Support scheme.
- There was no further information on the changes proposed for business rates from April 2020 but there would be new burdens. Revenue Support Grant was being phased out in the run up to this and for Oxford City Council the RSG entitlement was reduced to zero from 1<sup>st</sup> April 2019.
- Work on the financial viability of devolution proposals would be undertaken if there was a political will to proceed.

#### **48. INTERNAL AUDIT PROGRESS REPORT, QUARTER 3 2015/16**

Councillor Paule left before the start of this item.

The Committee considered the report of the Council's internal auditors, BDO, setting out progress against the approved internal audit plan and detailing the recommendations from three audit reports highlighting moderate risks.

The Committee noted the report and the recommendations arising.

#### **49. INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS MARCH 2016 REPORT**

The Chair took this item next.

The Committee considered the report of the Council's internal auditors, BDO, setting out progress on implementing the recommendations arising from previous internal audits.

The Committee noted the report and asked that the report show the original anticipated completion date and the actual or expected completion date.

#### **50. INTERNAL AUDIT DRAFT PLAN 2016-17 TO 2016-19**

The Chair left the meeting at this point for another appointment, and the Vice-Chair took the chair for the remainder of the meeting.

The Committee considered the report of the Council's internal auditors, BDO, setting out the internal audit plan in detail for 2016-17 and in summary to 2019.

The Committee noted that:

- The plan provided for 230 days work and remained flexible to accommodate new risks and challenges.
- Social value measures would be taken into account where appropriate.
- While there was some duplication with Investors in People, this was accounted for in internal audit's wider remit.

- Treasury management was regularly reviewed to assess resilience. The Council mostly held long term safe investments rather than the stock market, aiming for security and liquidity.

The Committee approved the audit plan as set out in the report of the internal auditors.

**51. PROGRESS ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS: QUARTER 3 2015/16**

The Committee considered the report of the Head of Financial Services, setting out progress on the implementation of internal and external audit recommendations, and noted that the collection fund recommendations were now completed.

The Committee noted the report.

**52. RISK MANAGEMENT REPORT: QUARTER 3 2015/16**

The Committee considered the report of the Head of Financial Services, setting out corporate and service risks as at the end of Quarter 3, December 2015.

The Committee noted the report and noted the prudent approach taken to mitigating serious risks arising from the government's proposals around social housing.

**53. OFFICER EXECUTIVE DECISIONS MAY 2015 TO FEB 2016**

The Committee considered the report of the Head of Law and Governance, setting out Officer Executive Decisions taken this financial year.

The Committee noted the report and decisions taken and asked if more financial information could be included in these.

**54. MINUTES OF THE PREVIOUS MEETING**

The Committee agreed to approve the minutes of the meeting held on 16 December 2015 as a true and accurate record and the Vice-Chair (in the Chair) signed these as such.

**55. DATES AND TIMES OF MEETINGS**

The Committee noted the dates and times of future meetings.

**The meeting started at 5.30 pm and ended at 7.10 pm**