

Agenda

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Audit and Governance Committee

Date: **Wednesday 28 September 2016**

Time: **6.00 pm**

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

For any further information please contact:

**Catherine Phythian, Committee and Members Services
Officer**

Telephone: 01865 252402

Email: democraticservices@oxford.gov.uk

As a matter of courtesy, if you intend to record the meeting please let the Contact Officer know how you wish to do this before the start of the meeting.

Audit and Governance Committee

Membership

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

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

HOW TO OBTAIN A COPY OF THE AGENDA

In order to reduce the use of resources, our carbon footprint and our costs we will no longer produce paper copies of agenda over and above our minimum requirements. Paper copies may be looked at the Town Hall Reception and at Customer Services, St Aldate's.

A copy of the agenda may be:-

- Viewed on our website – mycouncil.oxford.gov.uk
- Downloaded from our website
- Subscribed to electronically by registering online at mycouncil.oxford.gov.uk

AGENDA

	Pages
1 APOLOGIES FOR ABSENCE	
2 DECLARATIONS OF INTEREST	
3 EXTERNAL AUDIT - ANNUAL AUDIT RESULTS 2015-16 Report of the External Auditor: Ernst & Young Purpose: to inform the Committee of the conclusions of the 2015/16 Annual Audit. Recommendation: That the Audit & Governance Committee considers and notes the report.	9 - 26
4 STATEMENT OF ACCOUNTS FOR 2015/16 Purpose: To submit the Council's Statement of Accounts and Letter of Representation for approval and authorisation. Recommendation(s): That the Audit & Governance Committee: a) Approve the audited 2015/16 Statement of Accounts as certified by the Head of Financial Services and authorise the Chair of the Committee to sign the Accounts b) Approve the Letter of Representation to enable the opinion to be issued (paragraph 12) c) Recommends to Council that the Council opt in to the national procurement of external auditors (paragraph 13)	27 - 180
5 REVIEW OF THE ICT SERVICE TRANSITION PROJECT IN APRIL 2016 Purpose: To detail the lessons learnt from the ICT transition to the new service provider, SCC, on expiration of the contract with Oxfordshire County Council. Recommendation: That the Audit & Governance Committee notes the report.	181 - 192
6 INTERNAL AUDIT: PROGRESS REPORT TO SEPTEMBER 2016 Report of the internal auditor: BDO Purpose: to inform the Committee of progress made against the 2015/16 and 2016/17 internal audit plans. Recommendation: That the Audit & Governance Committee	193 - 202

considers and notes the report.

7 INTERNAL AUDIT: FOLLOW UP OF RECOMMENDATIONS TO SEPTEMBER 2016

203 - 214

Report of the internal auditor: BDO.

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

Recommendation: That the Audit & Governance Committee considers and notes the report.

8 INTERNAL AUDIT: AUDIT REPORTS TO COMMITTEE SEPTEMBER 2016

Report(s) of the internal auditor.

Purpose: to inform the Committee of the reports and recommendations from audits identifying medium-level risks.

Recommendation: That the Audit & Governance Committee considers and notes the report(s).

a INTERNAL AUDIT REPORT - ICT SERVICE DESK

215 - 232

Report attached.

9 RISK MANAGEMENT REPORT: QUARTER 1 2016/17

233 - 242

Purpose: To update the Committee on both corporate and service risks as at the end of Quarter 1, 30 June 2016.

Recommendation(s): That the Audit & Governance Committee:

1. notes the content of the report
2. reviews the revised corporate risk register (Appendix A)
3. agrees the proposed change to the risk prioritisation matrix (paragraph 3 and Appendix B).

10 OFFICER EXECUTIVE DECISIONS: QUARTERLY TO SEPTEMBER 2016

243 - 246

Purpose: to inform the Committee of the Officer Executive Decisions taken in the quarter June to September 2016.

Recommendation: That the Audit & Governance Committee notes the report.

11 MINUTES OF THE PREVIOUS MEETING

247 - 254

Minutes of the meeting held on 29 June 2016.

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 Committee 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.

12 INVESTIGATION TEAM PERFORMANCE UPDATE 2016/17

255 - 266

Purpose: To appraise the Committee of the activity and performance of the Corporate Investigation Team for the period 1 April 2016 to 31 July 2016.

Recommendation: That the Audit & Governance Committee notes the report.

13 DATES AND TIMES OF MEETINGS

The Committee will meet at 6.00pm in the Town Hall on the following dates:

16 December 2015

1 March 2016

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.

- a)
- b)

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Oxford City Council

Audit Results Report - ISA (UK and Ireland) 260
for the year ended 31 March 2016

September 2016

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.psa.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 Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members 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.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit and Governance Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Oxford City Council for the year ended 2015/16. Subject to satisfactory completion of the outstanding items included in Appendix B.</p> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Council's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>The Council is below the reporting thresholds for income, expenditure, assets and liabilities for Whole of Government Accounts purposes so our work on this is limited to reporting that fact to the NAO once the final Whole of Government Accounts return has been submitted.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>Our audit identified a number of audit differences which our team have highlighted to management for amendment. The majority of these are below our reporting threshold and all have been corrected during the audit. There was one audit difference which was above our reporting threshold and further details are provided at Appendix A.</p> <p>These adjustments have not had an impact on useable reserves.</p>
Scope and materiality	<p>In our audit plan presented at the March 2016 Audit and Governance Committee meeting, we communicated that our audit procedures would be performed using a materiality of £3,728,000. We have reassessed this based on the actual results for the financial year and we increased this amount to £3,857,000. The reason for the increase in planning materiality was a higher operating expenditure in 2015/16 compared to the Council's 2014/15 outturn.</p> <p>The basis of our assessment is 2% of gross operating expenditure, which has remained consistent with prior years.</p> <p>The threshold for reporting uncorrected audit differences which impact the financial statements has also increased from £186,000 to £192,000.</p>
Significant audit risks	<p>We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:</p> <ul style="list-style-type: none"> Valuation of property, plant and equipment

-
- Risk of fraud in revenue and/or expenditure recognition
 - Risk of management override.

The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.

Other reporting issues

We have no other matters we wish to report.

Control observations

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

During the audit, we identified one observations and improvement recommendation in relation to management's financial processes and controls. This is set out in the "Assessment of control environment" section of this report.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Paul King

Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office. For the Council this work is limited to confirming that the Council falls below the reporting thresholds for income, expenditure, assets and liabilities.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>PPE Valuation</p> <p>The value of the Council's property, plant and equipment is material and there has been a significant increase in value from the prior year.</p> <p>Economic conditions continue to be uncertain, which has a potential impact upon the valuation of the property, plant and equipment. There is a requirement to assess the carrying value of assets for impairment every year and under ISAs (UK&I) 500 and 540 we are required to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.</p>	<p>We:</p> <ul style="list-style-type: none"> agreed the source data used by the valuers to supporting records; assessed the work of the valuers to ensure that assets have been valued and recorded appropriately; agreed the outputs to the fixed asset register and statement of accounts; and reviewed the Authority's assumptions underlying any impairment review undertaken. 	<p>No issues were identified from our review of the work performed by the Council's valuers. There was an immaterial error identified where the incorrect information from the Valuers report was taken to the Statement of accounts. This is detailed within Appendix A.</p> <p>The Council has not identified any impairments of PPE for the year. We have reviewed the Council's assumptions in reaching this conclusion and we used our own sources of evidence, including the Gerald Eve valuation report for Local Government Bodies, to establish that the risk of material misstatement was sufficiently low to accept the reasonableness of the Council's assumptions.</p>
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>We</p> <ul style="list-style-type: none"> Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; Reviewed accounting estimates for evidence of management bias; and Evaluated the business rationale for any significant unusual transactions. 	<p>Our testing of journal entries did not identify adjustments which were outside of the normal course of business. All journals tested had an appropriate business rationale.</p> <p>The most significant accounting estimates in the financial statements relate to the net pension liability and property valuations. We found no indication of management bias in these estimates.</p> <p>We did not identify any evidence of management override or fraudulent activity.</p>
<p>Risk of fraud in revenue recognition</p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that</p>	<ul style="list-style-type: none"> Reviewed and tested revenue and expenditure recognition policies; Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias; Developed a testing strategy to test material revenue and expenditure streams; and 	<p>Our testing gave us no concerns as to inappropriate revenue and expenditure recognition through fraudulent or biased management decisions.</p>

auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.	<ul style="list-style-type: none"> • Reviewed and tested revenue cut-off at the period end date.
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Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

We have no matters we wish to report.

Control themes and observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

The matter reported below is limited to those deficiencies that we identified during the audit and that we concluded is of sufficient importance to merit being reported to you.

Description	Impact
Process for adding electoral staff to iTrent is via a spreadsheet with no additional support to confirm details retained.	There is a risk that some electoral staff may not exist and there is no support to agree back to.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

Request for written representations

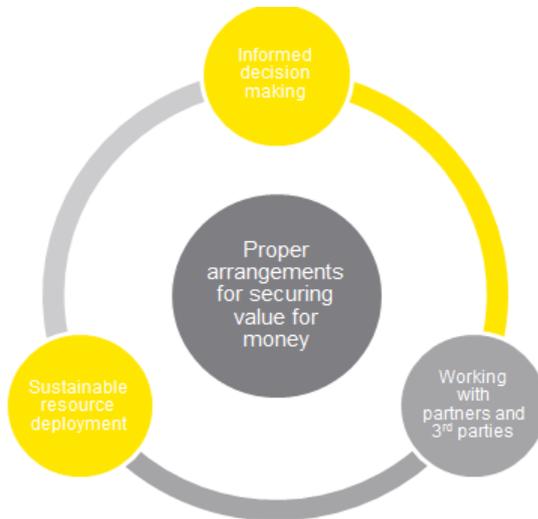
We have asked for a representation letter to gain management's confirmation on a number of matters, as outlined in the papers for the Audit and Governance Committee on 28 September 2016.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Audit and Governance Committee. The Council is below the reporting thresholds for income, expenditure, assets and liabilities for Whole of Government Accounts purposes so our work on this is limited to reporting that fact to the NAO once the final Whole of Government Accounts return has been submitted.

4. Value for money



We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

Overall conclusion

We did not identify any significant risks for these criteria through our audit planning risk assessment

We therefore expect to conclude that the Council has proper arrangements to secure value for money in its use of resources.

Appendix A – Corrected audit differences

The following corrected differences have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

Disclosures

Disclosure	Description of difference
Property, Plant and Equipment	We have identified two valuations on Council Dwellings performed by external valuers that were not reflected in the FAR and therefore the financial statements. The first error caused the PPE balance to be understated by £115,200 whereas the second error caused an overstatement of £11,200. This leaves a net adjustment made in the accounts of £104,000
Group Accounts – Barton Oxford LLP	The Barton Oxford LLP 2015/16 accounts were audited by Grant Thornton. This audit identified adjustments required to those accounts for an increase in Non Current Assets of £2.293m. The Council, within their statement of accounts, provides summary accounts for Barton Oxford LLP which will need to be updated to reflect this change.
Financial Instruments	The Current loans and receivables were stated at £15,426k, but should be £13,180k. Current financial liabilities were stated at £20,516k, but should be £14,020k. Neither of these amendments impact on the main financial statements.

Appendix B – Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report

Item	Actions to resolve	Responsibility
Pension Liability Valuation	Receipt and evaluation of assurance from the Pension fund administrator's auditor.	EY and Oxfordshire County Pension Fund auditor.
Subsequent events review	Complete the subsequent events procedures up to the date the audit report is signed.	EY and management
Whole of Government Accounts	Submission to the NAO of confirmation that the Council falls below the reporting thresholds for income, expenditure, assets and liabilities, once the Council has made its final Whole of Government Accounts submission.	EY and management

Appendix C – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan presented on 01 March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit and Governance Committee on 28 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 01 March 2016.

Appendix D – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee - Code work	86,175	86,175	N/a
Certification of claims and returns	25,438	25,438	N/a

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Appendix E – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Oxford City Council's ability to continue as a going concern for the 12 months from the date of our report.
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters we wish to report.

Required communication	Reference
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management’s refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	We have received all requested confirmations.
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have not identified any material instances of non-compliance with laws and regulations.
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY’s objectivity and independence</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan and Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	Audit Results Report]
<p>Group audits</p> <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work ▶ Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Plan Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	Audit Plan Audit Results Report
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	Certification Report

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To: Audit and Governance Committee

Date: 28 September 2016

Report of: Head of Financial Services

Title of Report: Statement of Accounts for the Year Ending 31st March 2016

Summary and Recommendations

Purpose of report: To submit the Council's Statement of Accounts and Letter of Representation for approval and authorisation.

Key Decision No

Executive lead member Councillor Ed Turner

Policy Framework: Efficient and Effective Council

Recommendation(s): That the Committee:

- a) Approve the audited 2015/16 Statement of Accounts as certified by the Head of Financial Services and authorise the Chair of the Committee to sign the Accounts
- b) Approve the Letter of Representation to enable the opinion to be issued (paragraph 12)
- c) Recommends to Council that the Council opt in to the national procurement of external auditors (paragraph 13)

Appendices

Appendix A –Statement of Accounts 2015/16

Appendix B – Letter of Representation

Background

1. On the 9th June 2016 the draft 2015/16 Statement of Accounts (the Statements) were certified by the 'Responsible Officer', the Head of Financial Services as a true and fair view of the financial position of the authority at the 31st March 2016. The accounts were duly authorised to be released for audit.

2. Following audit by Ernst and Young the Statements have been re-certified by the Head of Financial Services and re-presented to this Audit and Governance Committee for final approval, prior to the 30th September deadline in accordance with the regulations.
3. In preparation for the earlier closure dates due to be implemented in 2017/18, (Accounts completed by 31st May and audited by 31st July) the Council completed its 2015/16 draft accounts by 24th May 2016, and submitted them to Audit & Governance in line with the agenda deadline. The accounts and working papers were made available to the Auditors shortly after that and the Auditors started their audit on site on the 20th June with a planned finish by the end July.
4. Officers are discussing with the auditors how we can ensure both deadlines are met in future and will amend the approach to the preparation and audit in agreement with them in order that they can meet their deadline.
5. The 2015/16 audit is still ongoing but it is anticipated that it will be complete by the date of the Audit Committee so that the accounts can be signed off.
6. The auditors have made some recommended changes, in line with the Code of Practice, and have also issued a draft report on the outcome of the audit. This report appears elsewhere on the meeting agenda.
7. The auditors are expected to issue an unqualified opinion on the financial statements.

Uncorrected Misstatements

8. The Auditors have not identified any misstatements within the draft financial statements, which officers have not amended in the final version.

Changes to the Statements of Accounts

9. During the audit the external auditors identified a number of changes to the accounts which the Council have made. These changes do not have any material impact on the Council's overall financial position as they relate to disclosure notes, Balance Sheet items or items which are reversed out of the Comprehensive Income and Expenditure Statement (CIES) under normal accounting practice.
10. The Statement of Accounts, attached at Appendix 1, includes the adjustments that have been agreed and made as a consequence of the audit. The changes included are:
 - Note H2.1 has been amended to agree back to the main Property Plant and Equipment notes. Note H2.1 did not include one asset that should have been included.
 - The financial Instruments notes excluded some statutory debt, however some had not been excluded and so an adjustment has been made to

ensure all statutory debt is excluded. Statutory debt is specifically excluded from being classified as a financial instrument.

- The 2014/15 figures in the Earmarked Reserves, Grants and Officers Remuneration notes have been amended to correct transposition errors that were in the draft accounts.
- The exit packages note has been amended to remove the cost of flexible retirement after discussion with the auditors; it has been decided that these costs don't fall within the category of exit packages.
- Some adjustments have been made to property valuations reflected in the draft statements to agree the accounts back to the valuers reports.
- Impairment to Investment Property has to be shown within Financing and Investment Income and Expenditure rather than within services as is normal. Some of the impairment charged to the service related to property which has not been classified as investment property and this had been erroneously transferred to Financing and Investment Income and Expenditure. The non-Investment Property impairment has been adjusted back to the service.
- The group accounts supporting notes have been amended to reflect a change in accounting treatment that the Barton LLP auditors applied to those accounts. This change does not affect the amounts shown within the Oxford City Council group.

11. At the time of writing this report the audit is still in progress. A verbal update will be given at Audit and Governance Committee of any subsequent changes that need to be made.

Letter of Representation

12. Attached at Appendix 2 is a draft Letter of Representation which the Committee is asked to approve. This is a letter from the Council's Section 151 Officer setting out the processes and procedures the Council adopts to ensure that it is in compliance with its statutory requirements and that it has a sufficiently robust control framework to prevent and detect fraud and irregularities. Ernst and Young require this letter before they issue their opinion.

Future Audit Arrangements

13. Under the Local Audit and Accountability Act 2014, the Council has to appoint new external auditors. The auditors have to be appointed by 31st December 2017 and they will undertake the audit from the 2018/19 accounts onwards. A not for profit organisation, PSAA, has been appointed by DCLG as the appointed body for procuring external auditors under a national contract. There is also the option to appoint auditors on an individual authority basis or to enter into a consortium of local authorities. Since PSAA is letting contracts on a national basis, the expectation is that there will be better value for money achieved through this than any other approach. The recommendation of the Head of Financial Services is that the Council should opt in to contractual process being led by PSAA. PSAA would then assign the external auditors to the Councils that have adopted this approach. In

order for the Council to opt in to the national approach, the agreement of full Council is needed. It is therefore recommended that Audit and Governance Committee recommend to Council that the Council opts in to the national contract.

Financial Implications

14. These are covered within the main body of the report.

Legal Implications

15. 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.

Risk Implications

16. There are no risks associated with the recommendations in this report. For 2017/18 there is a risk that the audit will not be completed within the deadline. Officers are working with auditors to facilitate a faster audit of the statements for 2016/17 in preparation for the 2017/18 closedown.

Communication

17. The Audited Statement of Accounts for 2015/16 will be published on the Council's website along with a notice confirming the conclusion of the audit.

Name and contact details of author:-

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Service Area / Department: Financial Services,

Tel: 01865 252607 e-mail: blewis@oxford.gov.uk

Background papers: None

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.

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.

	2015/16	2014/15	Variation
	£000	£000	£000
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)	(392,995)	21,741
Money the Council is Owed	91,760	94,678	(2,918)
Net Worth of Council at 31st March	686,631	578,762	107,869

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 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.

	Business Rates	Council Tax	Total
	2015/16	2015/16	2015/16
	£000	£000	£000
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
Total (Surplus)/Deficit	8,110	(1,934)	6,176

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
Assistant Chief Executive	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)
Regeneration and Housing	(2,535)	(3,699)	(4,859)	(1,160)
Environmental Sustainability	789	712	779	67
Community Services	5,211	6,024	5,874	(150)
Direct Services	2,158	2,052	1,298	(754)
Community Services	8,158	8,788	7,951	(837)
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
Organisational Development & Corporate Services	14,147	15,527	15,480	(47)
Total Service Expenditure	20,414	21,534	19,308	(2,226)
Corporate Accounts and Contingencies	2,890	1,116	3,027	1,911
Net General Fund Expenditure	23,304	22,650	22,335	(315)
Total Funding	23,304	22,612	22,791	179
Net (Surplus)/Deficit	-	38	(456)	(494)
Working Balance	(3,622)	(3,622)	(3,622)	-

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 - 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), External Fees for Planning Policy Advice (£0.060 million), Food Hygiene courses (£0.040 million), Planning Fees (£0.053 million) and street trading licences (£0.022 million). This was mitigated by Fee Income for the Planning Design & Review Panel (£0.069 million) and staff vacancies across the service (£0.025 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)	-	-	-
Income	(44,043)	(43,730)	(45,595)	(1,865)
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
Expenditure	35,297	34,461	35,924	1,463
Net Operating Expenditure / (Income)	(8,746)	(9,269)	(9,671)	(402)
Appropriations	8,954	10,406	(138)	(10,544)
Net (surplus)/deficit	208	1,137	(9,809)	(10,946)
Working Balance	(4,000)	(4,000)	(4,000)	-

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	17,129	(944)	(942)	(2)
Housing Revenue Account Total	24,619	16,519	15,579	15,579	(940)	(447)	(493)
Grand Total	47,580	34,592	32,708	32,708	(1,884)	(1,389)	(495)

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

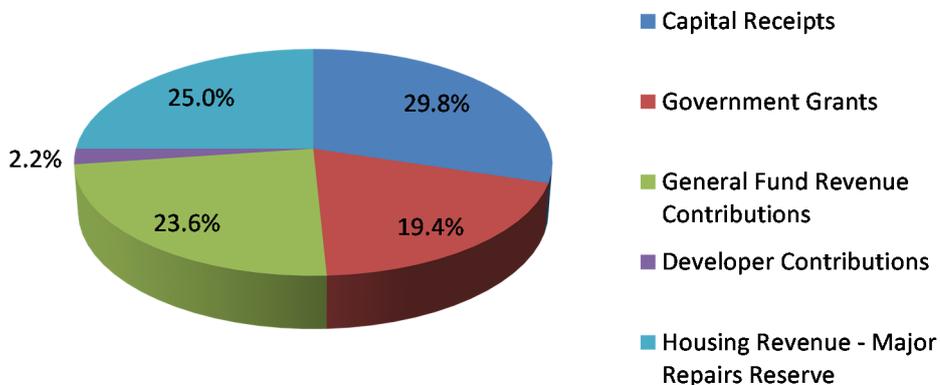
- **Tower Bock Refurbishment** - £5 million - Slipped into 2016/17 due to late starting of the project whilst awaiting approval of the revised budget
- **Extensions and Major Adaption**s - £0.301 million - Deferred into 2016/17 programme of works
- **Insulation Works** - £0.337 million - Deferred into 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)
Amounts shown in Group Accounts	(315)	(17)	(332)

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

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
- send an e-mail to either:
Head of Financial Services (Section 151 Officer) (Nigel Kennedy at nkennedy@oxford.gov.uk) or
Financial Accounting Manager (Bill Lewis at 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

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 Reserve	Total Usable Reserves	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Balance at 31st March 2014 carried forward		3,623	29,861	4,000	8,414	0	22,396	182	68,476	425,762	494,238	
Movement in Reserves during 2014/15												
Surplus/(Deficit) on the Provision of Services		39,725	-	6,135	-	-	-	-	45,860	-	-	45,860
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	38,664	38,664
Total Comprehensive Income and Expenditure		39,725	-	6,135	-	-	-	-	45,860	38,664	84,524	84,524
Adjustments between Accounting Basis & Funding Basis under Regulations	6	(36,792)	-	(8,685)	-	(0)	(11,042)	1,401	(55,118)	55,118	0	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		2,933	-	(2,550)	-	(0)	(11,042)	1,401	(9,258)	93,782	84,524	84,524
Transfers (to)/from Earmarked Reserves	7	(2,934)	2,934	2,550	(2,550)	-	-	-	-	-	-	-
Increase/(Decrease) in 2014/15		(1)	2,934	(0)	(2,550)	(0)	(11,042)	1,401	(9,258)	93,782	84,524	84,524
Balance at 31st March 2015 carried forward		3,622	32,795	4,000	5,864	0	11,354	1,583	59,218	519,544	578,762	578,762
Movement in Reserves during 2015/16												
Surplus/(Deficit) on the Provision of Services		4,942	-	3,695	-	-	-	-	8,637	-	-	8,637
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	98,987	-	98,987
Total Comprehensive Income and Expenditure		4,942	-	3,695	-	-	-	-	8,637	98,987	107,624	107,624
Adjustments between Accounting Basis & Funding Basis under Regulations	6	(2,001)	-	6,065	-	818	(5,228)	1,849	1,503	(1,503)	-	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		2,941	-	9,760	-	818	(5,228)	1,849	10,140	97,484	107,624	107,624
Transfers (to)/from Earmarked Reserves	7	(2,941)	2,941	(9,760)	9,760	-	-	-	-	-	-	-
Increase/(Decrease) in 2015/16		0	2,941	0	9,760	818	(5,228)	1,849	10,140	97,484	107,624	107,624
Balance at 31st March 2016 carried forward		3,622	35,736	4,000	15,624	818	6,126	3,432	69,358	617,028	686,386	686,386

**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).

	2015/16		2014/15	
	Gross Expenditure	Gross Income	Gross Expenditure	Gross Income
	£000	£000	£000	£000
	Notes			
		Net Expenditure		Net Expenditure
		£000		£000
Central Services to the Public	3,322	(1,734)	3,953	(1,989)
Cultural Services	16,901	(4,352)	15,770	(4,117)
Environment and Regulatory Services	19,305	(7,012)	18,129	(6,436)
Planning Services	8,375	(7,104)	8,781	(2,995)
Highways and Transport Services	11,398	(10,387)	13,705	(12,302)
Local Authority Housing (HRA)	34,158	(45,623)	32,333	(43,203)
Other Housing Services	71,219	(67,466)	75,587	(72,438)
Corporate and Democratic Core	3,669	(23)	3,544	(88)
Non Distributed Costs	11,836	(987)	1,440	(1,569)
Cost of Services		35,495		28,105
Other Operating Expenditure		(642)		(43,784)
Financing and Investment Income and Expenditure		(8,151)		(682)
Taxation and Non-Specific Grant Income		(35,339)		(29,499)
(Surplus)/Deficit on Provision of Services		(8,637)		(45,860)
(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets		(79,077)		(71,872)
(Surplus)/Deficit on Available for Sale Financial Instruments		(1,356)		-
Actuarial (Gains)/Losses on Pension Assets and Liabilities		(18,554)		33,208
Other Comprehensive Income and Expenditure		(98,987)		(38,664)
Total Comprehensive Income and Expenditure		(107,624)		(84,524)

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	782,643	718,366
Heritage Assets	12	2,509	2,496
Investment Properties	13	110,856	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
Long Term Assets		984,741	899,750
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
Current Assets		72,899	72,007
Short Term Borrowing	15	-	(895)
Short Term Creditors	15 & 20	(26,692)	(36,441)
Current Liabilities		(26,692)	(37,336)
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)
Long Term Liabilities		(344,562)	(355,659)
Net Assets		686,386	578,762
Usable Reserves	MIRS	(69,358)	(59,218)
Unusable Reserves	23	(617,028)	(519,544)
Total Reserves		(686,386)	(578,762)

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
Net Cash Flows from Operating Activities		(32,942)	(35,153)
Investing Activities	25	29,944	38,124
Financing Activities	26	574	490
Net (Increase)/Decrease in Cash and Cash Equivalents		(2,424)	3,461
Cash and Cash Equivalents at the Beginning of the Reporting Period		(6,712)	(10,173)
Cash and Cash Equivalents at the End of the Reporting Period	18	(9,136)	(6,712)

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
<1 Year	0%	2015/16	50%	25%	2015/16	50%
<2 Years	100%	2014/15	65%	25%	2014/15	60%
<3 Years	100%	2013/14	70%	50%	2013/14	80%
<4 Years	100%	2012/13	80%	50%	2012/13	80%
<5 Years	100%	2011/12	80%	80%	2011/12	92%
<6 Years	100%	2010/11	92%	92%	2010/11	93%
>6 Years+	100%	2009/10	92%	92%	2009/10	93%
		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
	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
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of Non-Current Assets	6,222	9,117	-	-	-	(15,339)
Movements in the market value of Investment Properties	(8,928)	-	-	-	-	8,928
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)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(89)	-	-	-	-	89
Capital expenditure charged against the General Fund and HRA balances	(7,724)	-	-	-	-	7,724
Adjustments primarily involving the Capital Grants Unapplied Account:						
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 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	
Adjustments primarily involving the Capital Receipts Reserve:						
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)	-	-	-
Adjustment primarily involving the Major Repairs Reserve:						
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
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and wales):						
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
Adjustments primarily involving the Pensions Reserve:						
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
Adjustments primarily involving the Collection Fund Adjustment Account:						
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
Adjustment primarily involving the Accumulated Absences Account:						
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
Other transfer include						
Total Adjustments	(2,001)	6,065	(5,228)	818	1,849	(1,503)

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	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
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
Adjustments primarily involving the Capital Grants Unapplied Account:						
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	
Adjustments primarily involving the Capital Receipts Reserve:						
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	-	-	-	-	-	-
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(8,704)	-	8,704
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and wales):						
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
Adjustments primarily involving the Pensions Reserve:						
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)
Adjustments primarily involving the Collection Fund Adjustment Account:						
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)
Adjustment primarily involving the Accumulated Absences Account:						
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)
Other transfer include						
Adjustment between the Capital Adjustment Account and the Revaluations Reserve						
Adjustments between accounting basis and funding basis under regulations	-	(8,704)	-	8,704	-	-
Total Adjustments	(36,792)	(8,685)	(11,042)	-	1,401	55,118

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
General Fund:							
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)
Unlawful Dwellings Reserve	-	-	7	(7)	(7)	96	(96)
Feed In Tariff Management Fee	-	-	2	(2)	(2)	-	-
Property Fund Reserve	-	-	-	-	-	7,000	(7,000)
CLG Homelessness Grant	-	-	-	-	(270)	936	(666)
Total General Fund	(33,975)	(9,465)	6,646	(31,156)	(20,351)	17,353	(28,157)
HRA:							
HRA Capital Projects	(15,031)	(15,959)	6,438	(5,510)	(5,503)	7,766	(7,772)
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)	-	-
Total HRA	(15,624)	(16,540)	7,124	(6,207)	(5,803)	8,254	(8,657)
Insurance Funds:							
Self Insurance Fund	(1,762)	(466)	-	(1,296)	-	165	(1,461)
Total Insurance Funds	(1,762)	(466)	-	(1,296)	-	165	(1,461)
Grand Total	(51,360)	(26,471)	13,770	(38,659)	(26,154)	25,773	(38,276)

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
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
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-imbursment under the Belwin
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
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.
Unlawful Dwellings Reserve	Reserve created to fund enforcement activity associated with the identification of unlawful dwellings being used within the City.
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

NOTES TO THE CORE FINANCIAL STATEMENTS

HRA: Reserve Descriptions	
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.
Insurance Funds: Descriptions	
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)
Total	(642)	(43,784)

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	(17,002)	(9,997)
Other Investment Income	(1,141)	(953)
Total	(8,151)	(682)

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)
Total	(35,339)	(29,499)

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
Cost or Valuation								
At 1 April 2015	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	80,442	7,451	-	-	-	1,224	-	89,117
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)	3,020	-	-	-	632	(18,141)	(18,010)
At 31 March 2016	648,892	135,744	21,485	331	1,085	4,673	1,703	813,914
Accumulated Depreciation and Impairment								
At 1 April 2015	(7,279)	(12,535)	(9,261)	(120)	(65)	(104)	-	(29,365)
Depreciation charge	(8,872)	(4,122)	(2,213)	(15)	(23)	(60)	-	(15,305)
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	149	-	-	-	-	-	179
At 31 March 2016	(8,799)	(11,248)	(10,896)	(135)	(88)	(103)	-	(31,271)
Net Book Value								
At 31 March 2016	640,093	124,496	10,589	196	997	4,570	1,703	782,644
At 31 March 2015	565,111	126,089	10,063	209	985	3,119	12,790	718,366
Movement in NBV	74,982	(1,593)	526	(13)	12	1,451	(11,087)	64,277

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
Cost or Valuation								
At 1 April 2014	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)
At 31 March 2015	572,390	138,624	19,324	329	1,050	3,223	12,791	747,732
Accumulated Depreciation and Impairment								
At 1 April 2014	(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
At 31 March 2015	(7,279)	(12,535)	(9,261)	(120)	(65)	(104)	-	(29,365)
Net Book Value								
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
Movement in NBV	54,964	25,327	503	47	3	(84)	5,586	86,346

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	640,093	36,322	-	-	-	-	-	676,415
31 March 2015	-	32,542	-	-	-	-	-	32,542
31 March 2014	-	26,182	-	-	50	-	-	26,232
31 March 2013	-	22,123	-	-	687	-	-	22,810
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
Total Cost or Valuation	640,093	124,496	10,589	196	997	4,570	1,703	782,643

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		-	-
		29,906	19,414

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 (EUUV) 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 (EUUV-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	-	-	-	-	-	-	-
31 March 2015	1,411	47	363	38	423	214	2,496
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	-	-	-	-	-	-	-
31 March 2016	1,508	48	371	38	401	143	2,509

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)
Net Gain/(Loss)	7,796	7,989

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
Balance at start of the year	100,871	101,359
Additions:		
Purchases	684	-
Subsequent expenditure	566	515
Net gain / (loss) from Fair Value adjustments	9,290	-
Less:		
Disposals	(140)	(3,510)
Net gain/(loss) from fair value adjustments	111,271	98,364
Transfers:		
(To)/from Property Plant and Equipment	(379)	-
Other Changes (net revaluation)	(36)	2,507
Balance at the end of the year	110,856	100,871

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	-	110,856	-	110,856
Total	-	110,856	-	110,856

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

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
Investments				
Loans and Receivables	11,218	9,894	55,802	42,298
Total Investments	11,218	9,894	55,802	42,298
Debtors				
Loans and Receivables	76,334	67,093	13,180	22,689
Total Debtors	76,334	67,093	13,180	22,689
Borrowings				
Financial Liabilities at Amortised Cost	(198,528)	(198,534)	-	(895)
Total Borrowings	(198,528)	(198,534)	-	(895)
Other Long Term Liabilities				
Deferred Liabilities	(172)	(172)	-	-
Finance Lease Liability	(103)	(150)	(55)	(8)
Liability for Defined Benefit Pension Scheme	(133,775)	(145,276)	-	-
Total Other Long Term Liabilities	(134,050)	(145,598)	(55)	(8)
Creditors				
Financial Liabilities at Amortised Cost Amounts	(173)	(114)	(14,020)	(25,220)
Total Creditors	(173)	(114)	(14,020)	(25,220)

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
Available for sale financial instruments			
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
Total			11,218

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
Balance Outstanding at Start of Year	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)
Balance Outstanding at Year End	26	32	791	741	817	773

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
Total	15,426	27,585

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
Total Cash and Cash Equivalents	9,136	6,712

19. Assets Held for Sale

	Current		Non Current	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Balance Outstanding at Start of Year	1,351	1,489	-	-
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)	-	-	-
Balance Outstanding at Year End	854	1,351	-	-

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)
Total	(26,692)	(36,441)

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	
Balance at 1 April 2014	-	-	-	-	-	(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	-	-	-	-	-	-	-
Total Provisions as at 31 March 2015	-	-	-	-	-	(7,902)	(7,902)
Balance at 1 April 2015	-	-	-	-	-	(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	-	-	-	-	-	-	-
Total Provisions as at 31 March 2016	-	-	-	-	-	(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	(187,320)	(111,786)
Capital Adjustment Account	(498,390)	(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
Total Unusable Reserves	(617,028)	(519,544)

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
Balance at 1 April	(111,786)	(27,324)
Upward revaluation of assets	(79,077)	(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	-	-
	(190,863)	(115,184)
Difference between Fair Value Depreciation and Historical Cost Depreciation	2,830	2,051
Accumulated gains on assets sold or scrapped	501	1,347
Amount written off to the Capital Adjustment Account	212	-
Balance at 31 March	(187,320)	(111,786)

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
Capital Adjustment Account				
Balance at 1 April		(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	12,510		36,504	
Revaluation losses on Property, Plant and Equipment	17,674		-	
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		36,242		50,010
Capital financing applied in the year:				
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)	
		(32,798)		(48,732)
Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement		(8,928)		(2,507)
Balance at 31 March		(498,390)		(492,906)

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
Balance at 1 April	(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)
Balance at 31 March	(67,798)	(65,691)

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
Balance at 1 April	145,276	107,329
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)
Balance at 31 March	133,775	145,276

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
Balance at 1 April	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
Balance at 31 March	2,896	3,883

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
Available for Sale Financial Instruments Reserve		
Balance at 1 April	-	-
Changes in value of Financial Instrument Available for Sale (Gain) / Loss	(1,356)	-
Balance at 31 March	(1,356)	-

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.

Accumulated Absences Account	2015/16 £000	2014/15 £000
Balance at 1 April	1,680	1,331
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
Balance at 31 March	1,165	1,680

NOTES TO THE CORE FINANCIAL STATEMENTS

24 Operating Activities

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

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)
Total Cash Flows from Investing Activities	29,944	38,124

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
Total Cash Flows from Financing Activities	574	490

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
2015/16					
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)
Total Income	(82)	(56,801)	(19,577)	(68,211)	(144,671)
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	-	25,489	7,961	438	33,888
Total Expenditure	194	61,336	41,975	76,329	179,834
Net Expenditure	112	4,535	22,398	8,118	35,163

Services Income and Expenditure	City Regeneration	Community Services	Organisational Development & Corporate Services	Total Cost of Services
	£000	£000	£000	£000
2014/15				
Fees, Charges and other Service Income	(52,354)	(53,494)	(20,652)	(126,500)
Government Grants	(114)	(1,816)	(66,274)	(68,204)
Total Income	(52,468)	(55,310)	(86,926)	(194,704)
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
Total Expenditure	51,954	77,119	93,736	222,809
Net Expenditure	(514)	21,809	6,810	28,105

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	Corporate Amounts	Total (Surplus)/Deficit on the Provision of Services
	£000	£000	£000
Fees, Charges and Other Service Income	(77,544)	(17,002)	(94,546)
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)
Total Income	(144,671)	(54,841)	(199,512)
Employee Expenses	54,364	-	54,364
Other Service Expenses	144,681	-	144,681
Support Service Recharges	(53,099)	-	(53,099)
Depreciation, Amortisation and Impairment	33,888	-	33,888
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)
Total expenditure	179,834	10,709	190,543
(Surplus)/Deficit on the Provision of Services	35,163	(44,132)	(8,969)

2014/15	Cost of Services	Corporate Amounts	Total (Surplus)/Deficit on the Provision of Services
	£000	£000	£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)
Total Income	(194,704)	(41,719)	(236,423)
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)
Total expenditure	222,809	(32,246)	190,564
(Surplus)/Deficit on the Provision of Services	28,105	(73,965)	(45,860)

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
Building Control Charging Account	Turnover	(449)	(450)
	Expenditure	505	514
	(Surplus)/Deficit	56	64
Trade Refuse & Recycling	Turnover	(3,305)	(2,836)
	Expenditure	2,763	1,710
	(Surplus)/Deficit	(542)	(1,126)
Estates	Turnover	(683)	(718)
	Expenditure	685	715
	(Surplus)/Deficit	2	(3)
Net Surplus on Trading Operations		(484)	(1,065)

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
Net Expenditure Recharged through the Agency Arrangement	1,337	1,712

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
Members' Allowances		
Allowances	347	326
Expenses	2	3
Total Payments	349	329

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	11
£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	-
Total Number of Employees	48	38

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	-
Total	-	-	20	32	20	32	309	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
Total	122	134

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	30
WREN Grant	139	-
AVIVIA Old Fire Station bond	75	-
Football Foundation	20	79
New Growth Points	-	633
Waste Recycling Environmental Ltd Grant	-	123
Barton Adventure Play Park	-	25
Total	22,934	17,393

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	11
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	-
Clare 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
NNDR Admin Grant	-	217
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
Arts Council Funding	-	45
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
DCLG Assets of Community Value	-	8
Staff Awards sponsorship	-	5
English Heritage Oxford Heritage Asset Register	-	4
Oxford Archaeology Grant	-	3
Contributions to Parks Services	-	3
Total	67,127	68,204

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
Total	3,711	3,502

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
Total	1,309	1,062

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
Opening Capital Financing Requirement	220,706	220,550
Capital Investment		
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
Total Capital Spend	32,709	48,712
Sources of Finance		
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)
Sources of Finance Total	(32,746)	(48,556)
Closing Capital Financing Requirement	220,669	220,706
Explanation of Movements in Year		
(Increase) in Underlying Need to Borrow (unsupported by Government Financial Assistance)	-	(156)
Decrease in Underlying Need to Borrow (unsupported by Government Financial Assistance)	37	-
(Increase)/Decrease in Capital Financing Requirement	37	(156)

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
Total	7,738	7,833

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
Finance lease liabilities (net present value of minimum lease payments)		
- Current	55	52
- Non Current	103	158
Finance Costs Payable in Future Years	117	125
Minimum Lease Payments	275	335

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
Total	275	335	157	209

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
Total	2,572	3,770

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)
Total	(30,158)	(30,063)

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
Finance Lease debtor (net present value of minimum lease payments)		
- Current	7	7
- Non Current	60,113	59,399
Unguaranteed Residual Value of Property*	4,064	2,773
Gross Investment in the Lease	64,184	62,179

* 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
Total	64,184	62,179	60,120	59,406

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
Operating Leases		
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
Total	85,778	76,347

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
Opening Balance	24	70
New termination costs in year	-	20
Less costs removed in year	(10)	(66)
Closing Balance	14	24

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 £309,000 (£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
Cost of Services		
Current Service Cost	9,450	7,265
Past Service Costs	-	-
Administration Expenses	129	196
Financing and Investment Income and Expenditure		
Interest Cost	4,676	4,666
Total Post Employment Benefit Charged to the Surplus/(Deficit) on the Provision of Services	14,255	12,127
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the Net Benefit Liability Comprising		
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
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(18,554)	33,208
	2015/16 £000	2014/15 £000
Movement in Reserves Statement		
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)
Actual amount charges against the General Fund Balance for pensions in the year		
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
Long-term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.10%	6.60%
Bonds	2.49%	2.46%
Average All	5.18%	5.18%
Mortality Assumptions:		
Longevity at 65 for Current Pensioners		
Men	23.3	23.3
Women	25.8	25.7
Longevity at 65 for Future Pensioners		
Men	25.6	25.5
Women	28.1	28.0
Rate of Inflation		
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
Total	100	100

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2015/16 £000	2014/15 £000
Opening Balance 1 April	359,903	298,885
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)
Closing Balance 31 March	348,202	359,903

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

	2015/16 £000	2014/15 £000
Opening Fair Value of Scheme Assets 1 April	214,627	191,556
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)
Closing Balance 31 March	214,428	214,627

Pension Assets and Liabilities Recognised in the Balance Sheet

	2015/16 £000	2014/15 £000
Present Value of Liabilities		
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)
Surplus/(Deficit) in the Scheme	(133,775)	(145,276)

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
Adjustment to Mortality Age Rate Assumption	Plus 1 year to life	nil	Minus 1 year
Present Value of Total Obligation	358,787	348,202	337,938
Adjustment to Long Term Salary Increase	Plus 1%	nil	Minus 1%
Present Value of Total Obligation	348,740	348,202	347,666
Adjustment to Pension Increase and Deferred Revaluation	Plus 1%	nil	Minus 1%
Present Value of Total Obligation	354,018	348,202	342,491
Adjustment to Discount Rate	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	2014/15
	£000	£000
Up to 1 year	14,020	26,119
Between 1 and 5 years	-	-
Between 5 and 10 years	40,000	20,000
Over 10 years	158,528	178,528
	212,548	224,647

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	14,020	25,220
	212,706	224,805
Amortised Cost	212,706	224,805
Fair Value	260,472	282,792

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	41,476
Long Term Investments	11,218	9,894
Cash	1,376	822
Debtors	13,180	22,689
Long Term Debtors	76,334	67,093
	156,533	141,974
Amortised Cost	157,711	143,206

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:

Fair Value of Assets and Liabilities carried at Amortised Cost	2015/16		2014/15	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
PWLB Debt	198,528	246,294	199,423	245,525
Non - PWLB Debt	-	-	-	-
Total Debt	198,528	246,294	199,423	245,525
Trade Creditors	17,692	17,692	30,605	30,605
Total Financial Liabilities	216,220	263,986	230,028	276,130
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
Total Loans and Receivables	143,520	145,013	133,685	134,918

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 19th 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
Expenditure			
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
Total Expenditure		34,157	32,333
Income			
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		-	-
Total Income		(45,624)	(43,203)
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(11,465)	(10,870)
HRA Services' share of Corporate and Democratic Core		173	190
Net Income for HRA Services		(11,292)	(10,680)
HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain)/Loss on Sale of HRA Fixed Assets		(72)	(3,208)
Interest Payable and Similar Charges		7,759	7,733
Interest and Investment Income	H2.6	(90)	(97)
Pensions Interest Cost and Expected Return on Pension Assets		-	117
(Surplus)/Deficit for the year on HRA Services		(3,695)	(6,135)

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
Balance on the HRA at the end of the Previous Year	(4,000)	(4,000)
(Surplus)/Deficit for the Year on the HRA Income and Expenditure Account	(3,695)	(6,135)
Adjustments between Accounting Basis and Funding Basis Under Statute		
- Difference between any other item of income and expenditure	1	(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)
Net Increase/(Decrease) before Transfers to or from Reserves	(9,760)	2,550
Transfer (to)/from Reserves	9,760	(2,550)
Increase/(Decrease) in Year on the HRA	-	-
Balance on the HRA at the end of the Current Year	(4,000)	(4,000)

NOTES TO THE HOUSING REVENUE ACCOUNT

H2.1 Housing and Garage Stock Numbers

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

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	648,892	(8,799)	640,093	572,389	(7,279)	565,110
Other Land and Buildings	3,765	(751)	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
As at 31 March 2016	655,080	(9,596)	645,484	588,836	(7,808)	581,028

H2.2 Movement on the Major Repairs Reserve

	2015/16 £000	2014/15 £000
Opening Balance	-	-
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
Closing Balance	(818)	-

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
Total Spend	13,795	21,134
Sources of Finance		
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	-
Total Financing	13,795	21,134

NOTES TO THE HOUSING REVENUE ACCOUNT

H2.4 Capital Receipts Received

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

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)
Total	(90)	(97)

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
Arrears Details				
Current Tenants	1,143	2.67	1,042	2.53
Former Tenants	319	0.74	342	0.83
Overall	1,462	3.41	1,384	3.36
Total Rents due in Year	42,867		41,232	

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

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	-	-
Total HRA Capital Commitments		18,630	13,943

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
Income						
Council Tax Receivable	-	(74,203)	(74,203)	-	(71,329)	(71,329)
Business Rate Receivable	(88,507)	-	(88,507)	(83,805)	-	(83,805)
Sub Total	(88,507)	(74,203)	(162,710)	(83,805)	(71,329)	(155,134)
Expenditure						
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
Sub Total	173	1,931	2,104	(1,417)	1,219	(199)
Precepts, Demands and Shares						
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
Sub Total	84,848	71,630	156,478	84,047	68,738	152,785
Disregarded Amounts						
Renewable Energy	22	-	22	-	-	-
Sub Total	22	-	22	-	-	-
Charges						
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	-	-	-	-	-	-
Sub Total	1,071	599	1,670	10,179	868	11,047
(Surplus)/Deficit arising during year	(2,393)	(43)	(2,436)	9,004	(504)	8,500
(Surplus)/Deficit brought forward 1st April	10,503	(1,891)	8,612	1,499	(1,387)	112
(Surplus)/Deficit Carry forward	8,110	(1,934)	6,176	10,503	(1,891)	8,612

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
	59,644	42,273		43,753
Crown Properties				-
Allowance of 2.5% for non-collection				(1,094)
Total				42,659

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

Profit & Loss Account	2015/16 £000	2014/15 £000
Expenses	12	10
Operating (Surplus) / Loss	12	10
Interest receivable	(3)	(3)
Loss from continuing operations	9	7
Balance Sheet	2015/16 £000	2014/15 £000
Non Current Assets	19,918	10,200
Debtors	428	354
Cash and cash equivalents	382	506
Current Assets	810	860
Amounts falling due within one year	(3,209)	(234)
Current Liabilities	(3,209)	(234)
Net Assets attributable to members	17,519	10,826

Members' interests

	Barton Oxford LLP as at 31 March 2016		
	Oxford City Share £000	Grosvenor D L Share £000	Total £000
Capital classified as a liability	1,060	16,492	17,552
Other reserves classified as equity	(17)	(17)	(34)
Members' Interests as at 31 March 2016	1,043	16,475	17,518

	Barton Oxford LLP as at 31 March 2015		
	Oxford City Share £000	Grosvenor D L Share £000	Total £000
Capital classified as a liability	1,007	9,843	10,850
Other reserves classified as equity	(12)	(12)	(24)
Members' Interests as at 31 March 2015	995	9,831	10,826

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

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

GROUP ACCOUNTS: OXWED

Members' interest

Capital classified as a liability
Other reserves classified as equity

Members' Interests as at 31 March 2016

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

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
Balance at 31st March 2014 carried forward	494,238	(8)	494,230
Movement in Reserves during 2014/15			
Surplus/(Deficit) on the Provision of Services	45,860	(4)	45,856
Other Comprehensive Income and Expenditure	38,664	-	38,664
Total Comprehensive Income and Expenditure	84,524	(4)	84,520
Adjustments between Accounting Basis & Funding Basis under Regulations	0	-	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	84,524	(4)	84,520
Transfers (to)/from Earmarked Reserves	-	-	-
Increase/(Decrease) in 2014/15	84,524	(4)	84,520
Balance at 31st March 2015 carried forward	578,762	(12)	578,750
Movement in Reserves during 2015/16			
Surplus/(Deficit) on the Provision of Services	8,637	(59)	8,578
Other Comprehensive Income and Expenditure	98,987	(261)	98,727
Total Comprehensive Income and Expenditure	107,624	(320)	107,305
Adjustments between Accounting Basis & Funding Basis under Regulations	-	-	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	107,624	(320)	107,305
Transfers (to)/from Earmarked Reserves	-	-	-
Increase/(Decrease) in 2015/16	107,624	(320)	107,305
Balance at 31st March 2016 carried forward	686,386	(332)	686,054

**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 CI&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
Central Services to the Public	3,322	(1,734)	1,588	-	3,322	(1,734)	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)	12,293	-	19,305	(7,012)	12,293	11,693
Planning Services	8,375	(7,104)	1,271	-	8,375	(7,104)	1,271	5,786
Highways and Transport Services	11,398	(10,387)	1,011	-	11,398	(10,387)	1,011	1,403
Local Authority Housing (HRA)	34,158	(45,623)	(11,465)	-	34,158	(45,623)	(11,465)	(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)
Cost of Services			35,495	-			35,495	28,105
Other Operating Expenditure			(642)				(642)	(43,784)
Financing and Investment Income and Expenditure			(8,151)	59			(8,092)	(682)
Taxation and Non-Specific Grant Income			(35,339)				(35,339)	(29,499)
(Surplus)/Deficit on Provision of Services			(8,637)	59			(8,578)	(45,860)
(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets			(79,077)	261			(78,817)	(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
Other Comprehensive Income and Expenditure			(98,987)	261			(98,727)	(38,664)
Total Comprehensive Income and Expenditure			(107,624)	320			(107,305)	(84,524)

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'.

	Oxford City Council 2015/16 £000	Group 2015/16 £000	Group Movement 2015/16 £000	Group 2014/15 £000
Property, Plant & Equipment	782,643	782,643	-	718,366
Heritage assets	2,509	2,509	-	2,496
Investment Properties	110,856	110,856	-	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
Long Term Assets	984,741	984,409	(332)	899,738
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
Current Assets	72,899	72,899	-	72,007
Short Term Borrowing	-	-	-	(895)
Short Term Creditors	(26,692)	(26,692)	-	(36,441)
Current Liabilities	(26,692)	(26,692)	-	(37,336)
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)
Long Term Liabilities	(344,562)	(344,562)	-	(355,658)
Net Assets	686,386	686,054	(332)	578,750
Usable Reserves	(69,358)	(69,287)	71	(59,206)
Unusable Reserves	(617,028)	(616,767)	261	(519,544)
Total Reserves	(686,386)	(686,054)	332	(578,750)

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.

	Oxford City Council 2015/16 £000	Group 2015/16 £000	Group 2014/15 £000
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
Net Cash Flows from Operating Activities	(32,942)	(32,942)	(35,153)
Investing Activities	29,944	29,944	38,124
Financing Activities	574	574	490
Net (Increase)/Decrease in Cash and Cash Equivalents	(2,424)	(2,424)	3,461
Cash and Cash Equivalents at the Beginning of the Reporting Period	(6,712)	(6,712)	(10,173)
Cash and Cash Equivalents at the End of the Reporting Period	(9,136)	(9,136)	(6,712)

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)
(5,594)	(5,594)	(5,906)

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)
29,944	29,944	38,124

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
574	574	490

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
9,136	9,136	6,712

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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 (NNDR)

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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INDEPENDENT AUDITORS REPORT AND CERTIFICATE

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Statement of Accounts 2015/16

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Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

Our ref: Final accounts 2015-16
Your ref: Letter of rep 2015-16

Date : 14th September 2016

Dear Paul

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Oxford City Council (“the Group and Council”) for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Oxford City Council as of 31 March 2016 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 for the Group and Council that are free from material misstatement, whether due to fraud or error
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group or Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group or Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

D. Information provided and Completeness of Information and Transactions

1. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
3. We have made available to you all minutes of the meetings of the Council, and City Executive Board and Audit and Governance Committees held through the year.



4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

F. Subsequent Events

1. There have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

G. Reserves

We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

H. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and council financial statements).

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, the valuation, IAS 19 actuarial valuations of pension fund liabilities and the estimation of the provision for NDR appeals and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.



J. Pensions Liability, PPE Valuations and NDR Appeals estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We confirm that the significant assumptions used in making the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events.

K. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully

Nigel Kennedy
Head of Financial Services – Section 151 Officer

I confirm that this letter has been discussed and agreed at the Audit and Governance Committee on 28th September 2016.

James Fry
Chair of Audit and Governance Committee



To: Audit & Governance Committee
Date: 28 September 2016
Report of: Helen Bishop, Head of Business Improvement
Title of Report: ICT Transition to SCC: Lessons Learnt

Summary and recommendations	
Purpose of report:	To detail the lessons learnt from the ICT transition to the new service provider, SCC, on expiration of the contract with Oxfordshire County Council.
Recommendation(s):	That the Audit & Governance Committee notes the report.

Appendices	
Appendix 1	ICT Improvement Plan

Introduction and background

1. In July 2015, CEB approved the award of a contract for the provision of IT services to SCC on the expiration of its contract with the County Council (31st March 2016). At the same time, it was agreed to move the ICT service desk function that was previously provided by the County Council in-house. The basis for those decisions is set out in the CEB report.
2. A significant implementation plan facilitated 57 software applications and over 20 million files being successfully moved across from the County Council's systems to our new ICT platform Sentinel, managed by SCC, by 1st April 2016. One of the benefits of the new infrastructure platform is that it provides the highest level of government accreditation for security. However, coupled with moving so many files this created significant access issues for some users post the go-live date. These were highlighted in a briefing note to Audit & Governance Committee on 29th June 2016.
3. At its June meeting the Audit & Governance Committee requested that a report be presented to its September meeting detailing the lessons learnt from the ICT transition and indicating how the problems experienced would be mitigated in the future. This report addresses the following points:

- Costs of the transition of the ICT services against anticipated savings from the new contract
 - Lessons learnt
 - Reputational risk from the loss of public facing services
 - Relationship management
 - Consequences of service failure impacting on councillors' performance
4. A number of Lessons Learnt sessions have been held with key members of the ICT Transition Project Team and a separate Lessons Learnt session was held with SCC. The actions arising, together with the recommendations from the recent Society of IT Management (SOCITM) review and internal audit report on the ICT Service Desk have been incorporated into an ICT Operations Improvement Plan (summarised at Appendix A) that will move the ICT service to delivery of a customer-focused, best practice operation by March 2017.

5. Costs of Transition and Anticipated Savings

The cost of the ICT service provided by the County Council in 2015/16 was £1,129K. The City's Medium Term Financial Plan identified a saving in IT infrastructure of £150K per annum from 2016/17 so the budget for the replacement services was set at £979K.

Prior to starting the procurement there were several discussions with County Council about different options including remaining with the County Council. Ultimately however, the County Council advised they were not in a position to continue to provide a service to the City because they were moving towards becoming a commissioner, rather than a provider of services. They did advise that their view was that if they were able to offer a new service the annual charge would need to be in the order of £1.4M to £1.5M per annum, significantly more than the previous charge from the County to the City. The new contract with SCC and the cost of services that have been brought in house or are being managed directly has a total revenue cost of £940K pa against a revised budget of £979K. This leaves a small amount for in-year changes and adjustments.

The detailed financial implications for ongoing revenue costs and transition are set out in section 11.

6. Lessons Learnt

Whilst some of the technical issues arising from the migration could not have been anticipated and mitigated through improved procedural arrangements, a number of lessons have been learnt relating to the project management process and standard operating procedures as below:

Issue	Impact	Resolution	Target Date
<p>6.1 The contract was awarded to SCC in July 2015. The County proposed contingency arrangements that would result in a £392k charge per quarter if the City wanted to continue with County systems after 31st March 2016. Project management was therefore condensed into a challenging timeframe. Project planning commenced immediately following contract award which was not until 6 months prior to migration deadline with no Project Initiation Document (PID) in place other than the SCC technical PID.</p>	<p>The skills requirement of the project team were not articulated and agreed from the outset and initially the project was under-resourced resulting in the Project Sponsor having to assume responsibility for much of the technical work. Absence of an overall PID meant that there was no consideration of other project workstreams other than technical aspects of the migration (such as developing processes for the newly-formed ICT Service Desk and the Comms Plan). Project team were not working to a co-ordinated plan.</p>	<p>Project planning for a project of this scale to commence 12 months in advance to allow sufficient time for preparation of a robust PID. Project management principles have now been reinforced across the ICT Service and additional project management training is scheduled for October 2016. The ICT Improvement Plan (Appendix A) includes a processes workstream (WS4) to address current gaps in the ICT Service Desk processes which were not included in the project plan, and is due for completion December 2016.</p> <p>The Improvement Plan also includes a Skills workstream with a focus on Customer Services training to deliver the cultural shift required to ensure a customer-focused service desk function.</p>	<p>Training - October 2016</p> <p>IT Service Desk enhancements – December 2016</p>
<p>6.2 County held insufficient and inaccurate documentation on the City estate so the 'Discovery' phase of project took much longer than expected.</p>	<p>High Level Design for technical aspects of project were not ready when required and Low Level Design was not completed until post-migration. Therefore much of the technical work was undertaken without documentation and</p>	<p>As there was little documentation from County on handover to City, the City ICT team are currently working to complete documentation on the City estate. The ICT Improvement Plan (Appendix A) includes a Tools workstream (WS3) that sets out activities to capture and maintain knowledge and</p>	<p>Documentation complete and added to IT Knowledge base – November 2016</p>

	resulted in 'fire-fighting'.	documentation on the City's estate and assets.	
6.3 Technical Implementation Plans (TIPs) worked well and were a good example of Application Owners, project team and supplier working well. Infrastructure items were excluded from the TIPs process.	Migration of applications worked very well and no application outages were experienced. The most significant technical issues arising from migration were related to infrastructure items i.e Filestore (lost/duplicated data), Citrix and the Active Directory (logging in/remote working).	The TIPs process has been documented to be made available in the new ICT Service Desk knowledge base (Appendix A: WS3). The Skills workstream in the ICT Improvement Plan (WS1A) includes a Skills Transfer Seminar on the use of TIPs. Increasing the technical skills of in-house staff will mitigate against any future issues with infrastructure items such as Filestore and Active Directory.	Service Improvement Plan Skills Transfer – December 2016
6.4 SCC Project Plan and key milestones were not readily available to the City Project Manager or the project team resulting in lack of clarity concerning some milestones.	Unnecessary time was lost negotiating over points that should not have required negotiation had the project team had access to the SCC project plan e.g. date for handover to BAU arrangements on 1 st May.	Ensure sign-off by all key stakeholders of key project documentation and ensure integration of project plans. Project management principles have now been reinforced across the ICT Service and additional project management training is scheduled for October 2016	Project Management Training – October 2016
6.5 No in-house skills available for WAN technical work. This had been recognised and mitigated through recruitment of external contractors but initially their availability was limited.	Contractors worked long hours during migration and this led to mistakes. Limited external resource has also prevented any opportunity to transfer skills and knowledge to the in-house team.	Identify appropriate internal resource and arrange skills and knowledge transfer from contractors. The ICT Improvement Plan includes a Skills workstream (WS1A) with a structured handover and training schedule.	ICT Improvement Plan, Skills Training – December 2016

6.6 Not enough time to undertake a trial migration in advance of full migration.	Trial migration may have alerted the project team to the performance issues arising from use of the 'Double Take' software (for copying applications) on older servers that resulted in very slow speed when copying across.	If using the same process again for copying data, undertake a trial migration across a range of servers including older ones.	As required in future major projects
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7. Reputational Damage from Loss of Public Facing Services

Whilst 57 software systems were successfully migrated, there were significant issues related to infrastructure items such as Filestore and MS Exchange that impacted on public facing services. The City responded swiftly with messages advising customers of the issues with on line services on the website, extension to consultation deadlines were put in place where required and regular communications were maintained with affected customers and senior stakeholders, with general updates going to the whole organisation.

Issue	Impact	Resolution
7.1 Filestore migration resulted in missing data files on the m:drive and archive server that were not recovered until June.	Missing files impacted performance across a number of public-facing Council services although in most cases manual workarounds were applied to prevent serious disruption to service.	Improved documentation of the City estate and more robust Disaster Recovery arrangements with the new IT partner. See 6.2 above.
7.2 MS Exchange group emails did not transfer to Exchange 2010 including key public facing email accounts.	Loss of service to public email accounts for 4 days when public could not email a group service e.g. Building Control, Scrutiny, Planning.	As 7.1 above, improved documentation of the City Estate – see also Appendix A: ICT Improvement Plan 'Tools' workstream.

This needs to be put in the context of the two complete ICT outages in the period prior to the migration due to a bug in the County's network storage system that had a very big impact on front line services and in the absence of good communication from the

provider of services meant communication to service users and the public was limited. The City Council was able to learn from these experiences to improve communication with its in-house and public users.

8. Relationship Management

Relationships between City, County and SCC were strained at various stages during the project, largely attributable to expectations regarding roles and responsibilities. However good communications were maintained by a number of individuals across all three organisations and the addition of extra project resource from the County was a key turning point in the project. Relationship management with SCC going forward has been established on a more formal basis with clear performance schedules regularly monitored at monthly review meetings, as well as informal daily and weekly contact as required.

Issue	Impact	Resolution
8.1 County undertook to resolve the pre-requisites regarding the separation of the Active Directory but when the costs increased more than anticipated, the County queried responsibilities.	Damage to the relationship between County, City and SCC and delays to the project as project resource was diverted from other tasks.	A PID setting out roles and responsibilities and signed off by all partners should be in place for all significant projects. Project management principles have now been reinforced across the ICT Service and additional project management training is scheduled for October 2016 (see 6.1 above).
8.2 City expected that SCC would work directly with Vodafone but that was not the case.	Project resource was diverted to a task that had not been anticipated and created delays elsewhere.	See 8.1 above
8.3 Relationship between City and SCC was not as good as it should have been at point of migration when SCC moved to BAU ahead of the expected schedule.	Issues arising as a result of the migration were not treated with the appropriate level of urgency as SCC invoked the standard terms of the SLA.	See 6.4 above

9. Impact on councillors

A key factor on councillors' access post-migration was the deployment of Airwatch on iPads to replace Good, as Good was no longer supported and was hosted on a Windows 2003 server (also out of support). Airwatch had been selected as a replacement as a recognised market leader in Mobile Device Management software

and is PSN compliant. The issue did not affect all councillors and all were contacted individually to try and resolve the problems with access – Citrix was available as an alternative solution. Outlook has subsequently been identified as the preferred solution and has been rolled out.

Issue	Impact	Future Action
9.1 Although Airwatch works well on the majority of mobile devices including more than 500 users who successfully access emails via the new mobile phones, it is not compatible with all versions of IOS on iPads.	Intermittent 'hanging' of the Airwatch inbox which doesn't update email for hours/days at a time potentially leaving users without email access if reliant on the iPad.	Outlook does work well on iPads and has now been offered to all councillors and rolled out to most councillors. A Members Reference Group was established in July to trial new developments and equipment and serve as an informed user group for the ICT service.

10. Current Situation

The ICT Service has developed a detailed Improvement Plan (summary at Appendix A) that has been informed by the in-house Lessons Learnt review, the SCC Lessons Learnt Report, the recent SOCITM review of the ICT Service Desk and the internal audit of the ICT Transition Project.

The Improvement Plan is organised into five themes: Skills (Technical and Customer Services); Resources; Tools; Processes; and Communications with a lead officer assigned to each theme. The Customer Services workstream has been designed to bring about the cultural shift required to deliver a best practice, customer-focused service desk function through formal training sessions and adoption of the tools and techniques utilised by the Contact Centre when training Customer Services Officers.

The Plan has been shared with the ICT Service and feedback invited. The response from the ICT team has been very positive and there is a strong commitment to making the improvements – working groups are now being established to deliver key actions.

Progress on the plan is being reviewed on a weekly basis by the ICT management team and, alongside the ICT Work Plan, forms the key driver for the ICT Service.

11. Relevant Costs and Savings

11.1 Revenue Costs

The annual costs for the replacement services breaks down as follows:

Item	Description	Annual Revenue Cost £000's
Core Infrastructure	Provision of servers, storage, backups;	604

(SCC)	Server management, database management Security infrastructure	
ICT Staffing	Expansion of City ICT team to cover service desk and technical specialisms	210
Wide Area Network	Novation of Vodafone network charges previously paid within the County contract; Includes network links from City to SCC	75
Technical tools and resources	Support and maintenance of replacement ServiceDesk tool; Internet connectivity Remote Access solution (replacing RSA tokens)	51
Total		940

The Council has budgeted for £979k per annum within its medium term financial plan, a saving of £150k per annum against the previous cost from the County Council.

11.2 Project Costs

The transition project was a major undertaking with 150 servers, 57 line of business applications and 20 million files to be moved. At the same time we aimed to minimise disruption to operational services. A one off budget of £900k was allowed for in the Councils Medium Term Financial Plan.

Over the period of the migration the County suffered 2 major service outages which resulted in a loss of all ICT services for more than 48hrs on both occasions.

The one off cost of the transition project in 2015/16 breaks down as follows:

Item	Description	Annual Revenue Cost £000's
SCC Migration Project	Discovery, design and project management of core infrastructure components	120
City Project Resources	Project Management Technical specialist resource for network configuration and redesign, Active	94

	Directory migration	
Network Migration	Implementation of new network links to SCC data centre; Migration of existing lines Upgrade of links for St Aldates and Town Hall	83
Application Provider Migration costs	Specialist technical resource required to migrate applications to the new platform	45
Service Management Tools	Replacement of ICT service desk solution (vfire) Application and Server Monitoring tool (ICINGA) ITIL Training for ICT Team	48
County Resource	Cost for County resource outside of core Contract	30
ICT Operations Team	Additional ICT support staff recruited from Jan 2016 (1 Qtr before new contract commenced)	52
Dual running	Live services commenced from mid Feb onwards as services were cut over	45
Network specialists and other additional support	Additional one off staffing to assist with transition, allow for handover and various technical tasks up to August 2016.	307
Total		824

11.3 Cost Avoidance and Savings

The transition project provided the opportunity to redesign certain elements of the Council's ICT infrastructure, most notably it facilitated the replacement or upgrade of the majority of its 50 Windows 2003 servers which would otherwise have required extra support licences from July 2016 at an additional cost of £220K pa.

Additionally, a number of improvements and adjustments to existing software contracts were also made as a result of migration and have generated annual budgeted revenue savings as set out in below:

System	Annual Saving £000's
Lagan	15.0

NDL	17.5
Huddle	5.0
VI Scanning	4.5
SQL Database Licences	20.0
SAP Business Objects Licences	6.5
Total	68.5

12. Financial Implications

The City Council has made a saving on services previously provided by the County Council of £150k per annum. Additional budgeted savings were also made during migration on software charges of £68.5k per annum. The transition also enabled the City Council to save around £220k per annum of Windows Support license costs which might otherwise have been incurred. Transitional project costs, totalling £900k were budgeted for and costs have been roughly in line with this.

13. Legal issues

There are no legal implications arising from the lessons learnt.

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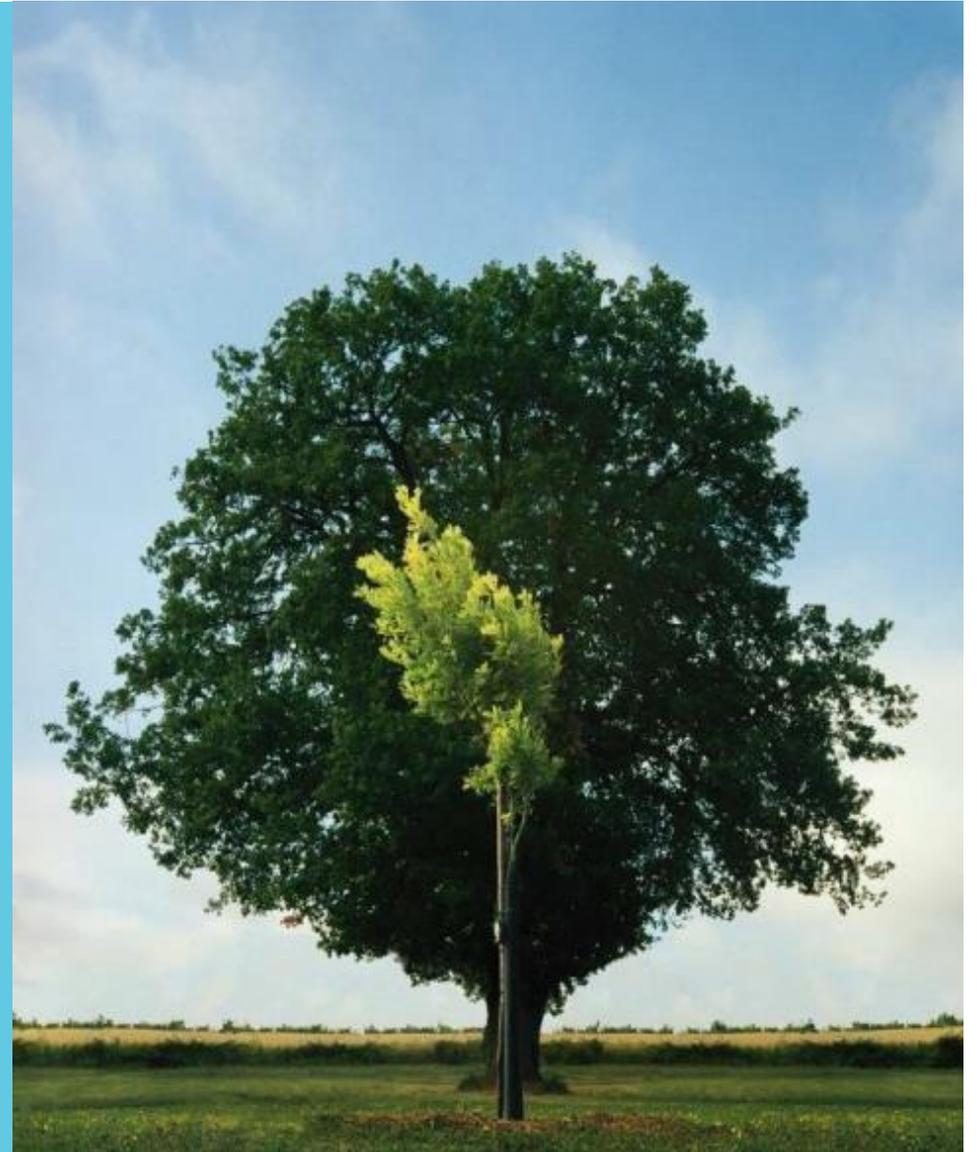
Background Papers: None

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Oxford City Council

INTERNAL AUDIT PROGRESS REPORT

193
September 2016



FINAL



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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 were approved by the 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 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 two reviews outside the agreed Internal Audit Plan on:

- Capital Receipts Pooling Grant Claim (CFB06). As part of the Department for Communities and Local Government's requirements, each Council must instruct an independent auditor to certify its return which lists the receipts from capital disposals in the financial year. This review was undertaken and resulted in the claim being certified with no issues to note.
- Grant Claim (HCA Compliance) was added to the programme of work. This is again a mandatory requirement of regulators to certify independently Council returns.

Overview of 2015/16 work to date

We have completed and finalised the reports for:

- Budgetary Control and Performance Management

All 2015/16 reports are now finalised.

Overview of 2016/17 work to date

We have completed and finalised the reports for:

- Audit 4. ICT Service Desk.

For those reports issued with Moderate opinions and above, the Executive Summary is enclosed in this report.

The report for Audit 4. ICT Service Desk, are advisory and therefore these reports are 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 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 3. Application Specification Review	Helen Bishop	10	✓	[under discussion]				
Audit 4. ICT Service Desk	Helen Bishop	13	✓	✓	✓	September 2016	N/A	N/A
Audit 6. Business Continuity and Disaster Recovery	Nigel Kennedy / Helen Bishop	12	✓	✓				
Audit 7. Project Management	Helen Bishop	12	✓	✓	✓			
Audit 8. Benefits Administration	Nigel Kennedy	12	✓	✓	✓			
Audit 9. Procurement	Nigel Kennedy	13	✓	✓				
Audit 10. Accounts Receivable	Nigel Kennedy	10	✓	w/c 26/09/16				
Audit 11. Payroll (Inc. Care Statement) and Overtime	Nigel Kennedy	18	✓	✓				
Audit 12. General Ledger	Nigel Kennedy	10	✓	w/c 05/10/16				
Audit 13. Building Control	Patsy Dell	12	✓	✓				
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	✓	October 2016				
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
ADDITIONAL REVIEWS TO THE AUDIT PLAN								
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 review did not result in a report	N/A	N/A
Audit 22. Grant Claim [CFB06]	Nigel Kennedy	8	✓	✓	✓	September 2016	N/A	N/A
Audit 23. Grant Claim [HCA Compliance]	Nigel Kennedy	TBC	✓	October 2016				

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EXECUTIVE SUMMARY – BUDGETARY CONTROL

STRATEGIC OBJECTIVE THIS REVIEW RELATES TO			SUMMARY OF RECOMMENDATIONS (SEE APPENDIX IV)	
Efficient, Effective Council: A flexible and accessible organisation, delivering high-quality, value-for-money services.			High	
LEVEL OF ASSURANCE (SEE APPENDIX IV FOR DEFINITIONS)			Medium	 2
Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	Low	 3
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.	Total number of recommendations: 5	

OVERVIEW

The purpose of our review was to provide assurance that appropriate arrangements are in place and operating effectively in relation to Performance Management and Budgetary Control. This review provides assurance that all performance metrics reported by Heads of Service and the CorVu system are accurate and complete.

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During the review we noted the following areas of good practice:

- All responsible owners of a performance indicator (PI) metric appropriately followed a reasonable methodology for calculating a PI metric
- Effective analysis is produced within the out turn reports on a quarterly basis to enable a high level understanding of the budget position. It was found from a sample of 10 months budgetary control information across five service areas, that good evidence was held to confirm monthly budgetary control processes were undertaken with sufficient follow-up of actions
- We met with all Heads of Service and can confirm that the process works well with no concerns to note. Furthermore, the central Management Accounting team have devised a plan for how to transfer greater responsibility to service areas which is well structured with set actions
- The integrated financial and performance monitoring reports present sufficient detail of key issues

However, we also found the following areas that required improvement:

- Service areas must take greater ownership of their responsibility over budget and performance management at monthly meetings (Detailed Finding 1)
- Consideration of findings from a risk management survey we undertook should be presented and discussed within the Risk Management Group particularly around findings where 25% of respondents disagreed that the Council promoting innovation when considering risk management for their area (Detailed Findings 5).

APPENDIX I – DEFINITIONS

The below table sets out the definitions for the assurance levels and recommendation significant we issue in our audits.

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.



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OXFORD CITY COUNCIL

INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS REPORT

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August 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 30 recommendations due for August 2016 comprising of 14 High recommendations and 16 Medium recommendations.

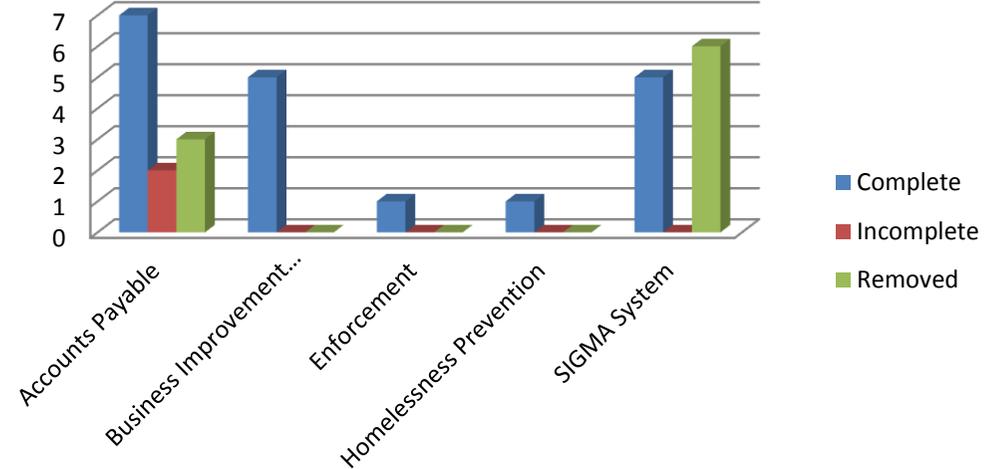
Executive Summary

Please find below a summary of the 30 recommendations that were due for completion prior to the September 2016 Audit and Governance Committee:

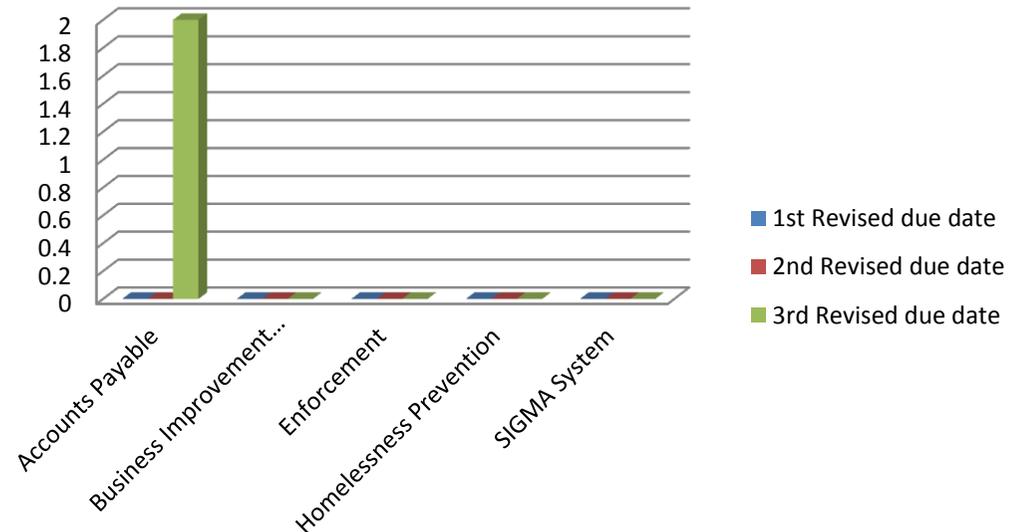
2015-2016 Recommendations

- 6 High and 13 Medium recommendations have been implemented and can be removed from the Recommendations Tracker
- 1 High and 1 Medium recommendation are not complete. Both recommendations have been allocated a second revised due date. These recommendations will continue to be followed up until they are complete we will:
 1. Continue to emphasise to staff the need 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 on a monthly basis following the September Audit Committee
 3. Issue reminder emails 6 weeks prior to the follow up review to ensure timely completion of each recommendation.
- 9 recommendations have been removed from the recommendations tracker where 7 High recommendations and 2 Medium recommendations have been downgraded to Low priority, as sufficient action has been taken to address the main risk identified.

Recommendations due for August 2016 that were either Complete/Incomplete or Removed



Recommendations due for August 2016 with a revised due date issued for the 1st, 2nd or 3rd time



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	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 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	M	Caroline Wood	Mar-16 Aug - 16	1a/b) we verified that ASL's are now held for all Service Areas and are scheduled to be updated for September 2016 and Quarterly from this point onwards
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	H	Nigel Kennedy	Jan-16 Mar-16 Aug - 16	We verified that within Agresso there are parameters now in place where there are delegated approval limits for PO's and invoices.
Accounts Payable	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	M	Caroline Wood	Mar-16 Aug - 16	There is now a segregation of duties in the key 2 systems and the servitor system. The ASL for services has been provided but this is an area which could do with further improvement in terms of clearance and maintenance.
Accounts Payable	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	H	Caroline Wood	Mar-16 Aug - 16	We verified that controls are in place within the Servitor system that prevents someone from approving a PO and invoice if it is not within their financial limit. With respect to Key2, controls for purchases of a non-stock item above a given amount exist within workflows being generated by the system prompting action for approval by an appropriate manager with the necessary approval limits.

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	4a) DCAL system users should be reminded of the minimum expectations around the narrative to be placed into the system	H	Caroline Wood	Jan-16 Mar-16 Aug - 16	We verified that guidance has now been published and issued to Card Holders/Approvers. Workshops were offered to cardholders and approvers on the expectations of completing narratives on the D-Cal system.
Accounts Payable	6e) A monthly action log should be retained detailing the following key areas: <ul style="list-style-type: none"> •Issue identified •Risk relating to the issue •Action plan to mitigate the risk identified •Severity rating for the level of risk as high, medium or low •Responsible officer to implement the action plan •Due date of the action to be implemented •Due date to follow up the action implemented •The responsible person to oversee the action log. As a measure of good practice we have included a number of KPI to be included within monthly management information reports - see appendix II.	M	Caroline Wood	Dec-15 Mar-16 Aug - 16	We verified that notes are maintained as a record of actions arising from the meetings and responsible officers are assigned to these actions.

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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
SIGMA System	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 - 16 Mar - 16 Aug - 16	We verified that Monthly query values are reported through the Corvu platform and KPIs discussed in the first quarterly Finance meeting held on 14 July 2016, which will form regular quarterly updates going forward.
SIGMA System	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 - 16 Mar - 16 Aug - 16	5a/5b) As the credit/debit arrears balances have recently been cleared the focus has shifted to proactively managing billing queries as business as usual. It was verified that reports are run on a weekly basis and queries are followed up no later than the date they become due.
SIGMA System	9) At least quarterly meetings should be held between the SIGMA team Managers and finance	M	Andrew Sunderland, Paul Stevens and Finance Business Partners	Feb - 16 Mar - 16 Aug - 16	9) We verified that the first finance review meeting was held on 14 July 2016 and the next meeting is scheduled for 13 October 2016 and quarterly this point forward.
SIGMA System	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 Aug - 16	12) We confirmed that Paul Spencer and Anna Winship met 24 May 2016 ahead of the internal audit review meeting on 31 May 2016.

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
Business Improvement Technology	1) 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. Where third party involvement is required, information around the process, timeframes and escalation routes should also be included in the guidance. 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.	M	Paul Fleming	Aug - 16	We verified that a working document has been created which communicates a process for raising, handling and escalating incidents. A List of query reports and incidents are run and reported on a monthly basis.
Business Improvement Technology	2) 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. It is also recommended that, in line with current management thinking, procedure guidance is compiled for all core activities undertaken within IT.	M	Paul Fleming	Aug - 16	We verified that there is now a development plan in place whereby core skills have been identified. There is a program to implement the development plan the first stage of the development plan included training users to building laptops and create user accounts build a laptop and set up work phones. The 2 nd stage of the work structure plan is anticipated to be completed by October 2016.
Business Improvement Technology	3) 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. This should be distributed to relevant stakeholders to enhance the consistency of application. Where applicable, this should be linked with HR starters and leavers process to enhance the time frame of requests.	M	Paul Fleming	Aug - 16	As per above a work structure development plan has been established for user access management process

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
Business Improvement Technology	4) 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. 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.	M	Paul Fleming	Aug - 16	The 'Kiwi Syslogger' system captures all the network logs which enable detection of anomalies and possible security threats. The system is able to retain audit trails for each individual that logs into the system. Access rights have been established with the system.
Business Improvement Technology	5) 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.	M	Paul Fleming	Aug - 16	A Live system is now in place 'INCINGA' which is an alerting and monitoring tool for infrastructure applications and network. The system generates and sends a centralised console and alerts are sent to the city ICT account and also to specific accounts. The system has been live and implemented in July 2016.
Enforcement	2) Ensure that staff adhere to standard operating procedures and expectations during a period of staff change	M	Michael Browning	Aug - 16	All staff joining the team go through an induction process where the standard operating procedures and expectations are communicated to both new joiners and existing staff. The standard operating procedures are also communicated within training programs

RECOMMENDATIONS COMPLETE

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Original Due Date	Notes on Completion
Homelessness Prevention	3) Consideration must be taken ahead of the peak period in 2016 over whether staffing and caseloads could compromise targets being met	M	Dave Scholes	Jul - 16	Management have Identified that the peak periods are in July and August and are more aware of the reporting mechanisms in place allowing there to be tighter measures in regards to monitoring peak periods and demand. Through management meetings and 1:1 meetings where they would monitor this and ensure where the peak period are if its and old case and the department have a peak period coming up then they will consider reassigning the case. Furthermore, if they have temporary accommodations and a peak period is approaching permanent homes are allocated for the use of temporary accommodation.

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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	1d) 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	M	Caroline Wood	Mar-16 Aug-16	A list from Agresso will be published on the Intranet and updated quarterly. As a result we will follow this up in December 2016	Dec -16
Accounts Payable	3f) Sufficient training should be provided to all users of the Key2 system	H	Caroline Wood	Mar-16 Aug-16	A workshop is planned for 26th October 2016 with Jaama, Direct Services and Payments Team to run through particular processing issues which appear to be of a system nature rather than of a staff knowledge nature.	Oct -16

RECOMMENDATIONS REMOVED

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Reason for change of priority level from High to Low
Accounts Payables	<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 → L	Caroline Wood	Mar-2016 Aug - 16	2a/2b) Due to ongoing issues with Agresso, Accounts payable have reverted back to uploading supplier details through the BIF File. There are now controls in place in terms of approving suppliers and subsequently creating the record in Agresso with complete segregation of duties whereby Procurement approves the supplier request and Accounts Payables Team Leader is uploading the details via a BIF File. As a result we have downgraded the priority level from Medium to Low as segregation of duties is now in place.
Accounts Payables	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	H → L	Caroline Wood	Jan-16 Mar-16 Aug - 16	New guidance has been circulated on the uploading of receipts within D-Cal, however, some users are unable to upload receipts onto D-Cal. An ICT call has been raised and a resolution is outstanding as guidance on retaining receipts as hard copy has been issued and individuals are aware that receipts must be in place and a function is in place where individuals can upload receipts to the Decal system. This recommendation will be downgraded from High to Low
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 → L	Andrew Sunderland and Stacie Tomkins	Dec-16 Mar-16 Aug - 16	Finance state that all Agresso imports to date have reconciled exactly and evidence of this is stored on the shared drive. It is felt there is no benefit to additional paperwork documenting this reconciliation particularly in the context of moving towards paperless billing therefore this recommendation has been downgraded from High to Low priority recommendation and can be removed from the follow up register.

RECOMMENDATIONS REMOVED

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Reason for change of priority level from High to Low
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>	<p>H → L</p>	Andrew Sunderland and Nathan Kirwan/Paul Spencer	<p>Dec - 15 Mar - 16 Aug - 16</p>	<p>11a/11b) The spot checks were first undertaken in May 2016 with no issues detected. Finance have agreed that the utility industry standard 'Tradacoms' is a rigorous format that undertakes thorough checks on all energy invoices therefore, additional checks are not required as these checks are covered through the Sigma validation processes. Therefore, this recommendation has been downgraded from a High to a Low priority recommendation.</p>



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Oxford City Council

INTERNAL AUDIT REPORT

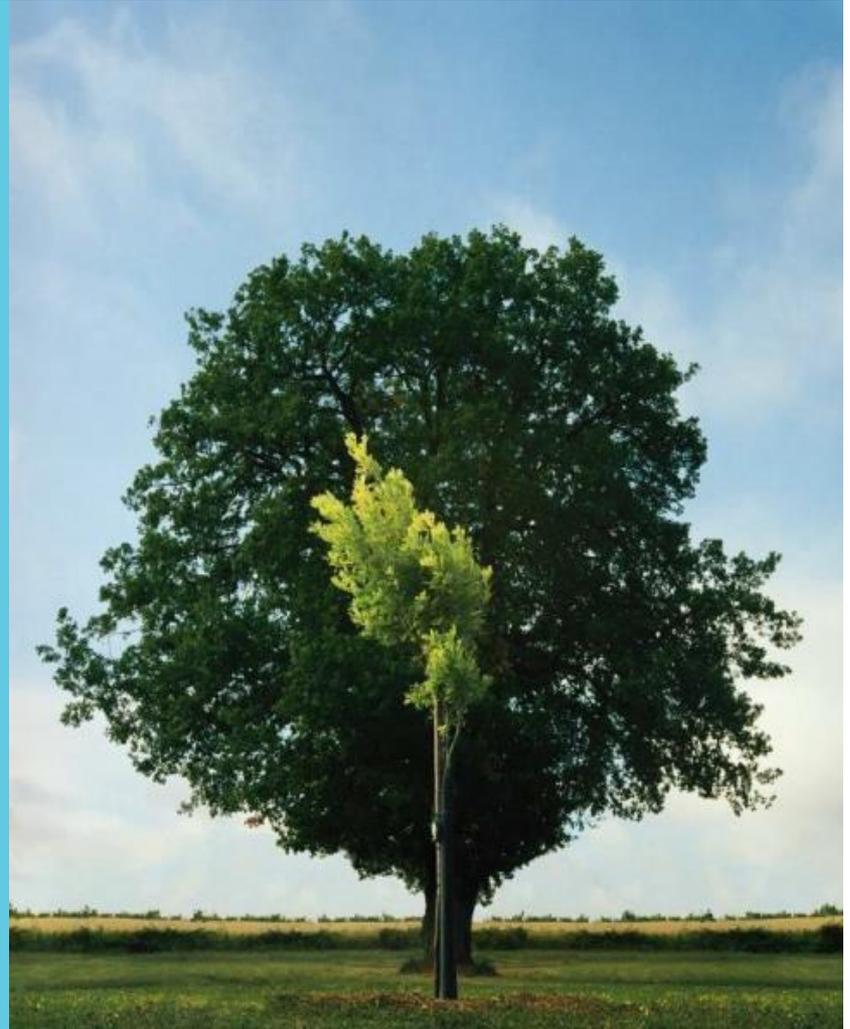
Audit 4. ICT Service Desk

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August 2016

ICT SERVICE DESK MATURITY ASSESSMENT

Council Assessment	BDO Assessment
Level 2	Level 1

FINAL



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REPORT STATUS	
Auditors:	David Harvey - Assistant Manager
Dates work performed:	1 August 2016 - 15 August 2016
Draft report issued:	19 August 2016
Final report issued:	19 September 2016

DISTRIBUTION LIST	
Jackie Yates	Executive Director for Organisational Development and Communication
Nigel Kennedy	Section 151 Officer
Helen Bishop	Head of Business Development
Paul Fleming	Head of ICT

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EXECUTIVE SUMMARY

CLIENT STRATEGIC OBJECTIVE

Efficient, Effective Council

LEVEL OF MATURITY (SEE APPENDIX II FOR DEFINITIONS)

Council Assessment	2	Repeatable - Basic processes and activities are established and there is a level of discipline and adherence
BDO Assessment	1	Ad-hoc - Processes and activities are ad-hoc or undefined

OVERVIEW

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)

High	
Medium	7
Low	

Total number of recommendations: 7

217 Background

The purpose of this review is to assess the current maturity of Oxford City Council's (the Council) ICT Service Desk based on the ITIL standard and to identify the actions required for the Council to achieve its desired state. The service elected to bring forward this audit so that recommendations could be combined with the ICT Improvement Plan and the independent SOCITM report. The management response to the recommendations cross reference to the ICT Improvement Plan.

The Improvement Plan is categorised into workstreams with a manager responsible for the delivery of each. The Plan is rigorously monitored for progress at a weekly governance meeting attended by the Director and Head of Service.

The capacity of the team has been temporarily increased to deliver the Improvement Plan.

In April 2016, the Council brought the provision and management of the ICT Service Desk in-house having previously been managed by Oxfordshire County Council. The maturity of the ICT Service in general and the ICT Service Desk in particular will directly affect the level of service provided to the Council and the experiences of the end-user.

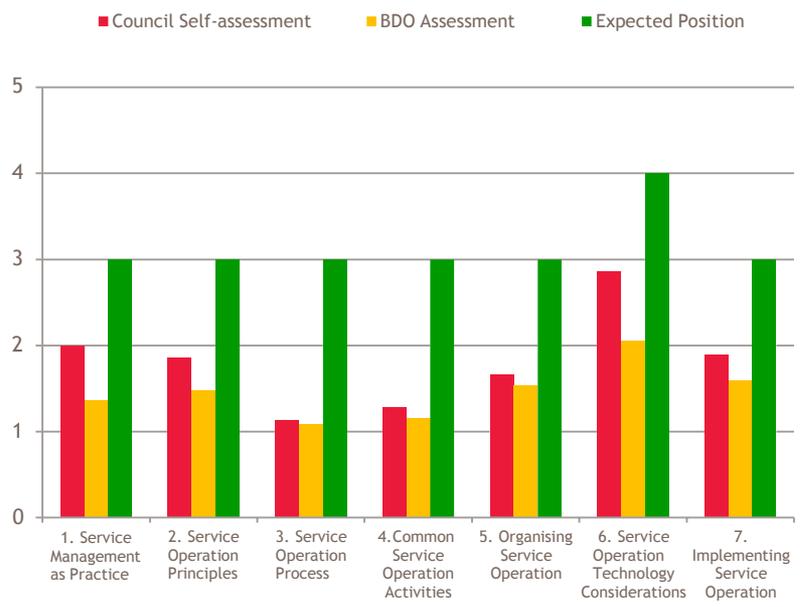
From our assessment we identified the following areas of good practice:

- The Council has mapped its services to the IT applications and infrastructure that is required to support their delivery
- The Council has deployed and configured appropriate IT service management tools to support the ICT Service Desk.

However, we noted the following areas for improvement:

- The purpose, objectives and scope of the ICT Service Desk have not been defined
- The ICT Service Desk processes and their relationships with the wider ICT

Comparison of Maturity Assessments



Note: Scoring is based on the findings outlined in the Detailed Recommendations and the information that was provided in August 2016.

DETAILED RECOMMENDATIONS

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Area: Service Management as Practice			
Ref.	Finding	Sig.	Recommendation
1	<p>Objective: The objectives of the Service Desk in particular and the ICT Service in general have been defined, communicated and are subject to routine review.</p> <p>Council Assessment: 2 - Repeatable BDO Assessment: 1 - Ad-hoc Expected Level: 3 - Defined</p> <p>It was observed during our assessment that the expectations, objectives and scope of the Service Desk have not been defined and communicated to all key stakeholders.</p> <p>The services provided by the Service Desk have not been defined, nor are there documented processes in place for the following activities:</p> <ul style="list-style-type: none"> • Event Management • Incident Management • Request Management • Problem Management <p>The responsibilities and relationship between the Service Desk and the Application Development functions have not been defined.</p> <p>Based on our audit we have assessed the Council to be at maturity level one, <i>Ad-hoc</i>, for this area.</p>	Med	<p>In order to achieve the expected maturity level, Management should:</p> <ul style="list-style-type: none"> • Define the expectations, objectives and scope of the Service Desk in line with the requirements of the Council. • Define the services provided by the Service Desk to the Council and document the processes associated with the delivery of these services • Define the relationship between the Service Desk and the operational areas of the Council's ICT Service. • Define the responsibilities and the relationship between the Council's Service Desk and Application Development functions. <p>Management should consider the implementation of a defined service level agreement (SLA) between ICT and the Council.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>Following the establishment of the internal Service Desk, the Council has produced an ICT Improvement Plan (Appendix A) that will support the improvement of its maturity. The Processes workstream (WS4) includes definition of a Service Catalogue, mapping and documenting all associated processes, stakeholder engagement and development of SLAs with clear target dates for completion and responsible officers.</p>		<p>Responsible Officer: Paul Collins - ICT Operations Manager</p> <p>Implementation Date: Processes Workstream to be completed by 28/10/16</p>	

DETAILED RECOMMENDATIONS

Area: Service Operation Principles			
Ref.	Finding	Sig.	Recommendation
2	<p>Objective: The design and management of the Service Desk is aligned to the needs of the Council and key performance indicators are defined, monitored and reported on.</p> <p>Council Assessment: 1 - Ad-hoc BDO Assessment: 1 - Ad-hoc Expected Level: 3 - Defined</p> <p>It was observed during our assessment that the metrics to be used to monitor and assess the performance of the Service Desk have not been agreed with the Council. Furthermore, there is not a defined procedure in place to review the performance of the Service Desk.</p> <p>The operational requirements for providing the levels of service expected of the Service Desk by the Council have not defined, nor are there procedures in place to monitor and report on performance issues.</p> <p>Whilst we observed that department and team meetings are being held, there is not a defined requirement or procedure in place to communicate the expectations of the Council and the performance of the Service Desk to members of staff.</p> <p>Based on our audit we have assessed the Council to be at maturity level one, <i>Ad-hoc</i>, for this area.</p>	Med	<p>In order to achieve the expected maturity level, Management should:</p> <ul style="list-style-type: none"> Establish and agree with the Council a set of defined metrics and key performance indicators in order to monitor and assess the performance of the Service Desk Define the operational requirements for achieving the defined metrics and implement a procedure to monitor and report on performance issues as they are encountered <p>Furthermore, Management should establish a defined communications strategy, which includes but is not limited to:</p> <ul style="list-style-type: none"> The requirement for department and team meetings The frequency with which these meetings are held The requirement for meetings to be held with key stakeholders from across the Council
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	

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DETAILED RECOMMENDATIONS

The SLA (Appendix A: ICT Improvement Plan WS4 Processes) will define metrics and KPI's that will be monitored on a regular basis and published on the intranet. The Resources workstream (Appendix A: WS2) includes an action to establish a performance framework for individuals within the team including clear objective/target setting and performance reviews for individuals. The Comms workstream (WS6) sets out a schedule for regular team meetings and updates to key stakeholders.

Responsible Officer: Paul Collins ICT Operations Manager

Implementation Date: SLA's to be in place by 28/10/16

DETAILED RECOMMENDATIONS

Area: Service Operation Processes			
Ref.	Finding	Sig.	Recommendation
3	<p>Objective: There are defined procedures in place for the services that are provided by the Service Desk, which includes: events, incidents, requests, problems and access requests.</p> <p>Council Assessment: 1 - Ad-hoc BDO Assessment: 1 - Ad-hoc Expected Level: 3 - Defined</p> <p>The Council has not defined the services that are to be provided by Service Desk, nor is there a record of:</p> <ul style="list-style-type: none"> The purpose and objective of the services that are provided by the Service Desk The processes and sub-processes that are necessary to effectively deliver the services The procedure for monitoring and reviewing the services that are provided to the Council or the efficacy of the processes that support it. <p>The Service Desk are not required to confirm that a request for access has been approved by the user's line manager. Furthermore, a user's access rights are determined by copying those of a nominated existing account rather than by selecting an appropriate job role.</p> <p>There is not a procedure in place to review user access rights on a routine basis.</p> <p>Based on our audit we have assessed the Council to be at maturity level one, <i>Ad-hoc</i>, for this area.</p>	Med	<p>In order to achieve the expected maturity level, Management should define the services that are provided by the Service Desk. This should include, but not be limited to:</p> <ul style="list-style-type: none"> The purpose and objective of the service The processes and sub-processes necessary to deliver the service The procedure for monitoring the service provided to the Council and the efficacy of the processes that support it. <p>Furthermore, Management should review and, where necessary, change the access management process so that:</p> <ul style="list-style-type: none"> Requests for access are approved by the user's line manager and that a record of this approval is maintained Access rights are determined and allocated according to the user's job role User access is reviewed on a routine basis.
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>The Processes workstream within the ICT Improvement Plan (Appendix A: WS4) includes activities to establish the Target Operating Model, the Service Catalogue and the ITIL processes that will form the basis of the service and will be documented. ITIL processes include access management.</p>		<p>Responsible Officer: Paul Collins ICT Operations Manager</p> <p>Implementation Date: Processes workstream to be complete by 16th Dec 2016.</p>	

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DETAILED RECOMMENDATIONS

Area: Common Service Operation Activity			
Ref.	Finding	Sig.	Recommendation
4	<p>Objective: The IT infrastructure, hardware and software that is used to support the Service Desk is appropriate and is subject to routine monitoring.</p> <p>Council Assessment: 1 - Ad-hoc BDO Assessment: 1 - Ad-hoc Expected Level: 3 - Defined</p> <p>The availability requirements for the IT infrastructure that supports the Council's services have not been defined, nor has normal operational activity been baselined in order to identify abnormal levels or types of activity when it occurs.</p> <p>There is not a defined process to monitor and report on the status of the IT infrastructure that is in use.</p> <p>The Council does not have a defined procedure to perform operational audits of the design and performance of its IT infrastructure and associated IT processes.</p> <p>Based on our audit we have assessed the Council to be at maturity level one, <i>Ad-hoc</i>, for this area.</p>	Med	<p>In order to achieve the expected maturity level, Management should define the availability requirements of the IT infrastructure that is used to support the provision of IT services to the Council.</p> <p>In order to achieve the expected maturity level, Management should:</p> <ul style="list-style-type: none"> • Define the availability requirements of the IT infrastructure that is used to deliver IT services to the Council • Establish baselines for normal operational activities and a procedure to identify and report abnormal levels or types of activity as it occurs • Conduct routine operational audits of the design and performance of the IT infrastructure in use and the associated IT processes.
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>The Tools Workstream within the ICT Improvement Plan (Appendix A: WS3) sets out the software adopted to support the service desk function and the tasks required to maximize its use. We are currently assessing the options for software that monitors the performance of the network.</p>		<p>Responsible Officer: Simon Park ICT Applications Manager</p> <p>Implementation Date: Workstream to be completed by 16th Dec 2016</p>	

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DETAILED RECOMMENDATIONS

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Area: Organising Service Operations			
Ref.	Finding	Sig.	Recommendation
5	<p>Objective: The structure of the Service Desk is commensurate to the requirements of the Council.</p> <p>Council Assessment: 1 - Ad-hoc BDO Assessment: 1 - Ad-hoc Expected Level: 3 - Defined</p> <p>The Council has organised its ICT Service into four operational areas: Service Desk; Application Development; Contract and Change Management; and Information Governance. It was observed during our assessment that the Council has not defined:</p> <ul style="list-style-type: none"> • The responsibilities, scope and objectives of each area • The relationships and interactions between each area • The procedures for monitoring the performance of each area and the ICT service as a whole. <p>Furthermore, the roles and responsibilities of the members of staff that work on the Service Desk have not been reviewed and, where necessary, revised following the decision to bring it in-house.</p> <p>Based on our audit we have assessed the Council to be at maturity level one, <i>Ad-hoc</i>, for this area.</p>	Med	<p>In order to achieve the expected maturity level, Management should, for each IT operational area, define:</p> <ul style="list-style-type: none"> • The responsibility, scope and objective for the area • The relationship and interaction between each area • The procedure for monitoring the performance of each area individually and the ICT service as a whole. <p>Furthermore, Management should review and, where necessary, revise the Service Desk roles and responsibilities so that they are aligned with the services that are provided to the Council.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>The Resources workstream in the ICT Improvement Plan sets out an action to clearly articulate the roles, responsibilities and scope of each team within ICT. Performance monitoring is according to the performance framework and will be managed through the corporate performance management policy.</p>		<p>Responsible Officer: Paul Collins ICT Operations Manager</p> <p>Implementation Date: Workstream to be completed by end Sept 2016</p>	

DETAILED RECOMMENDATIONS

Area: Service Operation Technology Considerations			
Ref.	Finding	Sig.	Recommendation
6	<p>Objective: The technology used to manage the Service Desk is fit for purpose.</p> <p>Council Assessment: 2 - Repeatable BDO Assessment: 2 - Repeatable Expected Level: 4 - Managed</p> <p>The Council has deployed to vFire IT Service Management application to support the operation of the Service Desk. It was observed during our assessment that the vFire application has not been configured in line with Council's expectations. An update is currently being tested, but has not been deployed.</p> <p>Whilst a known error database was found to be in place, there is not a defined procedure to routinely review and update its content.</p> <p>There is not a procedure to monitor and review the use and performance of the support tools that are used by the Service Desk in order to identify improvement opportunities.</p> <p>Based on our audit we have assessed the Council to be at maturity level two, <i>Repeatable</i>, for this area.</p>	Med	<p>In order to achieve the expected maturity level, Management should:</p> <ul style="list-style-type: none"> • Configure the vFire application so that it supports the delivery of the services provided by the Service Desk • Establish a procedure to maintain, review and update the known error database that is held within the vFire application. <p>Furthermore, Management should routinely review the use and performance of the support tools that are used by the Service Desk and, where necessary, take action to implement opportunities for improvement.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>The Tools workstream in the ICT Improvement Plan includes specific action to enhance and improve the configuration of vFire - the service desk call management software. All processes and procedures are currently being developed and documented. We are currently assessing the options for software that monitors the performance of the network.</p>		<p>Responsible Officer: Simon Park ICT Applications Manager</p> <p>Implementation Date: Workstream to be completed by 16th Dec 2016</p>	

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DETAILED RECOMMENDATIONS

Area: Service Operation Technology Considerations			
Ref.	Finding	Sig.	Recommendation
225 7	<p>Objective: Continual improvement has been incorporated into the operation of the Service Desk.</p> <p>Council Assessment: 1 - Ad-hoc BDO Assessment: 1 - Ad-hoc Expected Level: 3 - Defined</p> <p>It was observed during our assessment that there is not a procedure in place to review and report on the performance and efficacy of the processes that support the operation of the Service Desk.</p> <p>Changes to an operational process are made on an ad-hoc basis and do not follow a defined procedure in order to identify potential disruptions to the overall service.</p> <p>Based on our audit we have assessed the Council to be at maturity level one, <i>Ad-hoc</i>, for this area.</p>	Med	<p>In order to achieve the expected maturity level, Management should establish a defined procedure to review and report on the performance and efficacy of the processes that support operation of the Service Desk.</p> <p>Furthermore, Management should implement a defined procedure for managing changes to the operational processes of the Service Desk, which includes but is not limited to:</p> <ul style="list-style-type: none"> • The assessment and management of potential risks to the operation of the Service Desk • The assessment of the potential impact on the IT Service as a whole and on the Council • Appropriate planning is performed before implementation • Changes are scheduled so as to minimise disruption to the Service Desk, the IT Service and the Council.
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>ITIL processes are being adopted and documented in order to ensure best practice across the ICT service including change management (WS4 Row 125). A Change Advisory Board has been established and meets weekly to review all ICT change requests. The Handover workstream in the Improvement Plan sets a completion date for the Business Continuity Plan (WS5 Row 156) that will identify risks to ICT service and response. The ICT Improvement Plan is monitored on a weekly basis by the management team.</p>		<p>Responsible Officer: Jan Heath Business Development & Support Manager</p> <p>Implementation Date: Change Management Process by end Sept 2016, Handover Workstream by end October 2016</p>	

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 Manager
Paul Collins	IT Operations Manager
Simon Parks	Applications Development Manager
Michael Ngero	Information Governance Manager

NAME	JOB TITLE
Joe Unia	Commercial Contracts Manager
Paolo Corachi	Senior Analyst
Robert Carpenter	Application Development Specialist

APPENDIX II - DEFINITIONS

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Maturity Level	Title	Definition
0	No Process	No process or activities exist for this area.
1	Ad-hoc	Processes and activities are ad-hoc, chaotic or undefined
2	Repeatable	Basic processes and activities are established and there is a level of discipline and adherence
3	Defined	All processes and activities are defined, documented, standardised and integrated
4	Managed	Processes are measured by collecting detailed data on the processes, their quality and are appropriately improved
5	Optimised	Continuous improvement is adopted, processes and activities are mature.

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



As of the 1 April, the Council has brought its ICT Service desk functionality in-house, having previously been managed by Oxfordshire County Council. To support the effective operation of the ICT Service Desk, the Council are utilising V-fire software. Given the ever increasing importance of ICT to the Council's operations, the transition to an in-house ICT Service Desk is of strategic importance to the Council. The Council have engaged with Socitm to undertake a review of the structure and capability of the ICT Service Desk at the same time as this audit. The scope of this audit has been prepared so as to avoid duplicating the work provided.

PURPOSE OF REVIEW



The purpose of this review is to assess the current maturity of the Council's IT Service Desk based on the ITIL standard and to identify the actions required to progress the Council to its desired future state.

228 SCOPE OF REVIEW



The overall objective in undertaking this audit is to ensure, through a process of systems evaluation and compliance testing, that the maturity of the Council's ICT Service Desk is aligned to the expectations of management. The audit will address the following areas:

- Service Management as Practice
- Service Operation Principles
- Service Operation Processes
- Common Service Operation Activities
- Organising Service Operation
- Service Operation Technology Considerations
- Implementing Service Operation.

The audit will address the maturity of the Council's IT Service Desk according to the following definitions:

- Level 0 No process- No processes or activities exist
- Level 1 Initial - Processes and activities are ad-hoc, chaotic or undefined
- Level 2 Repeatable - Basic processes and activities are established and there is a level of discipline and adherence
- Level 3 Defined - All processes and activities are defined, documented, standardised and integrated
- Level 4 Management - Processes are measured by collecting detailed data on the processes, their quality and are appropriately improved
- Level 5 Optimised - Continuous improvement is adopted, processes and activities are mature.

EXCLUSIONS



Our work will be restricted to the areas of consideration within our scope of the review and all testing will be on a sample basis only.

APPROACH



We will provide the Council with a self assessment form, which is used to assess the current and desired states for the IT Service Desk. Our audit will review the evidence available to support the Council's assessment of its current arrangements. We will not review controls that have been assessed at Level 1 or below. Additionally, we will assess as to whether the Council has sufficient resources and arrangements in place to achieve the desired state for the IT Service Desk.

APPENDIX III - TERMS OF REFERENCE

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:

- The ICT Service Desk is not mature enough to support the Council's operations
- Adequate resources have not been made available to support the development and improvement of the ICT Service Desk

DOCUMENTATION REQUEST

Please could appropriate members of staff complete the self-assessment form provided and return it to us ahead of the scheduled start date of the audit.

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 III - TERMS OF REFERENCE

TIMETABLE

Audit Stage	Date
Commence fieldwork	25 July 2016
Number of audit days planned	13
Planned date for closing meeting	5 August 2016
Planned date for issue of the draft report	5 August 2016
Planned date for receipt of management responses	12 August 2016
Planned date for issue of proposed final report	19 August 2016
Planned Audit Committee date for presentation of report	September 2016

KEY CONTACTS

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Nigel Kennedy	Section 151 Officer	nkennedy@bdo.co.uk
Jackie Yates	Executive Director for Organisational Development and Communication	jyates@bdo.co.uk

SIGN OFF

On behalf of BDO LLP:		On behalf of Oxford City Council:	
Signature:		Signature:	JACKIE YATES
Title:	HEAD OF INTERNAL AUDIT	Title:	EXECUTIVE DIRECTOR FOR ORGANISATIONAL DEVELOPMENT AND COMMUNICATION
Date:	30 June 2016	Date:	25 July 2016



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To: Audit and Governance Committee

Date: 28 September 2016

Report of: Head of Financial Services

Title of Report: Risk Management Quarterly Reporting: Quarter 1 2016/17

Summary and Recommendations

Purpose of report: To update the Committee on both corporate and service risks as at the end of Quarter 1, 30 June 2016.

Key decision: No

Executive lead member: Councillor Ed Turner

Policy Framework: Efficient and Effective Council

Recommendation(s): That the Committee:

- a) notes the content of the report
- b) reviews the revised corporate risk register (Appendix A)
- c) agrees the proposed change to the risk prioritisation matrix (paragraph 3 and Appendix B).

Appendices:

Appendix A Corporate Risk Register
Appendix B Risk Prioritisation Matrix

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'.
2. 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.
3. It is proposed that there is a change to the risk prioritisation matrix which would change the rating of 3 (Probability) and 4 (Impact) to be amber rather than red. This change would make the risk prioritisation more internally consistent and also links to the Council's direction of travel being less risk adverse than traditional Councils. The current risk prioritisation matrix is shown below. Appendix B shows the proposed risk prioritisation matrix.

Probability

Almost Certain	5	5	10	15	20	25
Likely	4	4	8	12	16	20
Possible	3	3	6	9	12	15
Unlikely	2	2	4	6	8	10
Rare	1	1	2	3	4	5
		1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Severe

Key:

Green	Amber	Red
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Risk Identification

4. **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.
5. **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.

6. **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 1 Corporate Risk Register

7. Zurich Municipal held a Risk Management Workshop for Directors and Heads of Service to review and update the Corporate Risk Register for 2016/17. The new Corporate Risk Register is attached at Appendix A.
8. As a result of the review, the number of risks increased from seven to ten. Six have residual risk ratings of red. These are as follows:-
 - Housing - The Council has key priorities around housing which include ensuring housing delivery and supply for the City and enabling sufficient house building and investment. As a result the Council is setting up a housing company to enable it to better manage and resolve potential factors which threaten investment and service performance.
 - Supporting Economic Growth - The UK decision to exit the EU is already having a negative impact on the City and national economy, which could be exacerbated further by continued uncertainty. Locally this could manifest through loss of funding, impact on business rates and difficulty encouraging businesses and workers into the city. The Council is closely monitoring the impact on partners, the local economy and business rates.
 - Delivery of Financial Plan – Whilst the current budget enables funding of the Corporate Plan through the Medium Term Financial Strategy, there are other challenges to consider. There is a risk that the outcome of the Government Business Rate Reform is less favourable than currently predicted with the MTFP. There is also the challenge of generating income in the sum of £6-7m from trading activities and also additional uncertainty over EU grants which are likely to cease for the UK in the future with no existing plans for the UK Government to provide grants to replace them.
 - Innovative Arrangements & Models – The Council is exploring and implementing new models of service delivery such as joint venture companies. The implications of these will need to be understood and communicated, politically and operationally including the impact it will have on roles and governance arrangements. External advice is being utilised to optimise Company set-up and Governance processes are being put in place.
 - Climate Change – Oxford has been subject to a number of significant flooding and extreme weather events resulting in widespread disruption and damage. Mitigation arrangements and plans have been put in

place but there is a risk that they could be insufficient to deal with major future flooding or extreme weather. Flood alleviation schemes are underway and being investigated.

9. The table below shows the levels of red, amber and green residual risks over the last 12 months.

Current Risk	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17
Red	1	1	0	5
Amber	3	4	4	4
Green	2	2	3	1
Total risks	6	7	7	10

Quarter 1 Service Risk Registers

10. 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.
11. The table below shows the number of service risks in Q1 2016/17 compared with the last 12 months. Following a review, 15 new risks were added and 5 risks were closed.

Current Risk	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17
Red	4	6	2	7
Amber	31	27	27	37
Green	29	30	33	28
Total risks	64	63	62	72
New risks in quarter	2	3	0	15
Closed	9	4	1	5

As a result of the review, there has been an increase in the number of red risks to seven. Two remain unchanged from Q4. Two have increased from an amber status and two from a green status. One new risk for 2016/17 has been classified as red. These red risks are as follows:-

- Housing and Property – relates to increased costs of homelessness. Changes to Housing Benefit and Local Housing Allowance regulations together with the economic climate and Supreme Court decision imposing increased responsibility to vulnerable people results in additional costs, less effective homelessness prevention work and higher homelessness acceptance.
- Planning and Regulatory – relates to major service failure due to significant ICT outages resulting in a reduced service to customers.

- Direct Services – relates to the quality of ICT services provided resulting in insufficient resource or skills to meet business needs which prohibit continuity of service.
- Law & Governance – relates to reliance on ICT. Insufficient support for critical systems and incorrect device solution for Members which results in Officers and Members operating inefficiently.
- Financial Services – relates to Treasury Management and the safety of investments in order to achieve a good return. The current economic climate and prolonged low interest rates available on the market have not been helped due to the British exit from the EU and the consequent volatility in the markets.
- Community Services – relates to the non-achievement of Town Hall income targets. The impact of economic circumstances, delays in building upgrade and maintenance programme results in major disruption to business.
- Welfare Reform – relates to the Welfare Reform Team being unable to meet demand for support from customers due to lowering of Benefit Cap in Autumn 2016 resulting in the number of evictions rising.

Climate Change / Environmental Impact

12. This has been raised within the Corporate Risk Register as a risk and investigations are underway into flood alleviation schemes to minimise any future disruption or damage.

Equalities impact

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

Financial Implications

14. Whilst the recent decision to exit the EU will create potential new challenges, the robust management of risk should assist in mitigating the financial impact to the Council.

Legal Implications

15. 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:-

Name: Alison Nash

Job title: Finance Officer (Insurance)

Service Area / Department: Financial Services

Tel: 01865 252048 e-mail: anash@oxford.gov.uk

List of background papers: None.

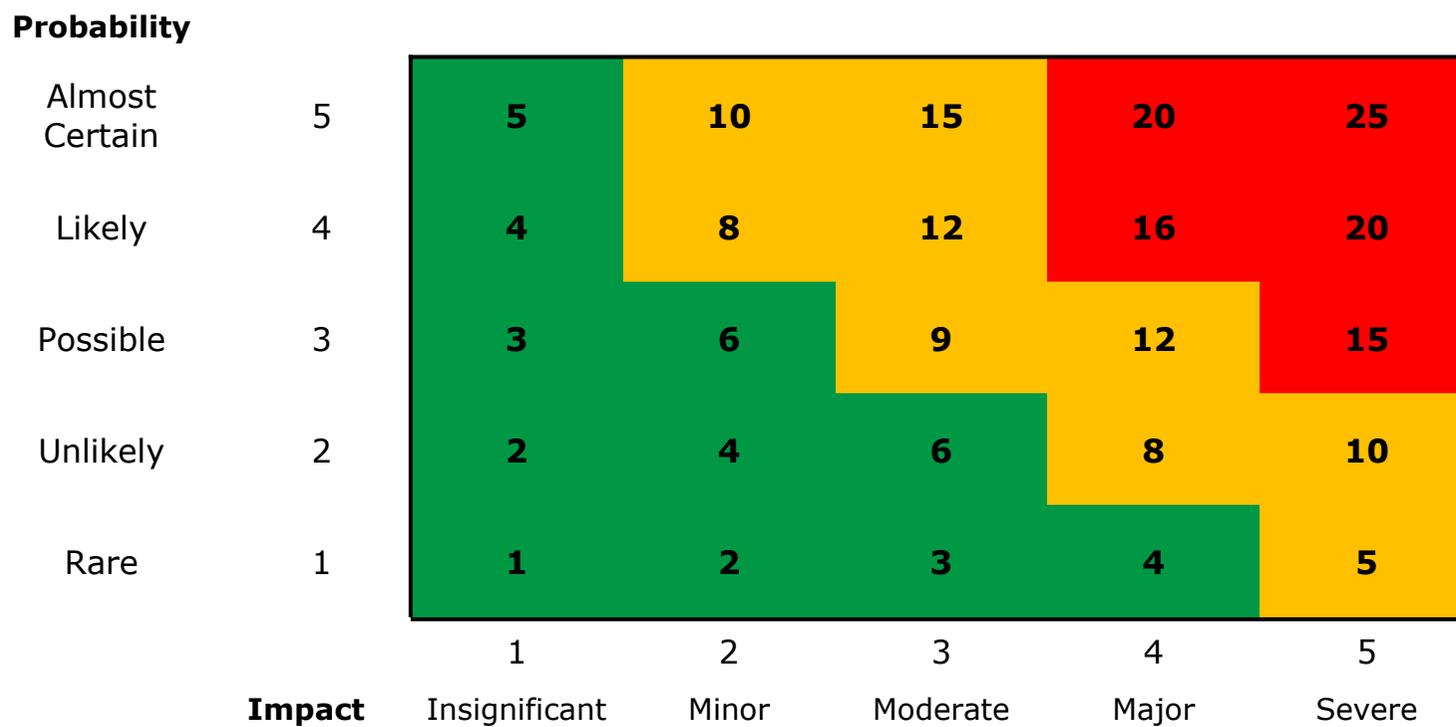
Formal Risk Summary
(Corporate Risk Register)
As at: July 2016

Ref (TBC - the numbers below are risk numbers from workshop)	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	
3	Housing	The Council has key priorities around Housing, including ensuring housing delivery and supply for the City and enabling sufficient house building and investment.	T	Unable to deliver affordable and acceptable housing to a 'required' standard	- Insufficient housing in City - Increase in homelessness - Impact on residents - Health and quality of life issues - Adverse publicity - Reputation risk - Perception of unfairness reinforces tensions around immigration	15/07/2016	Stephen Clarke	5	4	5	4	4	4	The Council has set up a housing Company to enable it to better manage and resolve potential factors which threaten investment and service performance. The Council is reviewing its local plan, a key element being how to develop a range of housing tenures to meet the growth in demand. This includes working with surrounding districts on their plans and a review of the green belt. The Council is implementing other delivery methods for temporary accommodation and accommodation for homelessness prevention.	September 2016	In Progress	40%	Stephen Clarke		
6	Innovative arrangements and models	The Council is exploring and implementing new models of service delivery, e.g joint venture companies. The implications of these will need to be understood and communicated, politically and operationally, including the impact it will have on roles and governance arrangements.	T	Unable to optimise the potential of innovative arrangements and models	- Missed opportunities - Council doesn't transform - Potential inertia - Unable to deliver - Uncertainty	15/07/2016	Jackie Yates	5	4	5	4	5	4	Governance processes are being put in place for each new vehicle External advice being utilised to optimise Company set-up Agreements between the Companies and the Council regarding services to be provided and fees for these services are to be agreed	March 2017	In Progress	30%	Nigel Kennedy		
7	Devolution	There are potential changes to Local Government structures being modelled currently with a range of potential outcomes possible as a result, including major changes to overarching governance in the local area. Possible outcomes include Oxford City becoming a Unitary authority or potentially ceasing to exist in its current form.	T	Risk City Council doesn't get a significant enough devolution deal	- Loss of opportunities and investment - Potential impact on community - Lack of focus on Oxford City and greater Oxford - Focus on services	15/07/2016	Caroline Green	5	4	4	4	4	3	Working with other councils in Oxfordshire and partners with a view to agreeing a way forward on devolution deal and strengthening current governance structures Working with County to ensure effective joint working continues Discussions with civil servants to understand government policy on devolution as it develops S12	Ongoing	In Progress	20%	Caroline Green		
10	Climate change	Oxford has commonly been subject to a number of significant flooding and extreme weather events. Mitigation arrangements and plans have been put in place but there is a risk they could be insufficient to deal with major future flooding/ extreme weather events.	T	Risk flood event happens that mitigations and plans are not sufficient to deal with	- Impact on infrastructure and housing - Widespread disruption to City and business - Cost - Return to Business As Usual challenging - Impact on public and staff	15/07/2016	Jo Colwell	5	4	5	4	5	4	Flood alleviation schemes are underway and being investigated	March 2018	In Progress	20%	Tim Sadler		
8	ICT Resilience	There is an increasing demand from public and stakeholders, to access the Council through digital channels. This will impact on both front facing and back office area and will require new and differing capability and skills, both people and infrastructure. There will be potential changes to manage here, as outlined in the digital strategy and proposition, which will require buy-in to be successful. The delivery of Council Services are increasingly reliant upon the resilience of ICT hardware, software and support to allow them to function properly and to provide services both internally and externally to the Council's Customers. Failure of ICT can seriously impact on the delivery of Council services	T	Unable to deliver digital strategy and proposition Loss of ICT Services due to internal issues or loss of service provision from ICT suppliers	- Inefficiency - Damage to reputation - Inefficiency - Damage to reputation - Loss of service provision - Staff unable to perform their normal duties	15/07/2016	Helen Bishop	5	3	5	3	4	2	Robust governance arrangements in place for the Digital Strategy, the Action Plan and ongoing stakeholder engagement including CEB approval and ongoing monitoring through ODSCS Board. Site visits arranged for HoS to consider Digital Leadership initiatives at other local authorities The ICT workplan is being developed and will be updated on an ongoing basis The potential for a single account for each customer through improved integration of Council systems through enterprise application integration and real time business process automation is being investigated The contract with the Council's major ICT supplier, SCC, includes non-performance penalties which incentivise the continual operation of the Council's systems hosted by SCC There is an improvement plan for the ICT Operations team to develop a staff training programme, and to ensure that the use of resources and ICT systems is maximised.	November 2016	In Progress	60%	Jan Heath		
1	Supporting Economic Growth	The UK decision to exit the EU (Brexit) is already having a negative impact on City and national economy, which could be exacerbated further by continued uncertainty and an exit which is unfavourable to the UK. Locally, this could manifest through loss of funding, impact on business rates, difficulty with encouraging businesses and workers into City leading to loss of skills impacting critical services. In addition there is a concern this could have an impact on universities (and funding). The current risk is the uncertainty around the exit from the EU, including scale, timeframe and position, which could be followed by an Exit agreement which disadvantages Oxford. The non delivery of key projects such as the local plan has a detrimental effect on the local economy	T	Uncertainty and Exit have a significant detrimental impact on City and Council, socially and economically Non delivery of the local plan or other key projects linked to growth and regeneration	- Pressure on City and other services - Less visitors - Reduced (and or pause in) investment - Impact on regeneration - Accumulation of changing legislation - Lack capacity to deal with multiple issues - Community cohesion affected - Impact on Corporate Plan	15/07/2016	Patsy Dell	4	3	4	3	4	3	Impact on partners being monitored and close liaison with them is being maintained Impact on the local economy is being monitored Impact on business rates is being monitored There is a project plan and timescales for the delivery of the local plan and these are being closely monitored and managed.	Ongoing	In Progress		Val Johnson		
2	Delivery of financial plan	The current budget enables us to fund the Corporate Plan, through the MTFP. There are sensitivities however, as outlined below. The outcome of the Government Business Rate Reform is less favourable than currently predicted with the MTFP. However challenges come from an income perspective, where there is a need to find £5-7m from trading activities. This is in the context that increasing income generally leads to risks around embracing new delivery models and managing demand. In addition there is major uncertainty over EU Grants in future, with them likely to cease and not necessarily be adequately funded from a UK perspective.	T	Unable to balance the Medium Term Financial Plan and hence deliver the Council's Corporate Plan priorities	- Cannot fund priorities - Unable to deliver to plan - Need to make choices / cuts - Unable to transform Council or achieve income levels	15/07/2016	Nigel Kennedy	4	3	4	3	4	3	Changes in forecasts for business rates income arising from changes in the system are being monitored Respond to Consultation Lobby through Local Government Association External advice being commissioned re: Trading Model Trading Accounts set up and new Board Trading activities and risks around these are closely monitored and potential for reductions in income will be highlighted at an early stage in monitoring meetings	February 2017	In Progress	10%	Nigel Kennedy		
4	Workforce and skills	Most services in house, challenges around recruitment and retention of high calibre staff, geographical proximity to London, high cost of housing, congested transport infrastructure.	T	Not having right skills and capacity to deliver quality and speed in dynamic environment	- Staff not accepting change - Lose people - Lack of resilience - Increased absence - Unable to deliver plans and priorities	15/07/2016	Helen Bishop	4	3	2	2	2	2	There is a national shortage of planning staff which has been recently resolved through a restructure and a reassessment of pay grades. Additional costs relating to this are reported in the budget monitoring report Staff non-pay benefits in place and reviewed. Use benefits and market these to attract talent to the organisation. More creative methods of advertising job roles to attract a wider pool of candidates. Trying to grow our own talent to fill roles.	June 2016	Complete	100%	Justin Thorne		
9	Partnerships / supply chain	It is important to work collectively and coherently with key partners to find solutions. Strong relationships are key, especially at a time when there is a strain on partners and relationships. Effective relationship management across partners will help to manage risks around service delivery and reputational risk.	T	Lack of coordinated response or weak relationships with partners leads to withdrawal of services, increasing the burden on City Council services and poorer outcomes for communities.	- Ad-hoc arrangements and relationships - Disparate approach across service areas - Mixed messages - Partners withdraw - Services and initiatives affected	15/07/2016	Caroline Green	3	3	3	3	3	3	Reinforce arrangements for joint working with key partners (councils, health, police, voluntary sector, business) to identify the pressures and challenges and broker discussions to design joint solutions or mitigations	Ongoing	In Progress	30%	Caroline Green		
5	Community Cohesion	There have been increases in racial tensions with pressure on estates and migrant communities. Immigration has led to new communities entering and displacement with a perception of drain on resources e.g. benefits and the local economy. The Brexit vote and outcome has highlighted differences between estates and affluent areas and has exacerbated this. The Council needs to be fair and equitable to all, and be recognised as such.	T	Risk of Council not being fair and equitable to all or being recognised as such	- Unable to communicate with community - Community fails to integrate - Demonstrations - Increase in abuse and bullying - Divided City - Unrest - People feel excluded	15/07/2016	Ian Brooke	2	2	2	2	2	2	Focus groups to be used to forward the fairness and equity agenda Key areas of concern monitored and action undertaken by officers on estates to alleviate tensions Cross Council Working Group to monitor the situation	Ongoing	In Progress	20%	Val Johnson		

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Proposed Risk Prioritisation Matrix

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To: Audit and Corporate Governance Committee
Date: 28 September 2016
Report of: Head of Law and Governance
Title of Report: Officer Executive Decisions published between 15 June – 16 September 2016

Summary and recommendations	
Purpose of report:	To inform the committee of the Officer Executive Decisions taken in the last quarter.
Corporate Priority:	None.
Policy Framework:	None
Recommendation: That the Committee note the report and the decisions taken.	

Appendices	
Appendix 1	Officer Executive Decisions published between 15 June – 16 September 2016

Introduction and background

1. At the meeting in December 2015, the Committee asked for a list of officer executive decisions taken to be included in the agenda of future meetings.
2. If an officer executive decision is a key decision then notice that it will be taken is published in the Council's forward plan.
3. When Committee Services are notified that an officer executive decision has been taken, this is published separately on the Council's website and notification is sent by email to all councillors.
4. The Constitution sets out the scheme of delegation to the Board and to officers.

Decisions taken

5. Appendix 1 lists the decisions taken in the last quarter showing the date from which the decision was effective.

Implications

6. There are no financial, legal or other implications in this report.

Report author	Catherine Phythian
Job title	Committee and Members Services Officer
Service area or department	Law and Governance
Telephone	01865 252402
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Background Papers: None

Appendix 1 – Officer Executive Decisions published between 15 June and 16 September 2016

Tender for External Works: Stonewater Housing, Marriot Court Wallingford	
Date decision made:	Publication date: 24/08/2016 Date of decision: 04/08/2016
Decision details	<p>This tender is for the Marriot Court Wallingford communal heating system upgrade. The Council will be sub-contracting these works to a commercial heating specialist with the Council acting as Prime Contractor for the Client – Stonewater Housing Association.</p> <p>The project tendered price will be £487,400.00</p> <p>The contribution to Oxford City Council would be circa £43,000 after project management costs.</p> <p>There are minimal financial risks associated with this project as it is sub-contracted. We have made financial provision in the price for the appropriate contract management as prime contractor.</p> <p>The project will be run in accordance with the CDM 2015 regulations and current health and safety regulations.</p> <p>The project will be overseen by the Building Services Operations Manager, DS Building Contracts Manager and the QS team.</p>
Decision taker	Executive Director Community Services
Is this a Key Decision?	No
Reason for decision	To generate income for the council.
Alternative options considered:	Not to submit the tender
Wards affected	All Wards
Declared conflict of interest:	None

Allocation of £20,000 from the Advice & Money Management commissioning budget to Oxfordshire Community Work Association (OCWA).	
Date decision made:	Publication date: 05/09/2016 Date of decision: 31/08/2016
Decision details	The allocation of £20,000 from the Advice & Money Management commissioning theme to Oxfordshire Community Work Association (OCWA).
Decision taker	Executive Director for Organisational Development and Corporate Services
Is this a Key Decision?	Yes - The decision is Key because the indicative grants budget is £1.4m.
Reason for decision	Delegation was given by CEB on 11 February 2016. The decision was made in support of a larger one-off payment totalling £53,367 to OCWA following the withdrawal of funding from the County Council. The additional funding (£33,367) was allocated from the underspend in the 15/16 budget, and approved by Council on 25 July 2016.
Alternative options considered:	Consideration was given to not awarding funding to OCWA. However, this would have had a negative impact on vulnerable residents needing support with debt issues, and help with complex benefit enquiries. The one off funding also provides capacity to OCWA to source a longer term funding solution.
Wards affected	All Wards
Declared conflict of interest:	None

MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE

Wednesday 29 June 2016



COUNCILLORS PRESENT: Councillors Fry (Chair), Fooks, Coulter, Munkonge (Vice-Chair), Paule, Tidball and Thomas.

OFFICERS PRESENT: Jackie Yates (Executive Director Organisational Development and Corporate Services), Jeremy Thomas (Head of Law and Governance), Nigel Kennedy (Head of Financial Services), Anna Winship (Management Accountancy Manager), Gurpreet Dulay (Manager, BDO Internal audit), Greg Rubins (Partner, BDO internal audit), David Guest (Ernst & Young external auditor), Catherine Phythian (Committee Services Officer), Patsy Dell (Head of Planning & Regulatory Services), Helen Bishop (Head of Business Improvement), Paul Fleming (Chief Technology & Information Manager), Bruce Thompson (Building Operations Manager) and Scott Warner (Investigation Manager)

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. ELECTION OF THE CHAIR FOR THE 2016/17 MUNICIPAL YEAR

The Committee resolved to elect Cllr James Fry as Chair for the 2016/17 municipal year.

Cllr Thomas arrived at the end of this item.

3. ELECTION OF THE VICE-CHAIR FOR THE 2016/17 MUNICIPAL YEAR

The Committee resolved to elect Cllr Chewe Munkonge as Vice-Chair for the 2016/17 municipal year.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. INVESTIGATION TEAM PERFORMANCE FOR FINANCIAL YEAR 2015/16

The Chair took this item first.

The Committee considered the report of the Head of Financial Services reporting the activity and performance of the Corporate Investigation Team for the financial year 2015/16.

The Investigations Manager introduced the report. He highlighted the achievement of £3.9M income against a £200K target and explained the reasons behind this; he also commented on the successful agreements with the County Council and South Oxfordshire and Vale of White Horse District Councils.

The Committee asked that future reports should present a quarterly analysis of the performance targets in order to see if there were any trends.

The Committee noted the report and the confidential appendix. They thanked the Investigations Manager for the report and congratulated him on the results achieved by his team.

6. INTERNAL AUDIT REPORT - BUSINESS IMPROVEMENT AND TECHNOLOGY

The Chair took this item next (Minute 14 refers).

The Committee considered the report from the Council's internal auditors, BDO, detailing the findings and recommendations of the audit review of Business Improvement and Technology – Systems Interfaces.

Gurpreet Dulay, Internal Auditor BDO, presented the report.

The Head of Business Improvement, tabled a briefing paper (attached to this minute) detailing the background to the ICT service migration; the scale and range of the issues that arose from 1 April 2016; the current situation; and proposals for the future. She assured the Committee that the ICT service was now moving beyond the problems of the implementation phase; that call levels had returned to normal levels; and that the team was focused on embedding new processes and improvements in the service. The Chief Technology and Information Manager, assured the Committee that all 57 business systems used

by the Council had performed satisfactorily during the migration and that the problems had been with the associated file locations and permissions.

The Executive Director, Organisational Development and Corporate Services informed the Committee that no further major changes were planned; that the new contract arrangements offered the Council greater resilience; and that a councillor working group was being established to monitor on-going developments for members' ICT needs.

The Committee asked that an officer report be presented to the September meeting detailing the lessons learnt from the ICT transition and indicating how the problems experienced this time would be avoided in the future. They requested that the report address the following points:

- procedural arrangements
- realistic deadlines and timescales
- the impact on reputational risk from the loss of public facing services
- details of the monetary / non-monetary costs of the transition of the ICT services against the anticipated savings from the new contract
- how the relationship with the County Council and new service provider worked in practice
- consequences of service failure impacting on councillors performance

The Committee noted the report.

7. RISK MANAGEMENT REPORT: QUARTER 4 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 4, 31 March 2016.

The Head of Planning and Regulatory Services explained the reasons for the reduction from red to amber of four planning related risks. She explained that some of the factors driving the risks were entirely outside the Council's control but that wherever possible the planning service was taking a more proactive approach in trying to influence the situation and this had delivered some results. She assured the Committee that these risks would continue to be closely monitored.

The Head of Financial Services spoke to a briefing note (attached to these minutes) detailing the action taken to address the Housing and Property red risk relating to the increased costs of homelessness arising from less effective homelessness prevention work and higher homelessness acceptances.

The Committee noted the report and noted the new initiatives taken to mitigate the serious risks relating to homelessness.

8. STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2016

The Committee considered the report of the Head of Financial Services setting out the Council's Statement of Accounts for the year ending 31 March 2016.

The Head of Financial Services explained the implications that the Accounts and Audit Regulations 2015 would have on the timetable for the preparation of financial statements for 2017/18 and later years. He highlighted the major changes affecting the Statement of Accounts (as detailed in the report) and commented on the favourable variance on the General Fund and the surplus on the Housing Revenue Account. He thanked the accounts team for their work in preparing the statement of accounts.

The Committee agreed to 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.

The Committee agreed to consider a report on the audited Council's Statement of Accounts for the year ending 31 March 2016 at the September meeting.

9. ANNUAL GOVERNANCE STATEMENT 2015/2016

The Committee considered the report of the Head of Law and Governance presenting the Annual Governance Statement 2015/16 for approval.

In discussion the Committee made the following observations:

- Council Sports Pavilions: not all of these had been replaced or refurbished
- Member Guarantee: some service areas were not meeting the response deadlines and in other areas the response received tended to be a holding message rather than a substantive reply

The Committee resolved to approve the Annual Governance Statement 2015/16.

10. EXTERNAL AUDIT : AUDIT PROGRESS REPORT FOR YEAR ENDING MARCH 2016

The Committee considered the report of the Council's External Auditors, Ernst and Young, detailing the progress made with the work needed to complete the 2015/16 audit.

David Guest, Ernst and Young, presented the report. In response to comments from the Chair he agreed that there was some degree of uncertainty regarding the new accounting policy on fair value measurement.

The Committee noted the report.

11. EXTERNAL AUDIT: ANNUAL AUDIT AND CERTIFICATION FEES FOR AUDIT OF YEAR ENDING MARCH 2017

The Committee considered a letter from the External Auditor setting out the audit and certification work and indicative fees for the 2016/17 financial year.

The Committee agreed to note the letter.

12. INTERNAL AUDIT: ANNUAL REPORT 2015-16

The Committee considered the report of the Council's internal auditors detailing the work undertaken by internal audit for Oxford City Council and commenting on the effectiveness of the controls in place for 2015-16.

Greg Rubins, Ernst and Young, presented the report. He informed the Committee that the report took account of the work of the Council's previous auditors PWC.

The Chair thanked the internal auditors for the report and commented on their energetic and visible approach to their work with the Council.

The Committee noted the report.

13. INTERNAL AUDIT: PROGRESS REPORT TO JUNE 2016

The Committee noted the report from the Council's internal auditors, BDO, setting out progress against the approved internal audit plan and commenting on two audit reports with moderate opinions:

- Trading Services
- Year End Financial Reporting Timetable

Gurpreet Dulay, BDO, presented the report. He said that BDO had undertaken three reviews in addition to those agreed in the Internal Audit Plan:

- Westhill Farm Business Plan
- Council's Commercial Property Portfolio

- Overtime

In response to questions from the Committee the Executive Director, Organisational Development & Corporate Services explained that additional audit reviews could be requested by the Chief Executive or Executive Directors; would be authorised by herself or the Head of Financial Services; were funded separately and not charged to the internal audit budget.

The Committee noted the report.

14. INTERNAL AUDIT: AUDIT REPORTS TO COMMITTEE JUNE 2016

The Committee noted that BDO, the internal auditors, had submitted two reports relating to audits identifying medium-level risks.

The first report was considered at Minute 6.

The second was considered at Minute 14 a).

(a) Internal Audit - Empty and Void Property Management Report

The Committee noted the report from the Council's internal auditors, BDO, detailing the findings and recommendations of the audit review of Empty and Void Property Management.

Gurpreet Dulay, BDO, presented the report. He said that there was good management oversight of the service and recognition of the challenges it faced. He highlighted the weekly Choice Based Letting website as an example of good practice. There were however a number of areas for improvement, particularly around the need for a clear understanding of the individual roles and shared responsibilities of each of the three teams working to deliver the service.

In response to questions from the Committee regarding the observed problems in communication between the different teams the Building Operations Manager said that the review had been conducted during a period a transition and re-organisation for the service teams; that the teams were not co-located; and that although the teams did use a common database there was scope for improvement.

The Committee asked that details of the re-organisation of the service teams should be circulated to Committee members.

The Committee discussed the recommendation that the Council should undertake a cost/benefit analysis of introducing an incentive scheme for tenants

with the aim of improving void turnaround time. The Committee felt that this was something that the Scrutiny Housing Standing Panel might wish to consider and agreed to refer the matter to them.

The Committee noted the report and the recommendations.

15. INTERNAL AUDIT: FOLLOW UP OF RECOMMENDATIONS TO JUNE 2016

The Committee considered the report of the Council's internal auditors, BDO, setting out progress on implementing the recommendations arising from previous internal audits.

Gurpreet Dulay, BDO, presented the report and highlighted the low level of implementation of the recommendations, some of which had been subject to repeated slippage.

The Committee noted the report and asked that Heads of Service be reminded of the importance of setting realistic timescales for the implementation of internal audit recommendations.

16. OFFICER EXECUTIVE DECISIONS FEBRUARY 2016 TO JUNE 2016

The Committee considered the report of the Head of Law and Governance setting out the Officer Executive Decisions taken in the period February to June 2016.

The Committee noted the report and decisions taken.

17. MINUTES OF THE PREVIOUS MEETING

The Committee agreed to approve the minutes of the meeting held on 1 March 2016 as a true and accurate record.

18. DATES AND TIMES OF MEETINGS

The Committee noted the dates and times of future meetings.

The meeting started at 6.00 pm and ended at 8.30 pm

To: Audit & Governance Committee

Date: 28 September 2016

Report of: Head of Financial Services

Title of Report: Investigation Team Performance and Activity Briefing

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 2016 to 31 July 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 – Investigation Team Open Day Agenda

Appendix 2 – Internal Investigations – Exempt from publication

Background

1. The remit of the Corporate Investigation Team is to tackle fraud and irregularity across the Council, aligned to our services' fraud risks and the priorities identified by the previous Audit Commission and The European Institute For Combatting Corruption And Fraud (TEICCAF).

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, additional revenue is identified for recovery, and income is secured through supply of services.

Performance

2. For 2016/17, there are four Service Performance Indicators used to track performance on a monthly basis. Performance against these targets is shown in the table below.

Table 1 - Investigations Team Performance from 01 April 2016 to 31 July 2016			
Measure	Annual Target	Total to 31.7.2016	Comment
Number of social housing properties recovered and applications for housing stopped	22	7	Performance on track to achieve annual target
Achieve cost neutrality from identification of revenue through investigation activity	£234,000	£626,371	See Table 2 for breakdown
Prevent financial losses to the Council through investigation activity	£1,750,000	£1,372,059	See Table 2 for breakdown
Investigation Team Satisfaction Surveys	80% either satisfied or extremely satisfied with service	100%	From the 9 responses received of the 13 issued in the period, 100% were either satisfied or extremely satisfied with the service

3. Table 2 below provides a breakdown of the income recovered or generated, and losses prevented by the Team.

Table 2 – Breakdown of Income & Savings achieved 1 April 2016 to 31 July 2016			
	Income	Loss	
	Generated	Avoidance	Comment
	£	£	
Council Tax Reduction Scheme	2,956	7,137	Achieved through investigation of Council Tax Reduction Scheme cases. The loss avoided is based on a regionalised calculation of 104 weeks entitlement, which is the average number of weeks a claim is likely to have continued without intervention
Right to Buy		1,090,600	14 Right To Buy applications withdrawn following intervention / investigation. 14 x £77,900 (max discount)
Council Tax Discount / Exemption adjustments	36,838		Cases where data matching reviews (using Investigation Team Data Warehouse) and investigation activity determined that a discount or exemption was awarded incorrectly due to customer misrepresentation or negligence
Non Domestic Rates	440,411		3 accounts where investigation work has resulted in the discovery of unregistered business premises and the identification of reductions where no entitlement exists
Properties Recovered		168,000	The cost of keeping a family in temporary accommodation for one year as determined by a localised calculation - £24,000 per property for each of the 7 social housing properties recovered
Administrative Penalty income	747		50% of the fraudulent overpayment of Council Tax Reduction Scheme Allowance. 2 cases.
Private Rented Sector Deposits and Bonds	68,106 (Deposits)	42,242 (Bonds)	Investigation Team Data Warehouse utilised for data matching exercise. Detail below in section 4.
Totals	653,026	3,252,834	3,905,860

4. Notable activity from 1 April to 31 July 2016 included:

- 1 caution administered in respect of Council Tax Reduction Scheme offences
- 2 Administrative Penalties offered and accepted in respect of Council Tax Reduction Scheme offences
- Following on from the pilot initiative, the Data Warehouse system is being used to undertake a proactive review of Council Tax Single Person Discount entitlement across the City. The value of incorrect discounts in one parish exceeded £33,000. A review of two further parishes is nearing conclusion. Values for these and additional reviews will feature in the December 2016 report.
- The matching capabilities of the Data Warehouse system are being used to undertake a review of the Private Rented Sector Deposits and Bonds scheme. In the period, over £68,000 in deposits paid to tenants and landlords has been identified for recovery, and over £42,000 of bond reserve has been released from the Guarantee Fund. The investigation resulted in the identification of tenants who moved address with neither the landlord nor tenant notifying the Council. The exercise is due to be concluded by the end of August 2016 and the final outcomes will be detailed in the December 2016 report. Recommendations will include the Investigation Team conducting quarterly reviews of the scheme, to ensure regular recovery of deposits and bonds.
- The Investigation Team have been selected by the Institute of Revenues, Ratings and Valuations (IRRV) as a Finalist for their prestigious performance awards. The team entered a submission for the “Excellence in Corporate Fraud” award and were one of only three authorities in the UK shortlisted for the award. The awards event takes place on 19 October 2016 where the winner will be announced.
- The Investigation Team are hosting an Open Day on the 28 September 2016 at Oxford Town Hall for local authorities, registered providers of social housing and local landlords. The aim of the event, which is free of charge, is to help raise awareness of fraud trends and emerging risks to attending organisations, and raise awareness of the services the Investigations Team can offer. The agenda is included in **Appendix 1**.

Internal Investigations

5. **Appendix 2** provides details of the internal investigations during the period.

Partnership Working Update

6. Fraud Hub working arrangements remain in place with services being contractually provided to multiple partner organisations.
- Agreements in place with South Oxfordshire District Council and Vale of White Horse District Council for the provision of corporate investigation services from January 2016 to the end of July 2016. During the period of the contract, total income generation to the value of £395,029 was identified as below:

Value (£)	South Oxfordshire District Council	Vale of White Horse District Council
Housing Benefit Overpayments	134,028	160,172
Council Tax Reduction Scheme Overpayments	22,538	33,336
Council Tax Benefit Overpayments		8,892
Administrative Penalties	19,044	17,019
Total	175,610	219,419

- The number of sanction outcomes for the period included: 1 formal Caution, 19 Administrative Penalties and 4 criminal prosecutions. A further two prosecutions were prepared and are progressing through the legal and court systems.
- Visiting services are being supplied to South Oxfordshire and Vale of White Horse District Councils until March 2017 in accordance with the Fraud and Error Reduction Incentive Scheme (FERIS). The service has significantly increased revenue for the respective authorities, identifying over £25,000 in Housing Benefit overpayments, over £3,000 in Council Tax Reduction Scheme overpayments and has prevented losses of over £100,000 in erroneous and fraudulent benefit awards.
- 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. Outcomes since the beginning of the agreement have included recommendations of civil recovery of over £35k in overpayments plus legal costs, process improvements to prevent further abuse occurring in specific service areas, and disciplinary sanctions against school staff found to be committing fraud (with a management investigation ongoing).

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 Service is now considering the best course of action on a case by case basis.

The exercise generated significant positive publicity in the press and radio news articles. Oxfordshire County Council elected members supported the exercise with commendations directly to the team and supporting statements to the media.

Legal Issues

7. 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.
8. 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.
9. All contractual agreements devised for joint working with other organisations have been agreed with Legal Services.

Financial Issues

10. The net cost of the team excluding income from the Housing Revenue Account for the financial year 2016-2017 is £234,000. The team are charged with identifying fraud, error and loss and are targeted to recover these costs as an indication of value for money. A third of the way through the financial year and the team has already identified cashable income of £626,371.

In addition to cashable revenue and non-cashable savings generated internally, the Investigation Team has undertaken work on behalf of other authorities generating income to date of £72,500 (January to July 2016). The forecast for external income for the financial year based on current commitments is £124,300. However, it is hoped the team Open Day in September will give rise to new business opportunities.

Environmental Impact

11. 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

12. 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 is essential in acting as a deterrent to fraudulent activity and safeguarding the organisation. The income generated and losses prevented from team activity more than offset the cost of running the Investigating Team.

Name and contact details of author:-

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Investigations Manager

Financial Services / Corporate Investigation Team

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Oxford City Council's Fraud Prevention Open Day

Town Hall - 28th September 2016

- 9:30** **Registration, tea & coffee**
(Delegate packs will be provided at point of registration)
- 10:00 **Welcome**
Nigel Kennedy - Chief Financial Officer, Oxford City Council
- 10:10 Keynote Address :**The national threat of fraud to local authorities and other agencies within the public sector, including registered providers of social housing.**
Keynote speaker; Peter Sloman, CEO Oxford City Council.
- 10:30 **The importance of protecting the public purse and the work of Oxford City Council.**
Ed Turner, Deputy Leader of the Council, and Board Member for Finance, Asset Management and Public Health, Oxford City Council.
10. 50 Oxford City Council & INTEC For Business working together;
Sponsor session with OCC describing how Intec solutions are being used by the Corporate Investigations Team and future plans
- Mark Grimely, Assistant Director, Intec for Business Ltd
- Mick Hopkins, Senior Investigator / Project Manager, Oxford City Council
- 11:15** **Refreshments/comfort break**
- 11:30 **Break-out sessions** (to run simultaneously)
- Breakout Session One (Old Library)
Using Open Source intelligence to uncover fraud,
Neil Smith - K&T Research Services.
- Breakout Session Two (Assembly Room)
Charity Commission overview, remit and partnership working
Alan Bryce, Senior Manager, Development & Intelligence, Charity Commission.

Appendix 1



12:30 **Buffet lunch**

13:30 Breakout Session Three (Old Library)
Voluntary Right to Buy Pilot scheme & the Oxford City Council RTB approach.

Joshua Cook - Sovereign Housing
Jane Dee – Intelligence Officer, Oxford City Council
Paul Griffith-Williams – Investigation Officer, Oxford City Council
Cathy Durance - Conveyancing Solicitor, Oxford City Council

Breakout Session Four (Assembly Room)
Panel of Experts - Legal aspects and issues, proceeds of crime considerations. Q&A panel / workshop, with real case scenarios being worked through by delegates. Please bring questions for the panel.

James Setchell - Solicitor, Legal Services, Oxford City Council
Matthew Chugg- Financial Risk & Assurance Manager, Slough Borough Council
Nick Harness – The Identity Organisation
This will be in the form of a Q&A panel / workshop, with real case scenarios being worked through by delegates. Please bring questions for the panel.

14:30 **Refreshments without a break to be taken at tables**

14:35 **The importance of joint working and fighting tenancy fraud, the local and national picture.**

Katrina Robinson MBE - Head of Legal Services, Viridian Housing & Tenancy Fraud Forum

14:55 **Oxford City Council and TEICCAF
Update on the European Institute and how OCC and TEICCAF are working together.**

Debbie Dansey - Local Authority Lead for The European Institute for Combatting Corruption And Fraud

15:15 **Closing remarks, Oxford City Council Corporate Investigation Team, partnership working, the future, innovation**

Scott Warner - Investigation Manager, Oxford City Council

15:30 **Close of Event**



By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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