

ADDITIONAL DISCLOSURES – TECHNICAL NOTES
Additional changes to your printed accounts in your Committee papers

F2. Defined Benefit Pension Scheme

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time the employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS) is administered locally by Oxfordshire County Council. It is a defined benefit scheme, based upon final salary scheme and length of service upon retirement. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Changes to the LGPS came into effect from 1st April 2014. Benefits accrued from this date are based on a career average revalued salary. Various protections will be in place for those members and benefits accrued in the scheme before the changes take effect.

The scheme is a defined benefit statutory scheme that is administered in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). It is contracted out of the State Second Pension.

Publica Group (Support) Limited

During 2017/18 the Council transferred the majority of its staff under TUPE legislation to Publica Group (Support) Limited, a wholly owned local authority company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council. The pension fund disclosure notes on the following pages include the staff transferred to Publica. All staff are pooled (counted as one scheme by the pension fund) as the Council continues to underwrite the pension liabilities on the whole scheme.

The results also include WODC-Ubico staff that are also pooled in the same way.

The effect of the McCloud Court of Appeal ruling

In December 2018 the Court of Appeal upheld a ruling that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.

In June 2019 the Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.

The legal ruling around age discrimination (McCloud – Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits. Estimates within these accounts take account of the actuary's best estimate of pension liabilities at the balance sheet date.

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Council makes to council tax is based upon the actual cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement (MIRS).

A new paragraph to add more context on the Pension fund implications of McCloud

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

C1. Adjustments Between Accounting Basis and Funding Basis Under Regulations

Amounts had been netted off. They have now been re-presented.

	2018/19		Capital Grants Unapplied
	General Fund - Unallocated	General Fund - Earmarked	
	£	£	£
Capital Adjustments			
<u>Reversal of entries included in the CI&ES relating to Capital Expenditure</u>			
Charges for depreciation, amortisation and impairment	(1,255,108)	0	0
Revaluation losses on Property, Plant and Equipment	(200,161)	0	0
Movements in the fair value of Investment Properties	6,873,362	0	0
Capital Grants and Contributions applied	823,819	913,626	0
Revenue Expenditure funded from Capital Under Statute	(865,966)	0	0
Non current assets written off on disposal or sale	0	0	0
Adjustments between Capital & Revenue Resources			
Transfer of cash sale proceeds from disposal of non current assets	0	0	0
Capital expenditure charged against General Fund Balance	422,075	0	0
Statutory provision for the repayment of debt	493,770	0	0
Capital grants and contributions credited to CI&ES	2,387,981	0	(2,387,981)
Unattached Capital Receipts	787,297	0	(787,297)
<u>Adjustments to Capital Resources</u>			
Application of grants to capital financing transferred to CAA		0	822,603
Use of capital receipts reserve to finance new capital expenditure	0	0	978,137
Transfer from Deferred Capital Receipts on receipt of cash	0	0	(514,961)
Financial Instrument Adjustments			
Reversal of changes in fair value on Pooled Investment Funds	(8,405)		
Pension Adjustments			
Pension costs transferred to / (from) the Pensions Reserve	(2,727,000)	0	0
Other Adjustments			
Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account	(351,520)	0	0
	6,380,144	913,626	(324,121)
			(1,565,378)

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

F9. Assumptions and Other Major Sources of Estimation

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Significant assumptions affecting the statement of accounts include:

Item	Uncertainties	Effect if actual result differs from assumption
Property, Plant & Equipment	Operational assets are depreciated over the best estimate of an assets useful economic life. These asset lives are based upon assumed repairs and maintenance being carried out to maintain an asset. Asset lives are based upon information provided by the Council's valuer.	If the useful economic life of an asset is reduced, depreciation increases and the carrying value of an asset will fall.
Pension Liability	The estimation of the pension liability is based upon a number of factors and judgements applied by the scheme's actuary. Estimates are made upon judgements and conditions as seen by the actuary at a point in time.	The effect of changing assumptions will result in changes in the valuation of the pension funds' assets and liabilities.
Bad debt provisions (impairment of receivables)	Debtors on the balance sheet assume an element of bad debt (when debtors cannot/will not settle their debt to the Council).	Income receivable included in the accounts will differ from that actually received. The Ci&E could be overstated. The effect is offset by establishing a suitable provision based upon the best information available on the likelihood of invoices not being settled.
Provision for impairment – HB overpayments	Where it has been found that Housing Benefit has been overpaid the Council is able to recover the overpayment from ongoing benefit. The Council has established a 100% provision against such overpayments due to the difficulty surrounding recovering such debts from individuals who are already short of money. Potential changes in the delivery of Housing Benefit with a possible transfer of the service to Central Government (with changes to Universal Credit), there is a risk that the Council will be left with all outstanding debt at the point of transfer.	If the Council has overprovided then the income to the revenue account will have been understated. A share of the provision will then need to be written-back to the Income & Expenditure account.
Business rates appeals	A significant level of risk remains due to the volume of outstanding business rates appeals, which are processed by the Valuation Office. These accounts contain a provision for appeals losses. The value of the provision has been assessed using information on outstanding appeals rates and estimates applied at national government level.	Where appeals are successful, refunds of business rates are generally repayable back to the latest valuation date which reduces the business rates yield in the year in which the refund is made.

A new paragraph adding a little more detail on estimates on business rates appeals provisions