



Oldham
Council

Report to Council

2014/15 Statement of Accounts

Portfolio Holder: Councillor Abdul Jabbar – Cabinet Member for Finance and Human Resources

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Reason for Decision

To advise the Council of the approved 2014/15 Final Accounts and the External Audit (Grant Thornton) Audit Findings report.

The report was considered by Cabinet at its meeting held on 20th July 2015 and commended to Council.

Executive Summary

The Council's 2014/15 Final Accounts were audited, approved and published on 19th May 2015. This was the quickest year end closedown that the Council has ever achieved.

The Audit Findings report is very positive with an unqualified opinion and an unqualified Value for Money (VFM) opinion. The VFM opinion concludes that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. For the first time the Council has a full suite of "green" VFM indicators.

There are no material errors for the 6th year in succession and the report comments on the high quality of the accounts despite the challenging timetable. This has been achieved through the effective closedown processes and procedures adopted. There were no changes to the Council's outturn or the balances position as a result of the audit.

Recommendations

That Council notes the final accounts, the auditor's reports and the comments in the report.

2014/15 Statement of Accounts

1 Background

- 1.1 The Council submitted for audit its draft 2014/15 Statement of Accounts to the external Auditors, Grant Thornton on 14th April 2015 five days earlier than planned. Throughout the audit process officers responded promptly to audit queries in line with agreed protocols. The Auditor was able to comment that this positively contributed to the completion of the audit.
- 1.2 The draft 2014/15 Statement of Accounts was presented to the Audit Committee at the meeting on 23rd April. The agenda papers including the draft Statement of Accounts were issued on 15th April and this early submission of the draft financial statements allowed members of the Committee to review the Council's financial statements in detail in advance of the meeting and thus enabled them to ask challenging and pertinent questions before being asked to approve the audited 2014/15 Statement of Accounts.
- 1.3 In allowing time for the detailed review, it evidenced the open and transparent process the Council has followed throughout the accounts closedown in line with best practice.
- 1.4 The Audit Committee approved the audited 2014/15 Statement of Accounts on 19th May 2015. These are shown in Appendix 1.
- 1.5 Changes made to the accounts during the audit process are shown in Appendix 2 and as can be seen these changes are minor in nature and quantum.
- 1.6 The External Audit (Grant Thornton) reports are shown in Appendix 3.

2 Current Position

2.1 Audit Reports and Opinions

- 2.1.1 Grant Thornton is required to provide the Council with an annual Audit Findings and VFM Opinion. Both are shown in the Audit Findings Report at Appendix 3.
- 2.1.2 The Audit Opinion is very positive and gives an unqualified opinion. There are no material errors for the 6th year in succession and the report comments on the high quality of the accounts despite the challenging timetable. This has been achieved through the effective closedown processes and procedures adopted by the Council.
- 2.1.3 The changes identified during the audit are restricted to a change as a result of additional pension information being made available after the draft accounts had been submitted to the Auditor, a reclassification of expenditure and a small number of presentational changes which were included to aid the readers understanding of the accounts.
- 2.1.4 There are five audit judgements of which four are green and one is amber (the latter being an accounting requirement clarification regarding assets valuations). This has been referred to by the Auditor as a "technical amber" as it expected that the Chartered Institute of Public Finance and Accountancy (CIPFA) requirements will be changed to align to the practice applied in Oldham, when CIPFA issues its 2015/16 Code of Practice on Local Authority Accounting.

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- 2.1.4 There were no changes to the Council's outturn or the balances position as a result of the audit.
 - 2.1.5 The auditor was only able to make one recommendation as to how the Council could improve its financial statements. This was simply that the Council should continue to declutter the accounts to aid the readers understanding. Officers will continue this process and build on the substantial improvements already made when taking forward the 2015/16 accounts closedown process.
 - 2.1.6 The auditors VFM opinion is also extremely positive concluding that overall the Council's arrangements for securing financial resilience remain effective. The report states the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
 - 2.1.7 The six overall VFM audit judgments are rated Green. The audit judgement relating to the Council's level of borrowing has improved from the Amber rating given in 2013/14. The Council therefore has for the first time, a full suite of Green ratings.

2.2 Revenue Outturn

- 2.2.1 A comparison of revenue budget and outturn is set out in Table 1 with the actual expenditure as reported against the budget for each Directorate for 2014/15.
- 2.2.2 The final net revenue expenditure budget for 2014/15 was reported at Month 9 as £222.755m. After adjusting for recognised capital grants and contributions of £12.665m, PFI grant income of £9.958m, other minor revenue grant adjustments of £0.165m and the Collection Fund adjustment of £ 0.078m, in accordance with the International Financial Reporting Standards (IFRS), the budget increased to £245.621m, the financing of which is set out in Table 1.
- 2.2.3 The Comprehensive Income and Expenditure Statement sets out the cost of services that the Council provides in accordance with the requirements of published accounts. This does not completely align to the way in which financial information is managed in-year. Therefore, set out below is the 2014/15 financial position in accordance with the Directorate structure, under which the Council operated for the majority of 2014/15, and the in-year financial monitoring information that was presented to officers and Members. This shows a comparison of budget to actual outturn spending.

Table 1 - Revenue Outturn Compared to Budget

	Budget £'000	Actual £'000	Variance £'000
NET REVENUE EXPENDITURE			
Deputy Chief Executive	5,047	4,414	(633)
Neighbourhoods	69,613	69,511	(101)
Commissioning	108,797	108,798	1
Commercial Services	34,570	34,577	7
Development & Infrastructure	13,278	13,338	61
Corporate Management	2,158	2,066	(92)
Parish Precepts	290	290	-
Corporate and Democratic Core	3,891	3,891	-
Capital and Treasury Management	7,977	8,318	341
TOTAL NET EXPENDITURE	245,621	245,203	(418)
FINANCED BY:			
Council Tax Payers	(72,556)	(72,556)	-
Revenue Support Grant	(69,534)	(69,534)	-
PFI Credits	(9,958)	(9,958)	-
Capital Grants	(16,829)	(16,829)	-
Council Tax Freeze Grant	(866)	(866)	-
Other Non Ringfenced Government Grants	(8,116)	(8,116)	-
Housing and Council Tax Benefit Administration Grant	(1,855)	(1,855)	-
New Homes Bonus	(1,622)	(1,622)	-
Council Tax New Burdens Grant	(157)	(157)	-
Central Services Education Grant	(3,970)	(3,970)	-
Collection Fund Surplus	(832)	(832)	-
Multiplier Cap Grant	(613)	(613)	-
Empty Property Relief Grant	(2)	(2)	-
Long Term Empty Property Relief Grant	(20)	(20)	-
Retail Relief Grant	(509)	(509)	-
Small Business Rate Relief Grant	(1,328)	(1,328)	-
Retained Business Rates	(27,429)	(27,429)	-
Business Rates Top Up Grant	(29,425)	(29,425)	-
TOTAL FINANCING	(245,621)	(245,621)	-
Net Underspend		(418)	(418)

2.2.4 In overall terms, the Council achieved a surplus of £0.418m at the end of the financial year, which is close to the final position included in the last 2014/15 financial monitoring report (month 9) presented to Cabinet (23rd February 2015). This projected a £0.472m under spend at the year-end.

2.2.5 The surplus of £0.418m has been added to the General Fund Balance to address future years risk requirements. The General Fund Balance now stands at £18.122m which is in alignment with the sum recommended in the 2015/16 Revenue Budget report approved at Council on 25th February 2015.

2.3 Capital

2.3.1 The Council incurs expenditure on capital projects in accordance with the definition of capital expenditure as in the Local Authorities (Capital Finance and Accounting) Regulations 2003. This relates essentially to spending on assets that have a life of more than one year.

2.3.2 The Council spent £66.851m on its capital programme in 2014/15. This is presented in Table 2 by Portfolio area. The financing of the capital programme is also presented and shows that the major funding sources was Prudential Borrowing followed by Government grants and contributions and also revenue contributions.

2.3.3 As can be seen, there was a £26.592m variation between the forecast capital programme expenditure level and the final outturn. The majority of the expenditure will, however, reprofile into 2015/16 together with the financing and does not therefore present any financial issues for the Council to address.

Table 2 – Capital Outturn Compared to the Forecast Outturn

Portfolio and Funding	2014/15 Capital Programme £000	2014/15 Outturn £000	Variance £000
Expenditure			
Commercial Services	27,011	16,426	(10,585)
Commissioning	1,354	1,306	(48)
Deputy Chief Executive	100	100	-
Neighbourhoods	23,737	17,159	(6,578)
Development and Infrastructure	38,131	31,859	(6,272)
Funds Yet to be Allocated	3,109	-	(3,109)
Total Expenditure	93,442	66,851	(26,592)
Resources			
Grants & Other Contributions	(29,587)	(18,650)	10,938
Prudential Borrowing	(35,600)	(26,614)	8,986
Revenue	(19,284)	(18,295)	989
Capital Receipts	(8,971)	(3,292)	5,679
Total Resources	(93,442)	(66,851)	26,592

2.4 Timetable for Closure

2.4.1 Members of the Council will be aware that since 2009/10, the Finance Team has been both accelerating the timeline for the closure of the accounts and improving the quality of the accounts. Set out below is the track record since the initiative began:

- The 2009/10 the accounts were prepared by 27th May and an audit opinion obtained, and the accounts published, on 31st August (placing the Authority 6th in the list of all Councils and the 1st Metropolitan Authority to close its accounts for that year).

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- The 2010/11 the accounts were prepared and submitted for audit by 19th May 2011 and an audit opinion received and the accounts published on 29th July 2011. This made the Council the joint first of any Council to close its accounts for the year.
 - The 2011/12 the accounts were prepared and made ready for audit by 3rd May 2012. The accounts were published on 25th June 2012, making the Council the first Council and Local Government Body to close and publish its accounts and the first to do so in June since the Audit Commission began reporting on this.
 - The 2012/13 the accounts were handed over for audit on 26th April and published on 31st May 2013. This was a further step change on previous years achieved through refined processes and the hard work and dedication of finance staff. This confirmed the Council as the first local government body to publish its accounts for 2012/13 and the first to do so in May.
 - The 2013/14 accounts were handed over for audit on 17th April and published on 28th May 2014. Again the Council was the first local government body to publish its accounts.

2.4.2 The 2014/15 closedown process with a hand over to Audit on 14th April and approval and publication on 19th May 2015 has clearly improved on the speed of earlier years. The much improved quality of the accounts makes the overall performance for 2014/15, the best yet. This therefore sets a very high standard for other Local Authorities to follow.

2.5 The Performance of the Finance Service

2.5.1 The preparation of the Council's accounts represents one outcome from work that is continuing in order to enhance and develop the performance of the Oldham Finance Team. The work of the Finance Team underpins the work of the Council as well as ensuring compliance with statutory requirements, budget management and excellent financial practice.

2.5.2 The improvements in financial management which have led to the accounts being produced include the 4 key approaches of:

- project management;
- challenging timelines and quality;
- improving technical expertise;
- refining quality assurance techniques.

2.5.3 Using project management disciplines the Council has prepared a highly detailed final accounts action plan, set defined roles and responsibilities for individuals and teams, prepared a communication and stakeholder management plan, as well as embedded risk management techniques and progress reporting

2.5.4 The approach that has been taken which has been refined and improved year on year is to work so that there is:

- Early planning – with a timetable review as soon as previous year's accounts have closed, early and continuous identification of risks and mitigating actions, identifying technical requirements
- Ongoing programmes of technical activity through technical task groups

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- Earlier assurance with month 6 and month 9 closedowns routines
 - Early completion of work where possible e.g. recharges
 - Close and regular liaison at a strategic and operational level with the external auditors Grant Thornton
 - The inclusion of financial statements within the financial monitoring reports prepared for Cabinet covering the full suite of statements
 - Proactive work by internal audit, supporting the assurance process with two stage fundamental financial systems audits all completed by 31st March
 - Technical expertise development – identification of key individuals with support where necessary
 - Refined quality assurance processes

2.5.5 The early closure of accounts is a significant driver of efficiency, allowing work to be undertaken more effectively. This means that members of the Finance Team are able to work on other tasks and projects once the short closure exercise is complete.

2.5.6 The accelerated and improved timescale and quality has been achieved by the hard work, commitment and dedication of the Finance Team who can all take pride in the early closure of the accounts and also in the other significant improvements in financial management that have been made. This represents a real team effort.

3 **Options/Alternatives**

3.1 As the Accounts have already been approved by the Audit Committee, the Council can note the final accounts, the audit report and the items outlined in the report.

4 **Preferred Option**

4.1 The preferred option is that the Council notes the final accounts, the audit reports and the items outlined in the report.

5 **Consultation**

5.1 Consultation has taken place with the Councils external auditors, Grant Thornton, the Councils Audit Committee and Cabinet.

6 **Financial Implications**

6.1 Dealt with in the body of the report.

7 **Legal Services Comments**

7.1 There are no Legal implications.

8. **Co-operative Agenda**

8.1 Improving the quality and timeliness of the financial information available to citizens of Oldham supports the cooperative ethos of the Council.

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- 9 **Human Resources Comments**
- 9.1 There are no Human Resource implications.
- 10 **Risk Assessments**
- 10.1 There are no risk implications attached as a result of this report.
- 11 **IT Implications**
- 11.1 There are no IT implications attached as a result of this report
- 12 **Property Implications**
- 12.1 There are no Property implications.
- 13 **Procurement Implications**
- 13.1 There are no Procurement implications.
- 14 **Environmental and Health & Safety Implications**
- 14.1 There are no Environmental and Health & Safety implications as a result of this report.
- 15 **Equality, community cohesion and crime implications**
- 15.1 There are no Equality, community cohesion or crime implications.
- 16 **Equality Impact Assessment Completed?**
- 16.1 Not Applicable
- 17 **Key Decision**
- 17.1 Yes
- 18 **Key Decision Reference**
- 18.1 CFHR-12-15
- 19 **Background Papers**
- 19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:
- File Ref: Background Papers are provided in Appendix 1, 2 and 3
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- 20 **Appendices**
- 20.1 Appendix 1 – 2014/15 Statement of Accounts
20.2 Appendix 2 – Changes to the Draft Statement of Accounts
20.3 Appendix 3 – Audit Findings Report
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