

## Report to Council

# 2016/17 Annual Statement of Accounts

**Portfolio Holder:** Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member for Finance and Human Resources

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### Reason for Decision

To advise Council of the recently approved 2016/17 audited Statement of Accounts and the External Audit (Grant Thornton UK LLP) Audit Findings report.

The Statement of Accounts was considered by Cabinet at its meeting on 21 August 2017. The accounts were noted and commended to Council.

### Executive Summary

The report presents the Council's audited Statement of Accounts for the financial year 2016/17 as approved by the Audit Committee on 17 July 2017.

The report highlights:

- The excellent Audit Findings report with an unqualified opinion and no material misstatements.
- All audit judgements have a green rating and a very positive Value for Money (VFM) opinion.
- The overall revenue outturn position for 2016/17, a surplus of £0.130m before the transfer to earmarked reserves to support the 2017/18 budget. This is a slight decrease in the forecast underspend presented in the last financial monitoring report approved by Cabinet on 20 March 2017. Following the transfer to the 2017/18 Budget Reserve the net General Fund movement was a decrease of £3.803m, when comparing the revenue budget to the outturn.
- The capital outturn position with expenditure of £42.873m compared to a forecast position of £47.093m.
- The speed of the preparation of the accounts.
- The performance of the Finance Team in closing the Council's accounts and its focus on continuous improvement of its processes.

The presentation of the audited Statement of Accounts provides all Members with the opportunity to review the Council's year-end financial position (following completion of the audit by the Council's external auditors, Grant Thornton UK LLP).

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It should be noted that the Council has received objections to the accounts from two local electors. Although the External Auditor has given an opinion on the accounts, a formal review of the objections must take place and as a consequence the audit cannot be closed until the findings of this review have been reported.

**Recommendation**

That Council notes the Council's Statement of Accounts for 2016/17, the Audit Findings report and the comments in that report.

**2016/17 Statement of Account****1 Background**

- 1.1 The Council prepared and submitted for audit its draft 2016/17 Statement of Accounts to the external auditors, Grant Thornton LLP UK, on 28 April 2017.
- 1.2 The draft 2016/17 Statement of Accounts was presented to the Audit Committee at its meeting on 11 May 2017. This allowed members of the Committee the opportunity to review the Council's financial statements in detail before being presented with the audited accounts.
- 1.3 The requirement and timeline for the approval of Local Authorities' Statement of Accounts as set out in the Accounts and Audit Regulations 2015 requires all Local Authorities to have a common thirty day public inspection period which includes the first ten working days in July. The aim of this is to ensure greater transparency and give stakeholders sufficient notice of the period in which they can inspect Local Authorities accounts. As a result, the Council's 2016/17 accounts could not be formally approved by Members until after the close of the public inspection period which was on 14 July.
- 1.4 Prior to the closure of the inspection period, the Council received objections to the accounts from two local electors. The objection in both instances was with regard to the Council's use of Lender Option Borrower Option loans a number of years ago. A similar objection has been received by other Local Authorities. The Council's External Auditor will review the objection and produce a report on the outcome in due course. The objections did not prevent the External Auditor from providing an opinion on the accounts, but the audit cannot be formally closed until the review and its findings are reported.
- 1.5 As the audit of the accounts had been completed by 17 July, the Audit Committee was able to consider the audited accounts and the Audit Findings Report prepared by Grant Thornton UK LLP at its meeting on 17 July 2017. The Committee was therefore able to approve the Statement of Accounts as set out in Appendix 1.
- 1.6 It is important to note that there were no significant changes to the accounts from those initially presented for audit and reviewed by the Audit Committee in May. The changes made as part of the audit process are shown in Appendix 2 and as can be seen these changes are minor in nature and quantum.

**2. Current Position**

- 2.1 The format of the Statement of Accounts has been amended as part of the "Telling the Story" changes included within the CIPFA Code of Practice on Local Authority Accounting 2016/17. This now requires that the Council's Comprehensive Income and Expenditure Statement is presented in the local reporting format. In addition a new Expenditure and Funding Analysis has been included in the notes to the core statements. This new note details the movement between the Council's internal reporting format, the statutory General Fund and Housing Revenue Account (HRA) position and finally the position reported under proper accounting practices presented in the Comprehensive Income and Expenditure Statement.
- 2.2 The aim of the changes is to ensure Members and other users of the accounts will be able to see the relationship between internal reporting throughout the financial year and the Council's Statement of Accounts.

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- 2.3 Further changes have been made to the 2016/17 Statement of Accounts in line with the Council's 'Cutting the Clutter' agenda and an External Audit recommendation from 2015/16. The Council has reviewed all areas of the accounts in order to remove any unnecessary detail, improve the presentation of numerical data or where possible improve the readability of the accounts while still meeting the requirements of the Code of Practice.

### **Audit Findings and Opinion**

- 2.4 The audit of the 2016/17 Statement of Accounts has been completed by the Council's external auditors, Grant Thornton UK LLP. The Council submitted its draft financial statements and working papers to the auditors on 28 April 2017 in line with the final accounts timetable. Throughout the audit process Council Officers have responded promptly to audit queries. This has positively contributed to the completion of the audit.
- 2.5 Grant Thornton UK LLP is required to provide the Council with an annual Audit Findings and Value for Money (VFM) opinion. Both are shown in the draft Audit Findings Report at Appendix 3. The final report will be issued upon completion of the audit.
- 2.6 The audit opinion is very positive and gives an unqualified opinion. There are no material errors for the eighth successive year with only minor amendments required to disclosure notes. In addition for 2016/17 there are no audit recommendations. The indicators which report on the accounting policies, estimates and judgements are all rated green.
- 2.7 The changes identified during the audit are restricted to a reclassification of a central government creditor, the amendment of a disclosure within the Financial Instruments note to include accrued interest and the removal of the Certificates of Deposit balance from the same disclosure. A small number of presentational changes and minor amendments to wording were included to aid the readers understanding of the accounts.
- 2.8 In addition the Council has chosen to add an enhanced disclosure in the Financial Instruments note related to the Councils borrowing and provide additional information in the Property, Plant and Equipment note relating to the revaluation of specialist assets held on the Balance Sheet at Depreciated Replacement cost. In both these instances the Council made the decision that the balances were material and additional disclosures over and above those required in the CIPFA Local Authority Code of Practice (the Code) would be useful to the users of the accounts.
- 2.9 There were no changes to the Council's outturn or the balances position as a result of the audit.
- 2.10 The auditors VFM opinion is also positive. It states that for 2016/17 in all significant respects the Council had proper arrangements in place to ensure it delivered value for money in its use of resources. One significant risk was identified around Health and Social Care Integration, however the Auditor concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place.
- 2.11 The External Auditor will be undertaking a review into the objections received and will provide the Council with a report which details the outcome of the review. Any actions that may be required will be determined following the completion of the review and Members will be advised accordingly. The audit of the accounts for 2016/17 cannot be closed until the review is concluded.

## Revenue Outturn

- 2.12 A comparison of the revised revenue budget and outturn is set out in Table 1 with the actual expenditure as reported against the budget for each Portfolio for 2016/17.
- 2.13 In overall terms the Council achieved a surplus of £0.130m at the end of the financial year, before the transfer of £3.933m to earmarked reserves to support the 2017/18 revenue budget. This is a marginal decrease on the forecast outturn position of £0.140m underspend based on the month 9 position, approved by Cabinet on 20 March 2017. Following the final transfer to earmarked reserves the net movement on the General Fund balance is £3.803m.

**Table 1 – 2016/17 Revenue Outturn Compared to Revised Budget**

	Budget £000	Actual £000	Variance after reserve adjustments £000
<b>Net revenue expenditure</b>			
Economy, Skills and Neighbourhoods	134,912	135,796	884
Health and Wellbeing	92,019	97,072	5,053
Corporate and Commercial Services	3,724	3,227	(497)
Chief Executive	3,770	3,718	(52)
Capital Treasury and Technical Accounting	(15,918)	(17,503)	(1,585)
Corporate and Democratic Core	5,277	5,277	-
Parish Precepts	304	304	-
<b>Total net expenditure</b>	<b>224,088</b>	<b>227,891</b>	<b>3,803</b>
Financed by:			
Council Tax Payers	(77,318)	(77,318)	-
Adult Social Care Precept - Council Tax Payers	(1,515)	(1,515)	-
Revenue Support Grant	(40,543)	(40,543)	-
Retained Business Rates	(28,360)	(28,360)	-
Business Rates Top Up Grant	(30,237)	(30,237)	-
Private Finance Initiative Grants	(9,870)	(9,870)	-
Capital Grants	(23,905)	(23,905)	-
Other Non Ringfenced Government Grants	(668)	(668)	-
Housing and Council Tax Benefit Administration Grant	(1,490)	(1,490)	-
New Homes Bonus Grant	(2,902)	(2,902)	-
Education Services Grant	(2,776)	(2,776)	-
Multiplier Cap Grant	(857)	(857)	-
Small Business Rate Relief Grant	(1,542)	(1,542)	-
Independent Living Fund Grant	(2,841)	(2,841)	-
Collection Fund Deficit	1,067	1,067	-
Use of Reserves	(330)	(330)	-
<b>Total financing</b>	<b>(224,088)</b>	<b>(224,088)</b>	<b>-</b>
Transfer to earmarked reserve to support Council expenditure	-	(3,933)	(3,933)
<b>Current net underspend</b>	<b>-</b>	<b>(130)</b>	<b>(130)</b>

2.14 Whilst there are some variances compared to budget, these are in line with expectations and key issues impacting on future years have been addressed through the budget setting process for 2017/18. Total net expenditure of £3.803m will be deducted from the General Fund balance.

### Capital

2.15 The Council incurs expenditure on capital projects in accordance with the Local Authorities (Capital Finance and Accounting) Regulations 2003 definition of capital expenditure. Essentially this defines capital expenditure as spend on assets that have a life of more than one year.

2.16 The Council spent £42.873m on its Capital Programme in 2016/17 compared to the forecast spending of £47.093m. The Capital Programme was financed through a number of sources including Government grants, revenue contributions and capital receipts. The capital expenditure incurred during the year is shown in the table below by Portfolio area.

2.17 It should be noted that although prudential borrowing was anticipated as a funding source, the Council had considerable cash balances and it has used these balances to finance the capital expenditure rather than undertake borrowing. No new loans have therefore been taken out in 2016/17. However, as cash levels are reduced, a decision to borrow to support the capital expenditure will be made. The position will be monitored throughout 2017/18.

**Table 2 - Capital Programme Outturn Compared to the Forecast Outturn**

Portfolio	2016/17 Forecast £000	2016/17 Actuals £000	Variance £000
<b>Capital Expenditure</b>			
Economy, Skills and Neighbourhoods	41,121	37,622	(3,499)
Health and Wellbeing	1,968	2,056	88
Corporate and Commercial Services	2,401	1,947	(454)
Housing Revenue Account	1,603	1,248	(355)
<b>Total Expenditure</b>	<b>47,093</b>	<b>42,873</b>	<b>(4,220)</b>
<b>Total Funding</b>	<b>(47,093)</b>	<b>(42,873)</b>	<b>4,220</b>

2.18 The variance between the forecast capital expenditure and the final outturn for the year was £4.220m. This was mainly due to revisions to the planned expenditure of a number of capital projects which means that the spending will be re-profiled into 2017/18 together with the associated financing. This, therefore, does not present any financial concerns for the Council. The level of variance at the year-end was much reduced compared to previous financial years and reflects the positive outcome of the initiative instigated to improve the monitoring of planned expenditure.

### The Performance of the Finance Service

2.19 The preparation of the accounts represents just one outcome of the range of achievements of the Finance Team as it continues to enhance and develop its performance. 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.

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2.20 The early closure of accounts is a significant driver of efficiency allowing work to be undertaken more effectively. This means members of the Finance Team are able to work on other tasks and projects once the quick accounts closedown process is complete.

2.21 The accelerated and improved timescale and quality has been achieved by the hard work, commitment and dedication of the Finance Team who can all be proud of their contributions to the early closure of the accounts and also in the other significant improvements in financial management that have been made. As in previous years this represents a real team effort.

**3 Options/Alternatives**

3.1 No alternatives are presented other than that Council notes the final accounts, the Auditor's report and the items outlined in the report.

**4 Preferred Option**

4.1 The preferred option is that Council notes the final accounts, the Auditor's report and the items outlined in the report.

**5 Consultation**

5.1 Consultation has taken place with the Council's external auditors, Grant Thornton UK LLP and the Council's Audit Committee.

**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.

**9 Human Resources Comments**

9.1 There are no Human Resource implications.

**10 Risk Assessments**

10.1 There are no risk implications as a result of this report.

**11 IT Implications**

11.1 There are no IT implications as a result of this report

**12 Property Implications**

12.1 There are no Property implications.

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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 and crime implications.

16      **Equality Impact Assessment Completed?**

16.1     Not Applicable

17      **Key Decision**

17.1     No

18      **Key Decision Reference**

18.1     Not Applicable.

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 – 2016/17 Statement of Accounts  
Appendix 2 – Changes made Compared to the Draft Statement of Accounts  
Appendix 3 – Draft Audit Findings Report