# Report to Audit Committee

**2017/18 Annual Statement of Accounts**

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

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**Reason for Decision**

To present to the Audit Committee the Council's 2017/18 Statement of Accounts.

**Executive Summary**

The report presents the Council's draft Statement of Accounts for the financial year 2017/18.

The report highlights:

- The content of the External Auditors Audit Findings Report containing the unqualified opinion on the Statement of Accounts and positive value for money opinion
- The overall revenue outturn position for 2017/18 is a surplus of £0.150m before the final transfer to earmarked reserves to support the 2018/19 budget. This is a marginal increase on the forecast outturn position of a £0.146m favourable variance reported on the month 9 position. Following the transfer to earmarked reserves to support the 2018/19 budget the net General Fund movement was a decrease of £0.753m.
- The Council spent £25.803m on its Capital Programme in 2017/18 compared to the forecast spending of £27.145m resulting in a variance of £1.342m between the forecast and actual position. This was mainly due to a re-profiling of the planned expenditure for a number of capital projects which will be moved into 2018/19 together with the associated financing.
- Capital receipts in year totalled £11.363m against a financing requirement of £6.780m.
- Schools balances at the year-end totalled £5.545m but are offset by the deficit on the Dedicated Schools Grant of £3.031m leaving a net reserve of £2.514m
- The final Housing Revenue Account (HRA) balance was £20.162m
- 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 Audit Committee 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 and the conclusion of the period for public inspection. The Accounts are presented at Appendix 1.

Audit Committee members are asked to formally approve the accounts following the completion of the required Statement of Accounts public inspection period.

**Recommendations**

The Audit Committee approves the Council's audited Statement of Accounts for 2017/18 and notes the Management Letter of Representation.

## 1 Background

1.1 The Council is required to prepare a Statement of Accounts for each financial year. The accounts must be prepared in accordance with statutory timelines and accounting practices. Since 2010/11 those accounting practices have been based on International Financial Reporting Standards (IFRS) which attempt to facilitate the production of accounts in a standardised and consistent format across the public and private sectors giving greater transparency for stakeholders. The 2017/18 Statement of Accounts is presented at Appendix 1.

1.2 The accounting practices to be followed in preparing the 2017/18 Statement of Accounts are set out in the Chartered Institute of Public Finance and Accountancy 2017/18 Code of Practice. Members of the Audit Committee can be assured that the Council is confident that all the requirements of the Code have been complied with.

1.3 For 2017/18 the requirement and timeline for the approval of a Local Authority's Statement of Accounts is set out in the Accounts and Audit Regulations 2015. The legislation requires that following the conclusion of a 30 day period of public inspection the Council must submit the Statement of Accounts for consideration and approval to committee or by Members meeting as a whole. For Oldham, the body designated to receive the accounts is the Audit Committee.

1.4 The legislation also requires that the Council's audited Statement of Accounts is published (which must include publication on the Council's website) by 31 July after the end of the financial year to which the Accounts relate.

1.5 As discussed above all Local Authorities must publish their Statement of Accounts for a thirty day public inspection period which must include the first ten working days in June. 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 2017/18 accounts could not be formally approved until after the first ten working days in June.

1.6 In line with the Council's established early closedown processes, the 2017/18 draft Statement of Accounts was submitted to the External Auditor on 30 April 2018 which is a month earlier than the statutory deadline. In accordance with the timelines agreed with the External Auditor it has only been possible to facilitate the conclusion of the audit to align with this meeting.

1.7 In addition to the Statement of Accounts the Committee is asked to note the Management Letter of Representation at Appendix 3. The Management Letter of Representation is a formal letter written by the External Auditors, Grant Thornton LLP, which is signed by the Council's senior management. The letter attests to the accuracy of the financial statements that the Council has submitted to the auditors for their analysis. The Management Letter of Representation enables the Council to declare in writing that the statement of accounts and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the best of the management's knowledge. The auditors use this letter as part of their audit evidence.

## 2. Current Position

2.1 The audit of the 2017/18 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 30 April 2018 in line with the final accounts timetable.

2.2 Grant Thornton UK LLP is required to provide the Council with an annual Audit Findings Report and a Value for Money (VFM) opinion. The audit findings report is positive and gives an unqualified opinion. There are no material errors for the ninth successive year with only minor amendments required to disclosure notes. In addition for the second year there are no audit recommendations, which is a tremendous achievement. Extensive work takes place each year in the preparation of the Statement of Accounts, taking heed of audit advice and officer experience to continuously improve and this approach has clearly paid dividends.

2.3 The auditors VFM opinion is also positive. It states that for 2017/18 in all significant respects the Council had proper arrangements in place to ensure it delivered value for money in its use of resources. Only one significant risk was identified which related to Health and Social Care integration. Having regard to the key findings in relation to this risk, the auditor found that the Council has proper arrangements in place for working with its partners effectively to support the delivery of its strategic priorities. The Audit Findings Report is presented as a separate paper elsewhere on the agenda.

## 3. General Fund Revenue Outturn

3.1 A comparison of revenue budget and outturn is set out in Table 1 with actual expenditure as reported against budget for each Portfolio for 2017/18.

**Table 1 – 2017/18 Revenue Outturn Compared to Revised Budget**

| | Budget £000 | Actual £000 | Variance after reserve transfers £000 |
|---|---|---|---|
| **Net revenue expenditure** | | | |
| Economy, Skills and Neighbourhoods | 116,206 | 116,860 | 654 |
| Health and Wellbeing | 119,701 | 123,581 | 3,880 |
| Corporate and Commercial Services | 7,030 | 6,759 | (271) |
| Chief Executive | 3,044 | 3,041 | (3) |
| Capital, Treasury and Technical Accounting | 11,213 | 7,706 | (3,507) |
| Corporate and Democratic Core | 6,087 | 6,087 | - |
| Parish Precepts | 306 | 306 | - |
| **Total net expenditure** | **263,587** | **264,340** | **753** |
| **Total Funding** | **(263,587)** | **(263,587)** | **-** |
| **Transfer to earmarked reserve to support Council expenditure** | **-** | **(903)** | **(903)** |
| **Current net underspend** | **-** | **(150)** | **(150)** |

3.2 In overall terms the Council achieved a surplus of £0.150m at the end of the financial year before the transfer to earmarked reserves to support the 2018/19 revenue budget. This is a marginal increase on the forecast outturn position of a £0.146m favourable variance based on the month 9 position, as reported to Cabinet on 26 March 2018. Following the transfer to earmarked reserves to support the 2018/19 budget the net General Fund movement was a decrease of £0.753m. Further details on the variances by Directorate are provided below.

**Economy, Skills and Neighbourhoods (ESN)**

3.3 The ESN Directorate recorded a deficit of £0.654m for 2017/18. This is in line with the forecast presented to Cabinet at month 9. The pressure was principally due to an increase in the maintenance costs of Council buildings and the additional costs associated with the introduction of the Oldham Living Wage, particularly in relation to the Catering and Cleaning services. A further contributing factor was the high cost of Home to School transportation in the Education and Early Years Directorate. The pressures were in part offset by the positive adjustment to the Councils Carbon Reduction Commitment (CRC) obligations. Budget adjustments have been factored into 2018/19 to address issues where appropriate.

**Health and Wellbeing**

3.4 The deficit of £3.880m incurred by the Health and Wellbeing Directorate is after the use of £6.414m of reserves, attributable in the main to Children's Social Care (£5.216m). The principal reason for the over spend is related to the increase in numbers of Looked After Children, the cost of commissioning services for children with disabilities and also the cost of adoption and fostering. Whilst creating a financial and service challenge in Oldham, these issues reflect pressures and trends being experienced nationally (a sum of £8.063m has been incorporated into the 2018/19 budget to address these pressures). In addition there was an adverse variance within Public Health, relating to the inclusion of a provision for the settlement of historic outstanding NHS related premises costs.

3.5 From 2018/19 the Health and Wellbeing Directorate no longer exists. The implementation of the integrated health agenda and other reorganisations has resulted services being divided and realigned to better fit the revised reporting arrangements that have been introduced.

**Corporate and Commercial Service**

3.6 The Corporate and Commercial Services Directorate reported a surplus of £0.271m for the 2017/18 financial year this is within 1% of the forecasted surplus reported to Cabinet at month 9 (£0.269m). The underspend is attributable mainly to vacant posts within the service areas.

**Chief Executive**

3.7 Chief Executive reported a small surplus of £0.003m for 2017/18 as anticipated at month 9.

**Capital, Treasury and Technical Accounting**

3.8 The Service area achieved a favourable variance of £3.507m for the year which is £0.906m less than the forecast variance reported to Cabinet at month 9. This variance relates to the year-end transfer of £0.903m to earmarked reserves to support the 2018/19 revenue budget. The under spend achieved was largely due to the anticipated costs for borrowing and capital financing being lower than originally anticipated following the re-profiling of capital projects into future years.

**Corporate and Democratic Core**

3.9 As anticipated the expenditure associated with this Service Area was in line with budget.

**Parish Precepts**

3.10 Payments of Parish Precepts and top up grant funding to Parish Councils were in line with the 2017/18 budget resulting in nil variance.

## 4 Other Revenue Outturn Issues

### Dedicated Schools Grant (DSG)

4.1 The DSG was closed with a net deficit of £3.031m which is £0.072m lower than projected. There is a requirement for the Authority to bring the DSG back towards a balanced position as soon as possible. Schools balances were £5.545m, a reduction of £0.675m from 2016/17; partly attributable to schools transferring to academy status and taking balances with them.

4.2 Accounting practice requires the deficit DSG balance to be offset against the schools balances figures, hence the earmarked reserves statement shows a net school reserve of £2.514m.

### Housing Revenue Account

4.3 The Housing Revenue Account (HRA) generated a £1.795m surplus, which is a £2.360m increase from the original budget provision, increasing the HRA reserve to £20.162m. The reasons for this variance are explained at 4.4 to 4.6.

4.4 HRA operational income, including rent, service charges, PFI credits and other recovery of costs was £28.059m. This is £0.333m more than the original budget of £27.726m. This was mainly due to a back dated refund of insurance payments.

4.5 HRA operational expenditure underspent by £2.027m. This is primarily explained by a £1.695m underspend on Capital schemes funded by Revenue, predominantly concerning the Sheltered Housing for Adults with Learning Disabilities Scheme (SHALD) which will now be financed in 2018/19. The remaining variances related to a number of budgets including Professional Fees and Aids and Adaptations.

4.6 Other variances within the HRA do not have a net effect on the balances as they are all reversed within the account and are considered “below the line”. These include items such as Depreciation and impairment on Capital assets.

4.7 The Council has followed the guidance in the CIPFA Code of Practice on Local Authority Accounting 2017/18 and the CIPFA Bulletin 01 Closure of the 2017/18 Financial Statements issued in February 2018 for the production of its 2017/18 Statement of Accounts, however there is one area where, in order to achieve a true and fair view, the Council has departed from this guidance. This relates to the accounting treatment for the depreciation charge on Housing Revenue Account (HRA) dwellings. Details are provided in Section 4.1.3 to the Accounts.

### Summary Position

4.8 The net General Fund movement of £0.753m will reduce the level of balances to £13.991m to bring it in line with the risk based assessment approved by Council on 28 February 2018. The General Fund earmarked reserves balance has decreased by £2.833m to £92.005m, this includes movements in the Schools Balances and the Revenue Grant Reserve (which are not available for general use). Many of the earmarked reserves have been set aside to provide financing for future expenditure plans. More details can be found in Note 15. Earmarked Reserves in the Statement of Accounts.

## 5 Capital

5.1 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.

5.2 The Council spent £25.803m on its Capital Programme in 2017/18 compared to the forecast spending of £27.145m. The Capital Programme was financed through a number of sources including the use of Government grants, revenue contributions and capital receipts. The capital expenditure incurred during the year is shown in the table below by Portfolio area.

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

| | 2017/18 Forecast £000 | 2017/18 Actuals £000 | Variance £000 |
|---|---|---|---|
| **Capital Expenditure** | | | |
| Economy, Skills and Neighbourhoods | 23,050 | 22,058 | (992) |
| Health and Wellbeing | 1,637 | 1,493 | (144) |
| Corporate and Commercial Services | 1,707 | 1,463 | (244) |
| Housing Revenue Account | 751 | 789 | 38 |
| **Total Expenditure** | **27,145** | **25,803** | **(1,342)** |
| **Total Funding** | **(27,145)** | **(25,803)** | **1,342** |

5.3 The variance between the forecast capital expenditure and the final outturn for the year was £1.342m. This was mainly due to slippage on the planned expenditure profiles of a number of capital projects. This will be re-profiled into 2018/19 together with the associated financing. Therefore this does not present any financial issues for the Council. The level of slippage was within an acceptable tolerance to forecast.

5.4 The table below shows the detail of the movement in capital receipts in 2017/18. Receipts in year totalled £11.363m against a financing requirement of £6.780m. The most significant disposals of non-current assets for the year were from the sale of the Lancaster Club (£3.385m), Former City Learning Centre (£0.650m) and Boston House (£0.563m). The final balance was £8.747m which is available to support the financing of the 2018/19 Capital Programme.

**Table 3 – Capital Receipts Summary Position 2017/18**

| | 2017/18 £000 |
|---|---|
| Balance as at 1 April 2017 | (4,164) |
| VAT Shelter | (1,826) |
| Right to Buy (RTB) | (2,905) |
| Disposal of non-current assets | (6,542) |
| Other | (90) |
| **Total receipts available in year** | **(15,527)** |
| Financing requirement | 6,780 |
| **Balance as at 31 March 2018** | **(8,747)** |

## 6 Treasury Management

### Borrowing

6.1 During the year the Council did not undertake any additional external borrowing and therefore as at the 31 March 2018 had total long and short term borrowings of £150.049m, this includes Public Works Loan Board (PWLB), Lender Option Borrow Options (LOBO) and other market debt.

### Investments

6.2 The Council continued its policy of investment diversification during the year on its medium to long term investments. Linked to the implementation of its Income Strategy and the Council invested an additional £10.000m into the Churches, Charities and Local Authorities (CCLA) Property Fund. The Property Fund investment dividends in year were £0.381m with an average return of 4.56%. The balance of long term investments at 31 March 2018 was £68.642m.

6.3 The Council managed all of its short-term investments (surplus cash investments) in house with the institutions listed in the Council's approved lending list. At the end of the financial year the Council had £58.650m of investments, as shown in Note 17.

6.4 The Council's investment strategy was to maintain sufficient cash reserves to give it necessary liquidity, whilst trying to attain a benchmark average rate of return of London Interbank Bid Rate (LIBID) on the relevant time deposit multiplied by 5%, whilst ensuring funds were invested in institutions which were the most secure. The table below shows the returns by the relevant time period:

**Table 4 – Actual Performance Against Benchmark**

| | Benchmark LIBID Return % | Actual Return % |
|---|---|---|
| 7 Day | 0.225% | 0.294% |
| 1 Month | 0.245% | 0.452% |
| 3 Month | 0.300% | 0.489% |
| 6 Month | 0.421% | 0.513% |
| 12 months | 0.636% | 0.860% |
| **Average Return** | | **0.434%** |

6.5 As can be seen, the Council's overall performance on its cash investments exceeded its LIBID benchmark in all periods.

## 7 Overview of Core Statements

7.1 The four core Statements to the Accounts are the:

i) Comprehensive Income and Expenditure Statement
ii) Movement in Reserves Statement
iii) Balance Sheet
iv) Cash Flow Statement

7.2 They are included in the Statement of Accounts on pages 37 to 41. A commentary of the key issues arising in each Statement is set out as follows:

### Comprehensive Income and Expenditure Statement (CIES)

7.3 The CIES (shown below) is required under International Financial Reporting Standards (IFRS). It shows the accounting cost of providing services rather than the amount to be funded from taxation or rents. This means that it includes accounting transactions such as depreciation and revaluation gains/losses.

| | Note | 2017/18 | | |
|---|---|---|---|---|
| | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| Economy, Skills and Neighbourhoods | | 282,023 | (209,882) | 72,141 |
| Health and Wellbeing | | 164,815 | (39,509) | 125,306 |
| Corporate and Commercial Services | | 80,899 | (75,614) | 5,285 |
| Chief Executive | | 3,411 | (1,019) | 2,392 |
| Capital, Treasury and Technical Accounting | | 3,681 | (4,280) | (599) |
| Corporate and Democratic Core | | 6,087 | - | 6,087 |
| Central Services | | 49 | - | 49 |
| Housing Revenue Account | | 14,693 | (28,058) | (13,365) |
| **Cost of Services** | | **555,658** | **(358,362)** | **197,296** |
| Other Operating Expenditure | | | | |
| Parish Council precepts | | 257 | | |
| Payments to the government housing capital receipts pool | | 56 | | |
| Levies | | 34,326 | | |
| (Gains)/losses on the disposal of non-current assets | | (1,947) | | |
| **Total Other Operating Expenditure** | | | | **32,692** |
| Financing and Investment Income and Expenditure **(a)** | **3** | | | 35,330 |
| Taxation and Non-Specific Grant Income **(b)** | **4** | | | (257,415) |
| **Deficit on Provision of Services (c)** | | | | **7,904** |
| Other Comprehensive Income and Expenditure **(d)** | | | | |
| Revaluation gains on non-current assets | **16a** | | | (76,774) |
| Impairment losses on non-current assets | **16a** | | | 906 |
| Surplus on revaluation of available for sale financial assets | **16d** | | | (7,998) |
| Remeasurement of the net defined benefit liability | **30** | | | (28,981) |
| **Total Other Comprehensive Income and Expenditure** | | | | **(112,847)** |
| **Total Comprehensive Income and Expenditure** | | | | **(104,943)** |

Key points to note from the CIES are:

#### (a) Financing and Investment Income and Expenditure

7.4 Financing and Investment Income and Expenditure of £35.330m (detailed at Note 3) contains transactions relating interest payable and receivable, dividend income and losses on transfer of schools to Academy Status.

#### (b) Taxation and Non Specific Grant Income

7.5 The sum of £257.415m (detailed at Note 4) contains Council Tax, Business Rates and grants received from Central Government to finance revenue expenditure throughout the year. This income is not attributable to a specific service.

### (c) Deficit on the Provision of Services

7.6 The Deficit on the Provision of Services of £7.904m represents the Councils accounting deficit position for the year as required under IFRS which allows comparison to be made with other organisations in both the public and private sectors. This deficit includes charges for accounting entries such as depreciation, impairment and pension adjustments which are reversed under statute as they shouldn't impact on the Council's General Fund position and Council Tax Payer when calculating the Council Tax requirement. These reversals are shown on the Movement in Reserves Statement.

7.7 The Council's outturn position for the year is a £0.150m underspend before a transfer to earmarked reserves of £0.903m to support the 2018/19 revenue budget. This has resulted in a net movement of £0.753 which is debited to the Council's General Fund Balance at the year end as shown on the Movement in Reserves Statement shown below.

### (d) Other Comprehensive Income and Expenditure

7.8 The Council's non-current assets are revalued on a rolling 5 year programme, any movement on the value of these are assets which is not chargeable to the cost of service is instead reflected in other comprehensive income and expenditure and the revaluation reserve.

7.9 The remeasurement of the net defined benefit liability represents the Pension Actuary's movement of the Council's pension liability as at the 31 March 2018. This remeasurement is based on a number of financial assumptions made by the Actuary based on market conditions at the 31 March 2018 in order to calculate the movement on the liability in the year. Further detail of the assumptions used are detailed in Note 30. This adjustment is required by the accounting standards covering pensions.

### Movement in Reserves Statement (MiRS)

7.10 The MiRS reverses the accounting transactions included within the Deficit on the Provision of Services shown above in the CIES. Once these transactions have been reversed the amount which is statutorily chargeable to taxpayers or rents is arrived at. A summary reconciliation showing the movement between the CIES position and the statutory position is shown below:

| | General Fund £000 | Housing Revenue Account £000 | Total £000 |
|---|---|---|---|
| (Surplus)/Deficit on the Provision of Services | 9,906 | (2,002) | 7,904 |
| Total Technical Accounting Adjustments | (6,321) | 207 | (6,114) |
| Use of Earmarked Reserves | (2,833) | - | (2,833) |
| **Net (Surplus)/Deficit** | **753** | **(1,795)** | **(1,042)** |

7.11 A reconciliation of the budget monitoring position to both the CIES and MiRS shown above is provided in Note 1 Expenditure and Funding Analysis in the Statement of Accounts.

7.12 The General Fund and HRA balances will be adjusted by the net Surplus or Deficit shown above. The subsequent balance will then be available to support expenditure in 2018/19.

**Balance Sheet**

7.13 The Balance Sheet below shows the Council's net assets have increased by £104.943m in 2017/18 from £70.446 to £175.389.

| 31 March 2017 £000 | | Note | 31 March 2018 £000 |
|---|---|---|---|
| 708,661 | Property Plant and Equipment | **17** | 754,633 |
| 19,783 | Heritage Assets | **18** | 19,783 |
| 16,138 | Investment Property | **19** | 15,749 |
| 4,362 | Intangible Assets | | 4,136 |
| 50,644 | Long Term Investments | **21** | 68,642 |
| 10,917 | Long Term Debtors | **22** | 9,822 |
| **810,505** | **Long Term Assets** | | **872,765** |
| 19,613 | Short Term Investments | **21** | 13,166 |
| 680 | Inventories | | 588 |
| 38,236 | Short Term Debtors | **22** | 43,183 |
| 43,603 | Cash and Cash Equivalents | **23** | 42,450 |
| 4,799 | Assets Held For Sale (less than one year) | | 7,785 |
| **106,931** | **Current Assets** | | **107,172** |
| (1,685) | Short Term Borrowing | **21** | (1,668) |
| (56,101) | Short Term Creditors | **24** | (51,414) |
| (14,672) | Short Term Provisions | **25** | (17,051) |
| | Short Term Liabilities | | |
| (6,849) | - Private Finance Initiatives | **21,28** | (8,970) |
| (254) | - Finance Leases | | (247) |
| (961) | - Transferred Debt | | (1,009) |
| **(80,522)** | **Current Liabilities** | | **(80,359)** |
| (14,336) | Long Term Provisions | **25** | (16,079) |
| (148,389) | Long Term Borrowing | **21** | (148,381) |
| | Other Long Term Liabilities | | |
| (346,748) | - Pension Liabilities | **30** | (312,580) |
| (251,173) | - Private Finance Initiatives | **21,28** | (242,203) |
| (311) | - Finance Leases | | (304) |
| (4,400) | - Transferred Debt | | (3,383) |
| (17) | - Deferred Credits | | (17) |
| (1,094) | Capital Grants Receipts In Advance | | (1,242) |
| **(766,468)** | **Long Term Liabilities** | | **(724,189)** |
| **70,446** | **Net Assets** | | **175,389** |
| (148,690) | **Usable Reserves** | **MiRS** | (174,339) |
| 78,244 | **Unusable Reserves** | **MIRS, 16** | (1,050) |
| **(70,446)** | **Total Reserves** | | **(175,389)** |

7.14 The increase in net assets is mainly attributable to the following movements:

- An increase in the value of Property, Plant and Equipment (PPE) of £45.972m relating to additions and revaluation gains. However this is somewhat mitigated by disposal of PPE in year, the depreciation charge and a small impairment charge.
- Long Term Investments have increased by £17.998m in year. This primarily relates to an £8.200m increase in the Council's investment in Manchester Airport Holdings Ltd and a £10.000m investment in the Charities, Churches and Local Authorities (CCLA) Property Fund. The remaining movement relates to a year-end interest accrual.

- A reduction in the Pension Liability of £34.168m, the majority of this movement relates to the up-front payment of the Councils employer pension contributions of £41.544m for the three year period 2017/18 to 2019/20. The movement is mitigated by accounting transactions required under IAS 19 Employee Benefits.

**Cash Flow Statement**

7.15 The Council's cash and cash equivalents have remained fairly stable in 2017/18 with a small decrease of £1.153m compared to the 2016/17 balance.

7.16 There was a net inflow from investing activities as the Council disposed of investments and PPE and received capital grants. This was partially offset by the use of cash reserves to purchase £21.150m of PPE and £52.500m of short and long term investments. The net cash outflow from financing activities records the repayments of Private Finance Initiatives (PFI), Finance Leases and Deferred Liabilities, as well as recording any Council Tax and Business Rates accruals.

| | Note | 2016/17 £000 | 2017/18 £000 |
|---|---|---|---|
| Net surplus or (deficit) on the provision of services | | (67,686) | (7,904) |
| Adjustment to surplus or deficit on the provision of services for non-cash movements | 31 | 110,812 | 41,695 |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 31 | (30,308) | (42,826) |
| **Net cash flows from operating activities** | | **12,818** | **(9,035)** |
| Net Cash flows from Investing Activities | 32 | 8,666 | 21,085 |
| Net Cash flows from Financing Activities | 33 | (5,808) | (13,203) |
| **Net increase or (decrease) in cash and cash equivalents** | | **15,676** | **(1,153)** |
| Cash and cash equivalents at the beginning of the reporting period | | 27,927 | 43,603 |
| **Cash and cash equivalents at the end of the reporting period** | | **43,603** | **42,450** |

## 8 Objection

8.1 The Council received an objection to its 2016/17 Statement of Accounts during the statutory public inspection period. This meant that although the Council's External Auditors (Grant Thornton LLP) were able to give an unqualified audit opinion to the Audit Committee on 17 July 2017 they are unable to formally conclude the Audit. The objection to the accounts has not yet been resolved and therefore the 2016/17 accounts have not be formally closed. It is hoped that this issue will be soon resolved.

## 9 The Performance of the Finance Service

9.1 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.

9.2 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 accelerated accounts closedown process is complete.

9.3 It is important to note that the delivery of the accounts to 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.

## 10 Options/Alternatives

10.1 The Audit Committee can either choose to approve the 2017/18 Statement of Accounts and note the Management Letter of Representation or not to do so. There are no other alternatives.

## 11 Preferred Option

11.1 The preferred option is that Audit Committee approves the draft 2017/18 Statement of Accounts and notes the Management Letter of Representation.

## 12 Consultation

12.1 Consultation has taken place with the Council's External Auditors, Grant Thornton UK LLP, in addition members of the public had the opportunity to inspect the Council's Statement of Accounts and supporting documents during the 30 day public inspection period which concluded on 12 July.

## 13 Financial Implications

13.1 Dealt with in the body of the report.

## 14 Legal Services Comments

14.1 There are no Legal implications.

## 15 Co-operative Agenda

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

## 16 Human Resources Comments

16.1 There are no Human Resource implications.

## 17 Risk Assessments

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

## 18 IT Implications

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

## 19 Property Implications

19.1 There are no Property implications.

## 20 Procurement Implications

20.1 There are no Procurement implications.

21 **Environmental and Health and Safety Implications**

21.1 There are no Environmental and Health & Safety implications as a result of this report.

22 **Equality, Community Cohesion and Crime implications**

22.1 There are no Equality, community cohesion and crime implications.

23 **Equality Impact Assessment Completed?**

23.1 Not Applicable

24 **Key Decision**

24.1 No

25 **Key Decision Reference**

25.1 Not Applicable.

26 **Background Papers**

26.1 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 Appendices 1 to 3.
Officer Name: Lee Walsh
Contact No: 0161 770 6608

27 **Appendices**

27.1 Appendix 1 – 2017/18 Statement of Accounts
Appendix 2 – Changes to the Draft Statement of Accounts
Appendix 3 – Management Letter of Representation