

Audit Committee

Annual Accounts 2009-10

Report of Borough Treasurer

Portfolio Finance and Resources: Councillor Thompson

27 May 2010

Officer Contact: Steven Mair
Ext. 4900

Purpose of Report

To present the 2009/10 statement of Accounts for the Committee's consideration and approval in accordance with statutory regulations and Council's standing orders.

Executive Summary

The Statements of Accounts are attached at the appendix to this report. The closedown process has been considerably accelerated and these accounts are presented over one month in advance of the specified date. The revenue outturn is a £10,000 contribution to balances; the capital outturn is in line with the statistical projection at month 10.

Recommendations

The Committee is recommended to approve the 2009-10 Accounts and submit them to external audit.

ANNUAL ACCOUNTS 2009-10

REPORT OF Borough Treasurer

PORTFOLIO RESPONSIBILITY: Councillor Thompson Finance and Resources

1 PURPOSE OF REPORT

- 1.1 To present the 2009/10 statement of Accounts for the Committee's consideration and approval in accordance with statutory regulations and Council's standing orders.

2 EXECUTIVE SUMMARY

- 2.1 The Statements of Accounts are attached as an appendix to this report
- 2.2 The closedown process has been accelerated and these accounts are presented one month in advance of the specified date. The revenue outturn is a £10,000 contribution to balances; the capital outturn is in line with the statistical projection at month 10.

3 RECOMMENDATIONS

- 3.1 The Committee is recommended to approve the 2009-10 Accounts and submit them to external audit.

4 BACKGROUND

- 4.1 The Annual Accounts presented to this Committee, are subject to External Audit; the audited accounts will be presented to the Audit Committee at its meeting in August 2010.
- 4.2 The Accounts for the year 2009/10 are attached
- 4.3 The features of this year's closing process have been:
 - 4.3.1 The finance team has produced the accounts in less than 2 months from the year end, this is over one month inside the statutory guideline and it is likely that we will be one of only a handful of authorities that have achieved this.
 - 4.3.2 The year end process has incorporated a balance sheet review following best practice as recommended by CIPFA.

- 4.3.3 A Scrutiny Review of all outstanding debts owed to the Council is being undertaken, the review will report later this year however issues raised through the review are being addressed and procedures improved and collection rates increased.
- 4.3.4 The closure of accounts addressed issues raised during last year's audit, on the indexing and quality of working papers. Specific staff have been identified to carry out more rigorous quality assurance to ensure the veracity of all working papers, this review has also addressed the issue of indexing papers.
- 4.3.5 A budget book was issued in April 2009; this was reviewed during the financial year. The review addressed long standing structural budget issues and reallocated funds, within the overall cash limit, to correct these matters. A revised budget book was issued during the year. The 2010/11 Budget Book was issued in March 2010 following a rigorous budget setting process.
- 4.3.6 A Capital Investment Programme Board was established during the year which has improved our governance arrangements for capital expenditure and brought with it a systematic and rigorous prioritisation process. This is reflected in the final spend compared with the statistical projections made in recent monitoring reports.
- 4.3.7 The final revenue outturn compares well with the approved budget, £10,000 underspend represents a favourable variance of less than 0.005% of the budget.
- 4.3.8 Members will be aware that this is the first year that Council's have compiled their accounts under IFRS 17. Staff resources were diverted to this project to enable us to meet the demanding requirements of this change to accounting practices.
- 4.3.9 Looking ahead to 2010/11 closedown, the finance department has been restructured to better resource technical accounting and financial management, which will enable the Council to build on this years improvements. In addition a programme of monthly closedowns is being developed, this will ease pressure at the year end and facilitate a planned closure of the 2010/11 accounts by 12 May 2011, which will place the Council at the forefront of councils nationwide.

5 Revenue

5.1 The table below shows the final position compared with the approved budget: the net underspend will allow a contribution to the General Fund Balance of £10,000.

Table 1: Revenue outturn compared to Approved Budget

	<u>Approved Budget</u> <u>£000's</u>	<u>Actual</u> <u>£000's</u>	<u>Over (under) Spend</u> <u>£000's</u>
Expenditure			
Assistant Chief Executive	12,247	12,262	15
Economy, Places and Skills	67,923	68,691	768
People, Communities and Society	122,869	122,655	(214)
Performance, Services and Capacity (including Corporate and Democratic core costs and Capital and Treasury costs.	6,806	6,144	(662)
Corporate Management	17,434	17,444	10
NET SERVICE EXPENDITURE	227,279	227,196	83
Financed by:			
Business Rates Pool	95,492	95,492	
Revenue Support Grant	22,041	22,041	
Collection Fund Surplus	861	861	
Income from Collection Fund	83,651	83,578	-73
Area Based Grant	19,502	19,502	
PFI Grants	5,732	5,732	
TOTAL FUNDING	227,279	227,206	-73
Contribution to General Fund balance			10

6 Capital

6.1 The table below shows the final position compared to the Month 10 position.

Table 2: Capital outturn compared to Month 10

	<u>Forecast Outturn</u> <u>£000's</u>	<u>Actual Outturn</u> <u>£000's</u>	<u>Variance</u> <u>£000's</u>
Expenditure			
Economy, Places and Skills	39,888	39,472	416
Performance, Services and Capacity	1,856	598	1,258
People, Communities and Society	22,877	15,341	7,536
TOTAL EXPENDITURE	64,621	55,411	9,210
Financed by:			
Revenue	70	880	-810
Loan	5,738	5,422	316
Grant	40,780	36,864	3,916
Prudential Borrowing	4,540	1,539	3,001
Major Repairs Allowance	8,632	8,819	-187
Capital Receipts	4,861	1,887	2,974
TOTAL RESOURCES	64,621	55,411	9,210

6.2 In comparison to the overall statistical projections reported at month 10 the outturn is in line with that projected, which was £55.3m. The outturn position will be

reported into the Capital Investment Programme Board for consideration as part of the forward planning for 2010/11 onwards

7 OPTIONS/ALTERNATIVES

7.1 The Council has to consider the accounts as a part of its statutory duty

8 PREFERRED OPTION

8.1 There is only one option which is to consider and approve the accounts

9 CONSULTATION

9.1 There has been extensive consultation within the finance service

10 FINANCIAL IMPLICATIONS

10.1 Covered in full in the report.

11 HUMAN RESOURCES COMMENTS

11.1 Not applicable

12 RISK ASSESSMENTS

12.1 Risk management is undertaken on the necessary level of balances and reviewed as required

13 IT IMPLICATIONS

13.1 Not applicable

14 PROPERTY IMPLICATIONS

14.1 Not applicable

15 PROCUREMENT IMPLICATIONS

15.1 Not applicable

16 ENVIRONMENTAL AND HEALTH & SAFETY IMPLICATIONS

16.1 Not applicable

17 COMMUNITY COHESION IMPLICATIONS [INCLUDING CRIME & DISORDER IMPLICATIONS IN ACCORDANCE WITH SECTION 17 OF THE ACT] AND EQUALITIES IMPLICATIONS

17.1 Not applicable

18 FORWARD PLAN REFERENCE

18.1 Not applicable

19 **KEY DECISION**

19.1 No

20 **BACKGROUND PAPERS**

- Final Accounts Working Papers
- Statements of Recommended Practice

**Annual Report
and
Statement of Accounts
2009/2010**

Subject to Audit

If you require an audio, Braille, large printed or different language version of this document please contact Anne Ryans on 0161 770 4902.

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1.0 PREFACE

1.1 INTRODUCTION TO THE 2009/2010 STATEMENT OF ACCOUNTS BY COUNCILLOR LYNNE THOMPSON, CABINET MEMBER FOR PERFORMANCE & VALUE FOR PUBLIC MONEY (VFM)



Councillor Lynne Thompson
Cabinet Member for Performance & Value for Public Money (VFM)

In my introduction last year I said that

“The financial year 2008/09 was one that saw unprecedented transformation – and definitive progress – in Oldham Council’s financial arrangements”.

I am pleased to report that this progress has been maintained and the pace of change has been accelerated. This is evidenced in a number of ways:

- The earlier closure of our accounts
- The accuracy and robustness of our budget
- The improved performance in our transactional finance processes
- The investment in technical finance enabling us to meet the challenges of adopting IFRS accountancy principles and a fundamental review of the balance sheet whilst improving standards
- The undertaking of a base budget review to align resources to our corporate priorities

Through careful husbandry of our finances we have achieved our overriding strategy of financial stability, underpinned by a commitment to transparency and firm governance. This has been recognised by our auditors who previously commented that both the administration of the accounts and the underlying position is improving.

In 2009/10 we took action to eliminate a forecast overspend which largely arose because of the identification and then resolution of a number of historic issues. Due diligence in a number of elements of the accounts identified a need to improve accounting practices and correct budget assumptions along with a significant one off adjustment in order to put the Council’s finances on a sound footing, the success of these actions is demonstrated in the final revenue outturn position which shows a small underspend.

In addition to tackling the budget deficit we have been able to invest £2 million in our priority investments.

We have made savings in support services and reinvested these in front line services, the community tell us these are priorities and the benefits of this investment can be seen across the borough in our parks, our cleaner streets and in our improved recycling.

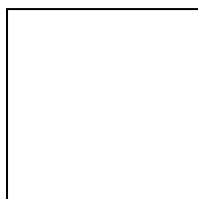
We have established a fund to help small businesses better deal with the impact of the recession - maintaining investment and jobs in the borough will remain a priority for us.

Looking ahead we are preparing for the inevitable reduction in public sector funding. The action we have taken over the last 2 years has provided a firm base to move forward and meet the challenges the review of public expenditure presents to us.

Finally I would like thank our finance staff and other colleagues for their tremendous efforts in achieving a balanced budget at the year end.

Councillor Lynne Thompson
Cabinet Member for Performance & Value for Public Money (VFM)

1.2 EXPLANATORY FOREWORD AND FINANCIAL SUMMARY BY THE BOROUGH TREASURER



Steven Mair
Borough Treasurer

The following pages present Oldham Council's Accounts for the financial year ended 31 March 2010. By producing this report, the Council aims to give electors, local residents, Council members, partners, stakeholders and other interested parties confidence that public money that has been received and spent has been properly accounted for and that the financial standing of the Council is secure. The accounts that follow have therefore been prepared to demonstrate:

- a) **Relevance**
The accounts provide information about the Authority's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.
- b) **Reliability**
The financial information:
 - Has been prepared so as to reflect the reality or substance of the transaction and activities underlying them, rather than their formal legal character;
 - Is free from deliberate or systematic bias;
 - Is free from material error;
 - Is complete within the bounds of materiality; and
 - Has been prudently prepared.
- c) **Comparability**
In addition to complying with the Chartered Institute of Public Finance and Accountancy's Statement of Recommended Practice (SoRP), the Authority's accounts also comply with the Best Value Accounting Code of Practice. This code establishes proper practice to be followed with regard to consistent financial reporting on matters below the statement of accounts level and therefore aids comparability with other Local Authorities.
- d) **Comprehensibility**
These accounts are based on accounting concepts, treatments and terminology that require reasonable knowledge of accounting and Local Government. However, every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary of terms.

In addition, regard has been had to the material nature of an item i.e. whether its misstatement or omission might reasonably be expected to influence assessments of the Council's stewardship, economic decisions or comparisons with other organisations based on financial statements.

The purpose of the foreword is to provide an overall explanation of the Council's financial position, including major influences affecting the accounts, and to enable readers to understand and interpret the accounting statements. The Explanatory Foreword therefore sets out:

- 1) A summary of the purpose of the various statements included in the 2009/10 accounts
- 2) The main changes to the accounts for 2009/10 compared to 2008/09
- 3) An explanation of the financial position for 2009/10
- 4) Developments that took place in 2009/10

- 5) Developments planned for 2010/11 and future years
- 6) Other developments

1) **Summary of the Purpose of the Various Statements Included in the 2009/10 Accounts**

The purpose of the various statements included in the 2009/10 accounts is set out below.

The Statement of Accounting Policies

This sets out the accounting policies adopted in the preparation of the accounts that reflect the requirements of the SoRP 2009 and other accounting regulations and codes of practice.

The Statement of Responsibilities for the Statement of Accounts

This Statement sets out the respective responsibilities of the Authority and the Chief Financial Officer (Borough Treasurer) for the accounts.

The Auditor's Statement

This is the Independent Auditor's Report to Oldham Council including the Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources. Note this statement is not available for the "Subject to Audit" accounts.

The Annual Governance Statement

This gives a public assurance that the Council has proper arrangements in place to manage all of its affairs. It summarises the Council's responsibilities in the conduct of its business, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of those control systems.

Core Financial Statements

Income and Expenditure Account

This account gives details of the cost of services that the Council provides and shows how the net cost (i.e. total expenditure less income received and after transfers to and from reserves) has been financed from Government Grant and local taxpayers.

Statement of Movement on General Fund Balance

This statement shows the overall movement in the Council's balances and the relationship between the Council's spending and the Council Tax levied.

Statement of Total Recognised Gains and Losses

This statement shows all the realised and unrealised gains and losses that make up the movement in the Council's net worth.

Balance Sheet

The Balance Sheet summarises the financial position of the Council at the year-end, including the Housing Revenue Account and the Collection Fund. It includes balances and reserves, long term liabilities and the fixed and net current assets employed in the Council's operations, together with summarised information on the fixed assets held.

Cash Flow Statement

This summarises the total cash movements during the year for revenue and capital purposes.

Supplementary Financial Statements

Housing Revenue Account

This account reflects the statutory obligation to ring fence and show separately the financial transactions relating to the provision of Council housing.

Collection Fund

This account is maintained separately, as a statutory requirement, to show the transactions of the Council as Billing Authority in relation to National Non-Domestic Rates and Council Tax. It illustrates the way in which the income has been distributed to Precepting Authorities and the Council's General Fund.

Group Accounts

These statements consolidate the Council's accounts with those of:

- First Choice Homes Oldham Limited;
- Oldham Educational Enterprises Limited;
- Unity Partnership Limited;
- Meridian Development Company Limited ; and
- Community First Oldham (Chadderton) Limited

2) The Main Changes to the Accounts for 2009/10 Compared to 2008/09

The Council's accounts for the financial year 2009/10 have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (SoRP). This specifies the principles and practices of accounting required to prepare a Statement of Accounts which present fairly the financial position and transactions of a Local Authority. There have been a number of changes in requirements since the 2008/09 accounts were prepared. The major changes are outlined below:

a) Private Finance Initiatives and Similar Contracts

Arising from the transition from the preparation of the accounts under United Kingdom Generally Accepted Accounting Practice (UK GAAP) to International Financial Reporting Standards, there is a requirement that the 2009/10 accounts replace Financial Reporting Standard 5 (Reporting the Substance of Transactions) with International Financial Reporting Interpretations Committee (IFRIC) Issue 12 (Service Concession Arrangements). This has the effect of bringing all the assets built under the Private Finance Initiative onto the Balance Sheet and thus an adjustment has been made to all relevant prior period figures as detailed in Note 1.

b) Collection Fund

As a result of revised Collection Fund accounting arrangements included in the SoRP 2009 that give a definitive view that the authorities responsible for collecting Council Tax act as agents and the collection of Council Tax is in substance an agency arrangement, a number of amendments have been made to restate the 2008/09 comparative figures as detailed in Note 1.

3) An Explanation of the Financial Position for 2009/10

a) Revenue Expenditure

The Council originally budgeted for net revenue expenditure of £202.046m which equated to a Council Tax Band D of £1,328.44 for Council services. After adding Area Based Grant of £19.502m at the year end so the accounts comply with the SoRP requirements and also Private Finance Initiative Grant income of £5.732m in accordance with the requirements of the Best Value Accounting Code of Practice, the budget increased to £227.279m, the financing of which is set out in the table below. It should be noted that in addition to this sum, the Council also budgeted for and received £359.459m of other Government revenue grants although as this nets out the cost of this expenditure it is not included in the net revenue budget presentation.

The Income and Expenditure Account 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 2009/10 financial position in accordance with the Directorate structure under which the Council operates and the in-year financial monitoring information that is presented to officers and Members.

A comparison of budget and outturn is therefore set out below with the actual spend as reported against the budget for each Directorate for 2009/10 as follows:

Revenue Outturn Compared to Budget

	Revised Budget £000	Actual £000	Over (Under) spend £000
Net Expenditure			
Assistant Chief Executive	12,247	12,262	15
Economy, Places and Skills	67,923	68,691	768
People, Communities and Society	122,869	122,655	(214)
Performance, Services and Capacity (including Corporate and Democratic core costs and Capital and Treasury costs.	6,806	6,144	(662)
Corporate Management	17,434	17,444	10
NET SERVICE EXPENDITURE	227,279	227,196	(83)
Financed by:			
Business Rates Pool	95,492	95,492	
Revenue Support Grant	22,041	22,041	
Collection Fund Surplus	861	861	
Income from Collection Fund	83,651	83,578	73
Area Based Grant	19,502	19,502	
PFI Grants	5,732	5,732	
TOTAL FUNDING	227,279	227,206	73
Corporate Under spend/ Contribution to General Fund balance			(10)

In overall terms, the Council achieved a surplus of £0.010m at the end of the financial year, which compares favourably with the final monitoring information for the year that was presented to Members at the 14 April 2010 Cabinet meeting. This projected a small overspend of £0.063m but with the expectation that this would be resolved by the year-end.

There were a number of variances at the year end but many issues that had been reported to Members in year had been addressed by budget adjustments. Some of the key elements that contributed to the variances highlighted above are:

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	£000	£000
Economy, Place and Skills		
Year end recharge expenditure	300	
A reduction in the street lighting stores being carried forward in anticipation of the street lighting Private Finance Initiative being introduced. This resulted in increased charges to the revenue account in 2009/10.	200	
Charges were incurred in 2009/10 to set up a radio network for the First Response Team. It is expected that this initial investment should be recouped in future years by selling licences to other users.	140	
A review of the bad debt provision for the Directorate resulted in an increased charge to the revenue account. Initiatives in train should lead to a reduction in bad debt provision in future years	130	
Total Variances - Economy, Place and Skills		770
Performance, Services and Capacity		
A reduction in the Minimum Revenue Provision charge to the accounts was the result of a technical accounting review.	(414)	
An assessment of Housing Benefit Administration Grant income resulted in additional grant being identified	(161)	
Total Variance – Performance, Services & Capacity		(575)
Income from the Collection Fund		
As a result of changes to the Accounting Code of Practice, from 2009/10, an Authority's share of surpluses or deficits on the Collection Fund must be included within the outturn figures. The calculated deficit on the Collection Fund was £0.081m with Oldham Council's share being £0.073m.	73	73

b) Capital Expenditure

The Council spends money 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. The Council spent £55.412m on its capital programme in 2009/10 which is shown in the table below by Directorate area. The financing of the capital programme is also presented and shows that the major funding source was £36.865m from Government grants and contributions. As can be seen, there was a variation between the revised capital programme and the final outturn. However, the outturn was in line with that forecast in the council's month 10 monitoring report based on an analysis of expenditure profiles. The majority of the expenditure will however reprofile into 2010/11 together with the financing and does not therefore present any financial issues for the Council to address.

For example £5.345m of the People, Communities and Society (PCS) Directorate under spend relates to devolved capital grant schemes where schools have control of their own spending plans and resources can be carried forward between financial years and £2.137m relates to the Sure Start grant programme which can also be spent across financial years.

	2009/10	Outturn	Over
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	Revised Capital Programme £000	Position £000	(Under) spend £000
Expenditure			
Economy, Place and Skills	42.391	39.473	(2.918)
People, Communities and Society	25.801	15.341	(10.460)
Performance, Services and Capacity	4.641	0.598	(4.043)
Total Expenditure	72.833	55.412	(17.421)
Resources			
Loan	(5.738)	(5.422)	(0.316)
Grants & Other Contributions	(44.178)	(36.865)	(7.313)
Prudential Borrowing	(6.991)	(1.539)	(5.452)
Major Repairs Allowance	(8.638)	(8.820)	0.182
Revenue	(0.165)	(0.879)	0.714
Capital Receipts	(7.123)	(1.887)	(5.236)
Total Resources	(72.833)	(55.412)	(17.421)

The capital programme is made up of a large number of individual projects which it is impracticable to list. The most significant projects and spending areas in 2009/10 are set out below:

Economy, Place and Skills

	£m
Managed weekly waste collection – continuation of roll out	0.569
Civic buildings refurbishment	0.669
The BSF programme – transformation of secondary schools provision in the borough	1.705
Higginshaw Village replacement heating scheme	1.717
Disabled persons adaptations to public sector homes	0.967
Housing Market Renewal Initiative Oldham Council is the accountable body for the Oldham/ Rochdale Housing Market Renewal (HMR) Pathfinder. Resources have been allocated by Government to rejuvenate areas of housing market collapse and require targeted intervention in order to improve the quality of housing stock on offer and contribute to the wider regeneration and sustainability of neighbourhoods in both Boroughs. In 2009/10, Oldham Council received and spent £15.179m of HMR grant.	15.179
Transportation Programme The transportation capital programme is presented to Cabinet for approval on an annual basis. The final outturn for 2009/10 showed expenditure of £7.297m compared to a revised budget of £9.037m. The major areas of expenditure were - Minor works, covering areas such as improvements to the public rights of way network, cycle structure improvements, school safety zones and local safety schemes - £1.354m - Bridge works including strengthening and the retaining walls programme - £1.986m - Structural maintenance of the carriageways with a borough wide programme of planned work - £2.529m	7.297

People, Communities and Society

	£m
Disabled facilities adaptations to private sector homes	1.453
Schools Expenditure In overall terms, expenditure on schools projects was £10.332m. Whilst there was a significant number of individual schemes, the major ones were:	10.332
- The replacement of Byrom Street Infant and Highbarn Junior schools with a single primary school - £2.006m	
- The alteration and extension of Freehold Primary school to increase capacity from one to two form entry - £1.396m	
- The extension and remodeling of Greenhill Primary school to increase capacity from one to two form entry - £0.537m	

Other major programmes for which expenditure is included within the accounts of the Council include the three Private Finance Initiative schemes as follows:

Oldham Library and Lifelong Learning Centre

The contract for this project was awarded to Information Resources (Oldham) Ltd, a consortium led by Kier Group Ltd to design, build and maintain the building for 25 years. Services commenced in February 2006 and opened to the public in April 2006. The Unitary Charge remaining at 31 March 2010 is £67.9m, being met from Government Grant and Authority contributions, with an expiry date of January 2031.

Sheltered Housing

The contract for the provision of sheltered and warden-supported properties in the Housing Revenue Account was awarded to Oldham Retirement Housing Partnership Limited (ORHP), a wholly owned subsidiary of Housing 21. It commenced fully on the 19 January 2007 and the construction phase is planned to end in 2011.

The Unitary Charge remaining at 31 March 2010 is £411.4m with an expiry date of October 2036, the costs being met from Government Grant and other income contributions.

Schools

The contract for the removal of two split site secondary schools at Failsworth and Radclyffe (Chadderton) was awarded to Academy Services for a 25 year period. The two single site 11 – 16 ‘state of the art’ secondary schools for 1,500 pupils opened in February 2008.

The Unitary Charge has an expiry date of January 2033. The charge remaining at the 31 March 2010 is £187.27m and will be met by Government Grant, school budgets, and Authority contributions.

In addition during 2009/10 the Council opened Chadderton Wellbeing Centre as part of a LIFT scheme (which is similar to a PFI) in conjunction with Community First Oldham.

c) Year End Balances

i) General Fund

The small surplus against budget has enabled the Council to increase General Fund balances by a net £0.010m. Balances are thus up from £12.712m to £12.722m (excluding schools balances).

ii) Schools

Individual schools can carry forward a surplus or deficit and in total schools balances decreased by £0.759m from £7.617m at 31 March 2009 to £6.858m at 31 March 2010. Those now stand at 4.15% of the Dedicated Schools Grant allocation for 2009/10.

iii) Housing Revenue Account (HRA)

The HRA made a surplus of £4.866m in the year, with year end balances rising to £18.083m. Balances are £26k than lower than originally estimated. Whilst there were numerous under/overspends, none were significant.

The HRA balance includes £16.960m of reserves held for the PFI2 Sheltered Housing scheme. This reserve is for meeting future payments under the scheme, which runs until 2036.

iv) Earmarked Reserves

The earmarked reserves have increased by a net £6.542m from £20.677m at 31 March 2009 to £27.219m at 31 March 2010

d) Collection Fund

The Collection Fund is maintained separately from the Council's General Fund specifically to record income and expenditure associated with Council Tax and National Non Domestic Rates. At the end of 2009/10, the Collection Fund accumulated balance was £1.033m which is a decrease of £1.005m from the accumulated balance at the end of 2008/09. This is mainly due to a redistribution under approved Collection Fund regulations of the previous years surplus to major preceptors £0.924m. The fund itself made a small in year deficit of £0.081m.

e) Council Borrowing

The authorised limit for external debt for the Council for 2009/10 was £609.653m. The actual level of outstanding debt at the year end totalled £373.007m.

The Balance Sheet shows that at 31 March 2010, the Council had £360.863m of long term borrowing, the majority of which (£228.032m) was with the Public Works Loan Board (PWLb), and £6.600m in Local Authority Stocks and Bonds. The loans have fixed rates and varying maturity dates from 1-2 years to more than 15 years. The Council also had variable rate debt in the form of Lender Option Borrower Option (LOBO) loans totalling £126.231m. In addition there was £12.144m of loans repayable within 12 months, and most of the loans (£11m) are from other Local Authorities.

The Council paid £30.867m of interest and similar charges in year and received £3.691m of interest and investment income.

f) Post Balance Sheet Event (PBSE)

The SoRP requires the disclosure of the date that the financial statements were authorised for issue and therefore the date after which events will not have been recognised in the Statement of Accounts. This date is 21 May 2010. This date has been determined in order to meet the statutory requirement to produce and dispatch an agenda five working days in advance of the Audit Committee meeting which has been called to approve the draft accounts. The PBSE note is included in the accounts at Note 43.

4) **Developments that Took Place in 2009/10**

The following information sets out developments in 2009/10, which had an influence on the financial position of the Council.

a) **Corporate Plan**

A completely revised Corporate Plan 2009/13 was approved at the Council meeting of July 15 2009. It was produced as a central element of the Council's policy framework and set out the overall direction for the organisation and identified where the Council intended to focus its attention and resources in order to achieve its stated objectives and priorities. The Plan incorporated four new Corporate Objectives and Priorities and considerable work took place during 2009/10 to move the organisation forward and realign resources towards the achievement of these objectives. The four objectives are as follows:

Corporate Objective 1: a confident place – with safe neighbourhoods and clear, green spaces for all to enjoy

Corporate Objective 2: a University town – with good education, learning and training to improve the skills and choices of our citizens

Corporate Objective 3: an address of choice – a healthy and active place, with suitable housing for all

Corporate objective 4: services of choice – quality services that provide value for our citizens

Although the overall objectives will remain the same, work is currently on-going to update the Corporate Plan to reflect achievements and developments during 2009/10 and revisions to the detailed actions required to support the Corporate Objectives. The revised Corporate Plan will be presented to the July 2010 Council meeting.

b) **Budget Reviews**

The Council embarked on a review that realigned resources to address some historic budget issues, thus reducing the level of over/under spending in some key service areas for example, the community care and highways budgets.

The Council also began a review of its Balance Sheet, addressing again historic issues that had remained unresolved for some time and it is part way through a review of debt recovery systems and income collection.

c) **Building Schools for the Future**

Work continued throughout 2009/10 on the Building Schools for the Future (BSF) programme to transform the secondary education system for Oldham. Within the overall project, the three Academies were separated from the rest of the BSF project and subject to separate Outline Business Cases (OBC). The BSF OBC was approved in March 2009 by Partnerships for Schools and approved funding for the first phase, being a design and build school at North Chadderton, a new Private Finance Initiative Roman Catholic school and two special units. Total capital expenditure for all three phases is £165m with a further £14m for the provision of an ICT managed service. The Council is currently considering proposals from two bidders with the preferred bidder to be announced in July 2010. Financial Close is scheduled for November 2010 with construction commencing in January 2011. The new Roman Catholic school is planned to open in September 2012 with North Chadderton opening a year later.

The OBCs for the three Academies were all approved by November 2009 and involve capital expenditure of £71m plus £6m for their share of the ICT managed service. Wilmott Dixon was announced as the preferred bidder in March 2010. In September 2010 each of the three Academies' sponsors takes responsibility for the running of the

five existing schools that will ultimately close once the replacement three Academies are opened. Construction work is due to commence in August 2010 on the first Academy, the Oasis Academy, which is due to open in September 2012.

d) Chadderton Wellbeing Centre

The Authority plans to develop a series of integrated Health and Well-Being Centres in liaison with the local National Health Service Local Improvement Finance Trust (NHS LIFT) Company – Community First Oldham Ltd. These schemes will bring together a wide range of local services – libraries, health centres, and leisure facilities – at first-class new build sites. The first such scheme, in Chadderton, opened in November 2009. The Authority will make contributions to Community First under a Lease Plus Agreement until it expires in November 2039.

e) Group Accounts

The Group Accounts provide consolidated financial information for the Authority plus any material financial interests in organisations that the Authority has a level of control over.

The SoRP 2009 requires the relationship that the Authority has with a number of organisations be classified into the categories of subsidiaries, associates and joint ventures.

The following organisations have been consolidated within the Group accounts:

- First Choice Homes Oldham Limited (FCHO);
- Oldham Education Enterprises Limited (OEE);
- Unity Partnership Limited (Unity);
- Meridian Development Company Limited ; and
- Community First Oldham (Chadderton) Limited

FCHO and OEE have both been consolidated as subsidiaries and Unity, Meridian and Community First Oldham (Chadderton) Limited have been consolidated as associates of the Authority.

f) Retirement Benefits

The Council is required to include information on retirement benefits within the Statement of Accounts which must be in accordance with the Financial Reporting Standard (FRS) 17. This sets out the treatment of pensions and other forms of retirement benefits.

The majority of non-teaching staff who work for the Council are members of the Greater Manchester Pension Fund (GMPF). Tameside MBC administers this fund on behalf of the ten Greater Manchester Councils. The most recent report from the Actuary was based on estimated figures and stated that the Fund's liabilities were more than its assets. The Council's proportion of this net liability was estimated at £358.3m at 31 March 2010 compared with £136.9m at 31 March 2009. This is represented by an increase in liabilities of £376.9m partly offset by an increase in assets of £155.5m. The overall decrease is primarily because the financial assumptions at March 2010 were less favourable than those at March 2009.

Within these figures there is an unfunded element of a total of £46m which has increased when compared with the £36.6m at 31 March 2009. The £46m is comprised of £27.7m for non-teaching staff and £18.3m relating to teachers discretionary payments as the Authority is also responsible for the costs of any additional benefits awarded upon early retirements which are outside the terms of the Teachers' scheme.

The statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy and the deficit on the fund will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

It should be noted that the pension fund's accounts have still to be audited so the figures upon which these accounts have been based might be subject to change.

Teachers employed by the Council are members of the Teachers Pension Scheme and it is not possible for the Council to identify its share of the underlying liabilities.

Further detail in relation to retirement benefits can be found at Note 47 to the Core Financial Statements.

g) Manchester Airport PLC

Oldham Council, together with the other nine Greater Manchester Authorities is a shareholder in Manchester Airport PLC. During 2009/10, all ten Councils agreed to restructure various long-term loans that had been made to the Airport to finance capital expenditure, the benefit to the Councils being that a higher coupon rate is receivable. As a consequence of this change, the loans to the Airport that were previously classed as secured loans have become unsecured loans, although this is considered to carry minimal risk. The loan agreement expires in 2055.

5) Developments Planned and Issues Arising that will have an impact on 2010/11 and Future Years

The following outlines key developments in 2010/11 that are likely to influence the environment within which the Authority operates and its financial position.

a) New 16-19 Education Funding Arrangements

Under the Apprenticeships, Skills, Children and Learning Act 2009, the Council has become responsible for funding 16-19 education in its area. A number of staff have transferred to OMBC from the former Learning and Skills Council for which funding has been received. Bury MBC is acting as the lead on behalf of all the Greater Manchester Authorities to coordinate the new arrangements including management of Government funding.

b) Large Scale Voluntary Transfer (LSVT)

On 7 April 2010, tenants of First Choice Homes Oldham Limited (FCHO), the Arms Length Management Organisation set up by the Council, voted in favour of transferring all non-PFI housing properties (approximately 12,000 dwellings) to a new registered provider of social housing, based on FCHO. It is anticipated that this transfer will be concluded in December 2010 and work will continue throughout the early part of 2010/11 to facilitate as smooth a transition as possible. Any residual costs to the Council arising from the transfer will be incorporated in financial planning forecasts.

c) General Election May 2010

As a result of the General Election held on 6 May 2010 and the consequent change of Government to a Conservative and Liberal Democrat coalition and in view of the severe economic situation which the Government will have to address, it is anticipated that the level of funding available for Local Government will be considerably reduced. At this stage the impact on 2010/11 is unclear, but further information will become available in the lead up to the emergency budget which the Government has announced will be held on 22 June. It is expected that there will be an impact in 2010/11 which will need to be addressed, and that there will definitely be a significant reduction in the level of resources available for the Council in future years. This will undoubtedly influence future Council policies and financial strategies.

d) Local Election May 2010

Following the local election on 6 May 2010, the Liberal Democrat administration lost overall control of the Council and detailed discussions have taken place to agree arrangements for establishing a new administration. The Liberal Democrat and Conservative parties have now agreed to form a joint administration with the leader of the Conservative Group joining the Cabinet. The joint administration has a framework agreement from May 2010 to Annual Council May 2011. This agreement includes priorities including:

- Delivering the 2010/11 Budget and preparing the 2011/12 Budget
- Area Working
- Public Sector Reform
- Asset Management
- Education

This, together with the implications of the General Election, will obviously have an impact on future Council spending priorities. This will become clearer during 2010/11.

e) Preparation and Approval of the Medium Term Financial Strategy for 2010/11

The Medium Term Financial Strategy (MTFS) for 2010/11 to 2012/13 was prepared for the budget setting process for 2010/11 to align to the Corporate Plan. It was approved at the Council meeting on 24 February 2010. The process of developing the revised Financial Strategy was fully inclusive and involved significant input from Council Directorate Teams and the then Administration. However, given the significant changes that are likely arising from the outcome of the General Election, it is intended to fully revisit the MTFS when there is clearer information on the future levels of Government funding and policy direction.

f) PFI Developments in 2010/11

Housing (Round 4) PFI Project

This is a 25 year project that will see the transfer of approximately 650 properties to Oldham Inspiral (Great Places Housing Association). The project will be a mixture of property demolition, new build and refurbishment. Inspiral will also be responsible for management and maintenance of the properties.

It is anticipated that the project will commence in July/August 2010. The total value of the project, over 25 years, is approximately £300m. Council financial forecasts have incorporated the costs of this scheme.

Street Lighting PFI Project

This is a joint project with Rochdale Council. The project will be for 25 years and includes the replacement of approximately 25,000 street lights in Oldham in the first five years. The service provider will be responsible for all management and maintenance of street lights.

It is anticipated that the project will commence in October 2010. The total value of the project for Oldham, over 25 years, is approximately £120m. Council financial forecasts have incorporated the costs of this scheme.

g) Implementation of the Pay and Reward Review

The Council has been undertaking a review of the pay and grading structure in the light of the national single status agreement and working closely with the Joint Trades Unions to agree the changes. It is planned that these discussions will be completed in June 2010 after which there will be a period of staff consultation prior to the finalisation of any revised pay and reward structure. A key financial principle is that the proposals must be affordable in the context of the budget planning arrangements of the Council.

6) Other Developments

a) Strategic Service Delivery Partnership (SSDP) – the Unity Partnership

In 2005 the Council recognised that in order to achieve excellent service performance it needed specialist input and expertise particularly around service and process improvement. It was also looking for a way to develop widespread regeneration, transform Council services and create jobs and training opportunities in a cohesive manner. This led to the decision to enter into a strategic service delivery partnership (SSDP) with a private sector partner.

Following intensive negotiation, the Unity Partnership, a joint venture, was created between the Council, Mouchel and HBS to bring much needed capacity and technical support. The Council has a 33% stake in the Company which “went live” in May 2007. In the summer of 2007, Mouchel acquired HBS so the Council now has a single partner. Therefore from May 2007 the following key services; the Council contact centre, ICT, revenues and benefits services, highways management and engineering, plus professional property services were transferred to the Partnership.

The contractual arrangements that have been put in place with the Partnership allow a further series of phased service transfers to the joint venture company based upon approval of specified business cases. Work will take place during 2010/11 to prepare and consider business cases for further services to transfer to Unity, namely, additional services into the contact centre, additional highways management services together with transactional finance and human resources services.

b) Transformational Change

The Council has initiated a project to take forward transformational change by working with Rochdale Council and other partners including the Primary Care Trust around a joint/shared service provision agenda. This work is in its early stages but will progress during 2010/11 with the aim of bringing real benefits around the economic, efficient and effective delivery of services over coming years. The Council has put a governance mechanism in place to take forward this change agenda and to ensure that value for money and efficiency is at the heart of any new developments.

c) Local Area Agreement (LAA)

Local Area Agreements (LAA) are three year agreements between HM Government and the Local Strategic Partnership (Oldham Partnership). They cover a range of performance indicators and performance targets. The overall performance by the Oldham Partnership in improving the borough is assessed and reported by the Audit Commission on its Oneplace website. Detailed quarterly (every three months) performance within Oldham is publicly available on the Oldham Partnership website www.oldhampartnership.org.uk

The Oldham Partnership contains over 100 organisations and agencies working together to improve the quality of life in Oldham. It allocates and commissions services to support the delivery of the LAA using the Area Based Grant (ABG). The ABG comprises around forty government grants which are pooled and totalled £19.502m in 2009/10 and £27.534m in 2010/11.

The financial year 2010/11 will mark the third year of the 2008/2011 Local Area Agreement with work on raising employment opportunities through further and higher education, and in reducing teenage pregnancies, both given a Green Flag by the Audit Commission in the 2008/09 Comprehensive Area Assessment. The successful work of the Partnership was also recognised by the 2009 European Public Service Award. The Council is the accountable body for the agreement which means that it is responsible for the governance and reporting of expenditure.

The Partnership is now actively planning for a period of reduced public sector spending from April 2011 (and possibly earlier). An Oldham Partnership Prospectus has been produced to focus partnership activities against three strategic priorities: Towards a University Town, Great Places to Live and Healthy Lives. During 2010/11 the

Partnership will be reviewing all of its programmes of activity against these priorities and also ensuring that statutory obligations are met and value for money is provided.

More detail on Partnership income and expenditure can be found in Note 9 to the accounts.

d) International Financial Reporting Standards (IFRS)

The annual financial statements of Local Authorities have been prepared using accounting policies based on United Kingdom Generally Accepted Accounting Practice (UK GAAP). In order to bring the benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice, from 2010/11 Local Authority accounts will be prepared using IFRS. As 2009/10 is a transitional year for IFRS, PFI information has already been restated using IFRS requirements. However, the demanding requirements of IFRS will require the continuation of the preparatory work that has already taken place during 2009/10 to be continued so that the Council is able to fully comply with IFRS from 2010/11.

e) Manchester City Region Combined Authority

As a result of an agreement reached between the ten Greater Manchester Councils and Central Government the Combined Authority will take over arrangements for the coordination of a range of policy issues including economic development and regeneration for Greater Manchester, assume responsibility for determining skill needs with a statutory Employment and Skills Board and have responsibility for the exercise of new powers and function for the prioritisation of transport investment.

This development will in the future have financial implications which will impact on the availability and use of resources by Oldham Council and the other Greater Manchester Authorities which will become clearer as the work of the Combined Authority develops.

Further Information

Further information about these accounts is available from the Borough Treasurer, Performance, Services and Capacity Directorate, Oldham Council.

Acknowledgements

The production of the Statement of Accounts would not have been possible without the hard work of staff across the Council. I would like to express my gratitude to all colleagues, from the finance team and other services, who have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.

S J Mair BA (Hons) CPFA MBA
Borough Treasurer

2.0 STATEMENTS TO THE ACCOUNTS

2.1 STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

2.1.1 The Authority's Responsibilities

The Authority is required:

- i. To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In Oldham Council, that officer is the Borough Treasurer.
- ii. To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- iii. Approve the Statement of Accounts.

2.1.2 The Borough Treasurer's Responsibilities

The Borough Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in the United Kingdom (the SoRP).

In preparing this Statement of Accounts, the Borough Treasurer has:

- i. Selected suitable accounting policies and then applied them consistently;
- ii. Made judgements and estimates that were reasonable and prudent;
- iii. Complied with the Code of Practice on Local Authority Accounting;
- iv. Kept proper accounting records which were up to date;
- v. Taken reasonable steps for the prevention and detection of fraud and other irregularities;

2.1.3 Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of Oldham Council at 31 March 2010 and its income and expenditure for the year then ended.

Signed *S J Mair*
Borough Treasurer, Section 151 Officer.

Dated 27 May 2010

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2003, I certify that the Statement of Accounts was approved by the Audit Committee 27 May 2010.

Signed *I Jabbar*
Vice Chair of the Audit Committee

Dated 27 May 2010

2.2 AUDITOR'S STATEMENT

2.2.1 The Independent Auditor's Report to the Members of Oldham Council (including Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources)

Date:

Core Financial Statements

3.0 CORE FINANCIAL STATEMENTS AND EXPLANATORY NOTES

3.1 INCOME AND EXPENDITURE ACCOUNT

2008/09 NET EXPEND. £000		2009/10			Note
		GROSS EXPEND. £000	INCOME £000	NET EXPEND. £000	
1,217	Assistant Chief Executive	15,137	(2,875)	12,262	
68,028	Economy, Place and Skills	82,423	(14,662)	67,761	
127,810	People, Communities & Society	411,566	(288,910)	122,655	
(6,524)	Performance, Services & Capacity	114,599	(113,346)	1,252	
21,773	HRA	85,312	(67,822)	17,490	
7,926	Exceptional Item	-	-	-	
39,758	Corporate Management	17,530	(86)	17,444	
1,178	Corporate and Democratic Core	4,739	(21)	4,718	
261,166	NET COST OF SERVICES	731,305	(487,722)	243,583	2
(696)	Loss/(Gain) on the disposal of Fixed Assets			(1,047)	
260	Parish Council precepts			269	13
(1,023)	(Surpluses)/deficits on trading undertakings not included in Net Cost of Services			930	5
37,879	Interest payable and similar charges			30,867	6
1,543	Amounts Payable to Housing Capital Receipts Pool			642	
(8,228)	Interest and investment income			(3,691)	6
4,500	Pensions interest cost and expected return on pensions assets			11,800	47
295,401	NET OPERATING EXPENDITURE			283,353	
-	Council precept, Parish Precepts & Collection Fund Surplus/Deficit			-	
(82,134)	Income from Council Tax			(83,848)	
(31,008)	General Government Grants			(41,543)	10
(99,152)	Non-domestic rates redistribution			(95,493)	
(5,968)	PFI Grants			(5,733)	
77,139	(SURPLUS)/DEFICIT FOR THE YEAR			56,737	

3.2 STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

2008/09 £000		2009/10 £000	Note
77,139	(Surplus) or deficit for the year on the Income and Expenditure Account	56,737	
(81,699)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(55,988)	
(4,560)	(Increase) or decrease in the General Fund Balances	749	
(15,769)	General Fund Balance brought forward	(20,329)	
(20,329)	General Fund Balance carried forward	(19,580)	
(7,617)	Amount of General Fund Balance held by schools under local management schemes.	(6,858)	45
(12,712)	Amount of General Fund Balance generally available for new expenditure	(12,722)	
(20,329)		(19,580)	

NOTE OF RECONCILING ITEMS FOR STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2008/09 £000		2009/10 £000	Note
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.		
-	Amortisation of intangible fixed assets	-	
(88,831)	Depreciation and impairment of fixed assets	(87,252)	
(11,269)	Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	(924)	
27,665	Government Grants Deferred amortisation	16,837	
(21,109)	Write downs of deferred charges to be financed from capital resources	(9,153)	
697	Net profits on sale of fixed assets	1,047	
(771)	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	3,391	
-	Deferred Consideration for PFI	-	
(23,700)	Net charges made for retirement benefits in accordance with FRS 17	(25,600)	47
984	Amount by which Council Tax income included in the Income & Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	(932)	
(116,334)		(102,586)	
	Amounts excluded in the Income and Expenditure Account but required by statute to be included when determining the Movement on General Fund Balance for the year.		
7,537	Minimum revenue provision for capital financing	6,996	48
2,100	Capital expenditure charged in-year to the General Fund Balance	879	
(1,543)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(642)	
19,300	Employer's contributions payable direct to pensioners	19,100	47
27,394		26,333	
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
12,164	Housing Revenue Account balance	4,867	
10,724	Voluntary revenue provision for capital financing	8,857	
(15,647)	Net transfer to or (from) earmarked reserves	6,542	
7,241		20,266	
(81,699)	Net additional amount required to be credited to the General Fund Balance for the year	(55,988)	

3.3 STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2008/09 £000		2009/10 £000
77,139	(Surplus) or deficit on the Income and Expenditure Account for the year	56,737
(96,257)	(Surplus) or deficit arising on revaluation of fixed assets	(2,619)
-	Surplus/Deficit arising on revaluation of available-for-sale financial assets	-
67,200	Actuarial (gains) and losses on pension fund assets and liabilities (See Note 52)	214,900
125	Any other gains and losses required to be included in the Statement	-
48,207	Total Recognised Gains and Losses for the Year	269,018
	Details of "other gains and losses" shown above are as follows:	-
108	Collection Fund Deficit / (Surplus) for the year	-
17	Other	-
125	Total	-

RECONCILIATION OF 2008/09 PUBLISHED BALANCE SHEET TO RESTATED BALANCE SHEET.

See Note 1 – Prior Period Adjustment for more details

	2008/09 Published Accounts £000	2008/09 Restated £000
Council Dwellings	421,708	438,754
Other Land & Buildings	306,050	385,112
Total Fixed Assets	969,381	1,065,489
Long Term Debtors	19,116	13,910
Total Fixed & Long Term Assets	1,002,696	1,093,598
Debtors – Net of Provision for Bad Debts	90,510	71,382
Total Current Assets	173,779	154,651
Creditors	(99,043)	(97,451)
Total assets less current liabilities	1,020,270	1,093,636
Deferred Liabilities	(12,390)	(113,317)
Government Grants Deferred	(129,057)	(130,840)
TOTAL ASSETS LESS LIABILITIES	332,658	303,314
Capital Adjustment Account	(315,060)	(265,738)
Collection Fund Adjustment Account	-	(1,801)
Revaluation Reserve	(110,043)	(132,093)
Earmarked Reserves	(22,512)	(20,677)
Balances – Collection Fund	(2,038)	-
TOTAL NET WORTH	(332,658)	(303,314)

3.4 BALANCE SHEET

31 March 2009 £000		31 March 2010 £000	Note
	FIXED ASSETS		
4,924	Intangible Fixed Assets	4,413	24
	Tangible Fixed Assets		
	Operational Assets:		
438,754	Council Dwellings	434,750	16/22
385,112	Other Land & Buildings	387,707	16/22
8,137	Vehicles, Plant, Furniture & Equipment	7,942	16/22
103,559	Infrastructure Assets	105,384	16/22
5,264	Community Assets	4,413	16/22
	Non-operational Assets:		
109,549	Investment Properties	113,708	16/22
3,240	Assets Under Construction	1,673	16/22
6,950	Surplus Assets, Held for Disposal	5,392	16/22
1,065,489	Total Fixed Assets	1,065,382	
14,199	Long Term Investments	12,540	26
13,910	Long Term Debtors	9,127	27
1,093,598	Total Fixed & Long Term Assets	1,087,049	
	Current Assets		
1,681	Stocks and Work in Progress	701	28
71,382	Debtors – Net of Provision for Bad Debts	72,590	29
77,760	Short Term Investments	25,180	30
3,828	Cash and Bank	2,322	
154,651	Total Current Assets	100,792	
	Current Liabilities		
(44,041)	Borrowing Repayable on Demand or Within 12 months	(12,144)	31
(97,451)	Creditors	(96,763)	32
(13,121)	Bank Overdraft	(7,257)	
(154,613)		(116,164)	
1,093,636	Total assets less current liabilities	1,071,677	
	Long term liabilities		
(396,383)	Borrowing Repayable Within a Period in Excess of 12 Months	(360,863)	33
(113,317)	Deferred Liabilities	(157,743)	34
(130,840)	Government Grants Deferred	(150,798)	35
(117)	Deferred Credits (including Deferred Capital Receipts)	(79)	
(136,900)	Liability Relating to Defined Benefit Pension Scheme	(358,300)	47
(12,765)	Provisions	(9,598)	36
(790,322)		(1,037,381)	
303,314	TOTAL ASSETS LESS LIABILITIES	34,296	
	FINANCED BY		
(265,738)	Capital Adjustment Account	(207,512)	40
(1,801)	Collection Fund Adjustment Account	(868)	40
18,273	Financial Instruments Adjustment Account	14,882	40
(132,093)	Revaluation Reserve	(129,265)	40
136,900	Pensions Reserve (FRS 17)	358,300	40
(4,016)	Usable Capital Receipts Reserve	(4,951)	40
-	Available for Sale Financial Instruments Reserve	-	
(617)	Major Repairs Reserve	-	
(20,677)	Earmarked Reserves	(27,219)	40
(12,712)	Balances – General Fund	(12,722)	40
(13,216)	Balances – HRA	(18,083)	40
(7,617)	Balances – Schools	(6,858)	40
(303,314)	TOTAL NET WORTH	(34,296)	25

3.5 CASHFLOW STATEMENT

31 March 2009 £000		31 March 2010 £000	Note
61,063	Net Revenue Activities Cash flow	76,318	48
1,300	Returns on Investments and Servicing of Finance Dividends received from joint ventures and Associates	1,000	
(28,934)	<u>Cash Outflows</u> Interest paid	(20,058)	
(8,945)	Interest element of finance lease rental payments	(10,809)	
6,928	<u>Cash Inflows</u> Interest received	2,691	
(29,651)	Returns on Investments and Servicing of Finance	(27,176)	
(61,812)	Capital Activities <u>Cash Outflows</u> Purchase of fixed assets	(68,520)	
(192)	Other capital cash payments	-	
3,458	<u>Cash Inflows</u> Sale of fixed assets	3,273	
36,218	Capital grants received	39,109	
(22,328)	Capital Activities	(26,138)	
9,084	NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	23,004	
(14,800)	Management of Liquid Resources Net (increase)/decrease in short term deposits	52,580	
(53)	Net (increase)/decrease in other liquid resources	(13)	
(14,853)	Management of Liquid Resources Net Cash Flow	52,567	
(61,780)	Financing <u>Cash Outflows</u> Repayments of amounts borrowed	(78,968)	
(7,233)	Repayments of short-term loans borrowed	(4,695)	
31,500	Capital element of finance lease rental payments	(4,695)	
43,622	Other items	(4,695)	
31,500	<u>Cash Inflows</u> New long-term loans raised	1,449	
43,622	New short-term loans raised	11,000	
6,109	Financing Net Cash Flow	(71,214)	
340	INCREASE/(DECREASE) IN CASH	4,357	

3.6 INDEX OF EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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3.7 EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

Introduction

The financial statements have been prepared in accordance with the SoRP and the accounting policies set out at pages 108 to 116. The notes that follow (1 to 53) set out supplementary information to assist readers of the accounts.

1. Prior Period Adjustment

As a result of mandatory changes to the 2009 Statement of Recommended Practice (SoRP) there have been two prior period adjustments:

Private Finance Initiatives and Similar Contracts

In order to continue the implementation of International Financial Reporting Standards, Financial Reporting Standard 5 Reporting the Substance of Transactions has been replaced by International Financial Reporting Interpretations Committee (IFRIC) Issue 12 - Service Concession Arrangements. This has the effect of bringing all the assets built under Private Finance Initiatives onto the Balance Sheet. As IFRIC 12 is retrospective the prior period figures have been restated.

Collection Fund Accounting

Billing authorities in England and Wales are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non domestic rates (NNDR). The SoRP 2009 gives definitive views as to whether the authorities responsible for collecting council tax act as agents and the collection of Council Tax is in substance an agency arrangement. The cash collected by the billing authority belongs proportionately to the billing authority and preceptors.

The following amendments have been made to the 2008/09 accounts:

Extract from Income and Expenditure Account

	2008/09 Before Adjustment £000	2008/09 Restated £000
Income & Expenditure Account Extract		
People, Communities & Society	126,863	127,810
HRA	(6,145)	21,773
NET COST OF SERVICES	232,558	261,166
Interest payable and similar charges	29,098	37,879
NET OPERATING EXPENDITURE	258,012	295,401
Council Precept, Parish Precepts & Collection Fund		
Surplus/Deficit	(81,150)	-
Income from Council Tax	-	(82,134)
PFI Grants	-	(5,968)
(SURPLUS)/DEFICIT FOR YEAR	46,702	77,139

Extract from Statement of Movement on General Fund Balance

	2008/09 Before Adjustment £000	2008/09 Restated £000
Statement of Movement on General Fund Balance		
Surplus(-) or deficit for the year on the Income and Expenditure Account	46,702	77,139
Net Amount required by Statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year	(51,262)	(81,699)
Increase(-) or decrease in the General Fund Balance	(4,560)	(4,560)

Extract from Balance Sheet

	2008/09 Before Adjustment £000	2008/09 Restated £000
Balance Sheet		
Council Dwellings	421,708	438,754
Other Land & Buildings	306,050	385,112
Total Fixed Assets	969,381	1,065,489
Long Term Debtors	19,116	13,910
Total Fixed & Long Term Assets	1,002,696	1,093,598
Debtors – Net of Provision for Bad Debts	90,510	71,382
Total Current Assets	173,779	154,651
Creditors	(99,043)	(97,451)
Total assets less current liabilities	1,020,270	1,093,636
Deferred Liabilities	(12,390)	(113,317)
Government Grants Deferred	(129,057)	(130,840)
TOTAL ASSETS LESS LIABILITIES	332,658	303,314
Capital Adjustment Account	(315,060)	(265,738)
Collection Fund Adjustment Account	-	(1,801)
Revaluation Reserve	(110,043)	(132,093)
Earmarked Reserves	(22,512)	(20,677)
Balances – Collection Fund	(2,038)	-
TOTAL NET WORTH	(332,658)	(303,314)

Extract from Statement of Total Recognised Gains and Losses

	2008/09 Before Adjustment £000	2008/09 Restated £000
Statement of Total Gains and Losses		
Surplus / (Deficit) on Income and Expenditure Account	46,702	77,139
Surplus / (Deficit) on Revaluation of Fixed Assets	(81,593)	(96,257)
Any Other Gains and Losses		
Collection Fund	(1,113)	108
Total Recognised Gains and losses	31,213	48,207

Extract from Cashflow Statement

	2008/09 Before Adjustment £000	2008/09 Restated £000
Cashflow Statement		
Net Revenue Activities Cash Flow	45,303	61,063
Interest element of finance lease rental payments	(164)	(8,945)
Returns on Investments and Servicing of finance	(20,870)	(29,651)
Net Cash inflow/(Outflow) before financing	2,105	9,084
Net (increase)/decrease in other liquid resources	-	(53)
Management of Liquid Resources Net Cash Flow	(14,800)	(14,853)
Capital element of finance lease rental payments	(307)	(7,233)
Financing Net Cash Flow	13,035	6,109

The following supplementary statements and notes to the accounts have been amended:

Reason for Movement	Supplementary Statement
PFI PFI & Collection Fund	Housing Revenue Account Group Income and Expenditure Account Reconciliation of Oldham Council's Income and Expenditure Account (Surplus) or Deficit to the Group Income and Expenditure Account Group Statement of Total Recognised Gains and Losses Group Balance Sheet Group Cash Flow Statements

Reason for Movement	Notes to the Accounts
PFI & Collection Fund	Note 2 Net Cost of Services Note 6 Gains and Losses on Financial Instruments Note 10 General Government Grants not attributable to Specific Services Note 16 Tangible Fixed Assets Note 18 Statement of Physical Assets Note 21 Assets recognised under PFI and similar contracts Note 25 Analysis of Net Assets Employed Note 27 Long Term Debtors Note 29 Debtors Note 32 Creditors Note 34 Deferred Liability Note 35 Government Grants and Contributions Deferred Note 53 Analysis of Payments due under PFI and similar contracts Note 40 Reserves Note 48 Reconciliation of Revenue Activities Net Cash Flow to Surplus/Deficit on the Income and Expenditure Account Note 49 Reconciliation of the Movement in Cash to the Movement in Net Debt Note 50 Analysis of Changes in Net Debt Note H2 Housing Revenue Account - Fixed Asset Valuations Note H3 Value of Housing Revenue Account Vacant Possession Dwellings
	Note H6 Type and Source of Capital Expenditure 2009/10 Note H7 Depreciation of Assets Note G4 Reconciliation of operating surplus/(deficit) to net outflow

from operating activities Note G5 Fixed Assets Note G7 Debtors Note G8 Creditors

2. Net Cost of Services

The Income and Expenditure Account for 2009/10 presents the net cost of services using the Service Expenditure Analysis reported by the Council which is outlined below. This note provides a brief description of the services included within the headings that make up the net cost of services.

Central Services to the Public

These costs include expenditure on collecting taxes, emergency planning, land charges and registering births, marriages and deaths.

Adult & Community Services

Net costs of providing adult social care and community based services such as libraries, museums, galleries and leisure facilities.

Children, Young People and Families Services

Education provision and social care children's services.

Environmental Services

Environmental Services includes refuse collection, environmental health and the Council's cemetery and crematoria services. It also covers planning services, the Council's responsibilities with regard to controlling building and development, expenditure on planning policy and environmental initiatives. These costs include expenditure on constructing and maintaining public roads, streetlights and footpaths, the costs of managing traffic, providing parking and public transport.

Regeneration

Costs associated with the promotion of economic development.

Housing Services

These costs include expenditure on renewing the fabric of private sector property. Housing services also encompasses housing advice, administration and payment of benefits and provision of welfare services.

HRA

These costs include expenditure on managing and maintaining council housing.

Housing Market Renewal Fund

Costs of the Government funded initiative to raise the standard of designated private sector dwellings.

Exceptional Item

See Note 3

Joint Services

This relates to the costs of services levied on the Authority such as passenger transport and waste disposal. The Council's net contributions to joint services during the year, including those administered by the Greater Manchester County Council prior to 1 April 1986, were:

2008/09 £000		2009/10 £000
239	Association of Greater Manchester Authorities (AGMA): Policy and Research Unit	204

27	County Records Office	28
16	Marketing Manchester	21
22	Archaeological Unit	16
15	Ecology Unit	16
43	Geological Unit	33
302	Grants to Voluntary Bodies	317
18	Transportation Modelling Unit	35
342	Urban Traffic Control	342
-	Sub Regional Capacity	150
79	Other AGMA Services	57
	Other Joint Services:	
94	Land Drainage (National Rivers Authority)	99
226	Coroner's Office	334
8,219	Waste Disposal Authority	9,611
13,581	Passenger Transport Authority	14,113
(43)	Magistrates Court	(21)
(29)	Probation Service	(27)
7	North West Regional Assembly	7
23,158	Total	25,335

All of the above contributions are incorporated within the relevant services in the Income and Expenditure Account.

Corporate and Democratic Core

These costs are concerned with Member related activities including policy making and representing local interests. They also include some corporate management costs.

Non Distributed Costs (NDC)

These costs relate to assets, such as IT systems, which are no longer used and any contributions to and from pension funds other than contributions relating to existing employees.

CIPFA has determined that the principles and detailed proposals set out in the Best Value Accounting Code of Practice (BVACOP) be adopted by all Local Authorities in the United Kingdom. It is expected that members of CIPFA will comply with the requirements of BVACOP as it defines best professional practice in terms of financial reporting.

The requirements set out in the 2009 edition of BVACOP apply to all accounting periods beginning on or after 1 April 2009.

The following table sets out the Net Cost of Services in BVACOP 2009 format:

2008/09 £000		2009/10 £000
60,163	Adult Social Care	62,316
33,612	Central Services	36,923
61,861	Children's and Education Services	52,738
46,029	Cultural, Environmental and Planning Services	44,727
28,516	Highways, Roads and Transport Services	31,232
23,059	Housing Services	15,648
7,926	Exceptional Item	-
261,166	Net Cost of Services in (BVACOP) Format.	243,584

3. Exceptional / Extraordinary Items

There are no exceptional or extraordinary items.

4. Undischarged Obligations Arising from Long Term Contracts

The Authority is committed to making future payments up to 2036/37 in respect of three long-term PFI contracts which have reached financial closure and which are now operational:

- Oldham Library and Lifelong Learning Centre
- Sheltered Housing Scheme
- Schools

Oldham Library and Lifelong Learning Centre

Sponsored by the Department of Culture, Media and Sport, this scheme reached financial close in May 2004, and provides for a town centre joint use provision to replace and extend Oldham Library and the Life Long Learning Service.

The contract was awarded to Information Resources (Oldham) Ltd, a consortium led by Kier Group Ltd to design, build and maintain the building for 25 years. Services commenced in February 2006 and opened to the public in April 2006.

The Unitary Charge remaining at 31 March 2010 is £67.9m, being met from Government Grant and Authority contributions, with an expiry date of January 2031.

Sheltered Housing

Sponsored by the Department of Communities and Local Government, this scheme reached financial close in October 2006 and provides for the demolition and new build or refurbishment of, and the provision of management and maintenance services to, sheltered and warden supported properties in the Housing Revenue Account.

The contract was awarded to Oldham Retirement Housing Partnership Limited (ORHP), a wholly owned subsidiary of Housing 21. The contract commenced fully on the 19 January 2007 and the construction phase is planned to end in 2011. Through a mixture of demolition, major refurbishment and remodelling, the number of properties will reduce from an initial 1,628 to an anticipated 1,457. The management and maintenance services continue until the expiry date in 2036.

The Unitary Charge payable over the life of the contract is £438.0m; being met from Government Grant and other income contributions. The Unitary Charge remaining at 31 March 2010 is £411.4m with an expiry date of October 2036. The payments will increase by some 1.3% per annum over the life of the contract.

Schools

Sponsored by the Department of Education & Skills, this scheme reached financial close in May 2006, and provides for the removal of two split site secondary schools at Failsworth and Radclyffe (Chadderton). The two single site 11 – 16 'state of the art' secondary schools for 1,500 pupils opened in February 2008.

The contract was awarded to Academy Services, a consortium led by Kier Group Ltd, to design, build and maintain the buildings for a 25 year period.

The Unitary Charge remaining at the 31 March 2010 is £187.27m met by Government Grant, school budgets, and Authority contributions, with an expiry date of January 2033.

An Equalisation Reserve in relation to the Sheltered Housing PFI contract has been set up within Earmarked Reserves. Both the Lifelong Learning and Schools PFI contract have been agreed on an annuity basis.

Chadderton Wellbeing Centre

The Chadderton Wellbeing Centre which opened in November 2009 is a multi-purpose centre incorporating a sports centre, library, community rooms and a café area.

The centre was constructed as part of a LIFT scheme in conjunction with Community First Oldham. The Authority will make contributions to Community First under a Lease Plus Agreement until the Lease Plus Agreement expires in November 2039.

Undischarged Obligation 31 March 2009 £m	Scheme	Undischarged Obligation 31 March 2010 £m
70.4	Library & Lifelong Learning PFI	67.9
416.7	Sheltered Housing PFI	408.0
194.6	Schools PFI	191.1
-	Chadderton Wellbeing Centre LIFT Scheme	43.5
681.7	Total	710.5

5. (Surpluses)/Deficits on Trading Undertakings

The Council has established various trading units where the service manager is required to operate in a commercial environment by generating income from other parts of the Authority, other organisations or the public in order to either match expenditure incurred or, in certain instances, operate within an approved level of subsidy. These are presented in the table below.

In line with the latest Code of Practice on Local Authority Accounting (SoRP), only those services that are subject to competitive forces are included in this note.

2008/09 (Surplus)/ Deficit £000		2009/10		
		Expenditure £000	Income £000	(Surplus)/ Deficit £000
(10)	Highways Maintenance	575	(444)	131
(193)	Catering	5,379	(5,198)	181
71	Cleaning	2,551	(2,277)	274
14	Fleet Management	532	(524)	8
(186)	Trade Waste	1,232	(1,278)	(46)
(766)	Markets	1,595	(1,980)	(385)
(532)	Parking	1,884	(2,131)	(247)
(592)	Non-Operational Property	2,634	(3,254)	(620)
115	Public Halls	1,153	(690)	463
470	Building Control	838	(378)	460
401	Cemeteries & Crematoria	1,536	(1,099)	437
185	Security Services	1,065	(791)	274
(1,023)	TOTAL	20,974	(20,044)	930

Details of Trading Undertakings

General

There is a drop in net income from these services, collectively. Whilst there are some specific reasons for the movement within individual services, the major factor is the ongoing adverse economic conditions in 2009/10 and the impact of unfavourable winter weather conditions. It is expected that this lower level of performance will be continued in 2010/11 unless there is a dramatic improvement in the economic conditions.

Highways Maintenance

Highways Maintenance carries out various functions including highway maintenance and structures, land drainage and new street works. They also provide professional highways &

engineering services. The competitive element listed in this note relates to all services for clients that have choice of contractor. These clients include FCHO, schools and private organisations & individuals.

Catering

The Catering service employs approximately 440 staff, mainly part-time. The service provides over 13,400 school meals per day, 38 weeks per year. The meals include both lunches and breakfasts (for breakfast clubs). As at the year-end, the service provided meals to 93 primary schools and 4 special schools.

Cleaning

The Cleaning service employs approximately 525 staff, mainly part-time. It has responsibility for the provision of building cleaning to over 300 public and educational establishments across the borough.

Fleet Management

This service looks after the Council's vehicles that operate in a variety of services including Waste Services, Streetscene and Parks. There are approximately 23 full-time equivalent staff employed in the service and it operates one workshop incorporating an MOT bay that is also used to MOT vehicles belonging to the public. All the borough's taxis and private hire vehicles have to be MOT tested at this facility. It is this MOT testing part of the Fleet Management service that is deemed to be subject to competitive forces and is included in the figures above.

Trade Waste

In 2009/10, an increased commercial tonnage sent to landfill combined with the stepped increase in landfill cost at an additional £8 per tonne has resulted in a slightly adverse performance compared to the previous year.

Markets

The Markets service covers three outdoor markets, one indoor market and twenty market shops. The service employs twelve people and has the capacity for 726 stalls of various types. On average it has 580 traders. The open markets operate between two and four days per week. The indoor markets and market shops open six days per week. The service has seen a marked reduction in revenues due to economic conditions.

Parking

Parking services are managed on behalf of Oldham Council by Parking Plus, which is currently an in-house service, which is currently under review. There are two elements to the service: on-street parking and car parks. The latter incorporates 11 designated car parks of various types and is the element included in this note as on-street car parking is not subject to competitive forces.

Non-Operational Property

Oldham Council manages directly, or via the Unity Partnership, approximately 360 industrial buildings/units plus many other non-operational property assets (such as various categories of land) across the Borough. These assets are leased or licensed to various organisations and individuals and are on both short and long-term arrangements. Many occupants are subject to service charges for general maintenance and management of the assets although the nature of the contractual arrangement varies, as appropriate, depending on the nature of the asset, its use and market forces. The economic conditions have had a significantly adverse effect on this service.

Public Halls

Whilst Oldham Council has a number of public halls, the vast majority of the activity relates to the Queen Elizabeth Hall. This venue is well used and generated £0.479m income in 2009/10 (£0.397m in 2008/09).

Building Control

Building Control revenue has been adversely affected by the economic downturn and performance is similar to that achieved last year at the height of the economic recession.

Considering the current climate, performance in 2010/11 is unlikely to differ significantly to that compared in the last two financial years.

Cemeteries & Crematoria

This service manages seven cemeteries, eight closed churchyards and one crematorium. It employs twenty full-time equivalent staff and is currently carrying out a new initiative of reinstating dangerous headstones throughout its property. The financial performance in 2009/10 is in line with budgeted expectations.

Security Services

Oldham Council operates an in-house security service to monitor and protect some of its property. This includes such properties as schools, council buildings and leisure facilities. It also contracts externally with organisations such as FCHO. It employs around 64 FTE staff following the implementation of a new structure from 1 April 2009. The trading results shown above relate to contracts with schools, FCHO and private organisations as these elements are subject to competitive forces. The deficit in 2009/10 is partly the result of one-off investment in buildings and equipment including radio network costs.

6. Gains and Losses on Financial Instruments

The gains and losses on Financial Instruments are set out below:

	Long-Term 31 March		Current 31 March	
	2009 £000	2010 £000	2009 £000	2010 £000
Financial liabilities at amortised cost	396,383	360,863	102,515	75,019
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	396,383	360,863	102,515	75,019
Loans and receivables	19,116	9,126	135,417	79,431
Available-for-sale financial assets	14,199	14,198	-	-
Unquoted equity investment at cost	-	-	-	-
Total investments	33,315	23,325	135,417	79,431

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows for 31 March 2010:

	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Total
	£000	£000	£000	£000
<u>Interest expense</u>	(30,867)	-	-	(30,867)
<u>Losses on derecognition</u>	-	-	-	-
<u>Impairment losses</u>	-	-	-	-
<u>Interest payable and other similar charges</u>	(30,867)	-	-	(30,867)
<u>Interest income</u>	-	2,691	1,000	3,691
<u>Gains on derecognition</u>	-	-	-	-
<u>Interest and investment income</u>	-	2,691	1,000	3,691
<u>Gains on revaluation</u>	-	-	-	-
<u>Losses on revaluation</u>	-	-	-	-
<u>Amounts recycled to the I & E Account after impairment</u>	-	-	-	-
<u>Surplus arising on revaluation of financial assets</u>	-	-	-	-
<u>Net gain/(loss) for the year</u>	(30,867)	2,691	1,000	

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows for the year ended 31 March 2009:

	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Total
	£000	£000	£000	£000
<u>Interest expense</u>	(29,098)	-	-	(29,098)
<u>Losses on derecognition</u>	-	-	-	-
<u>Impairment losses</u>	-	-	-	-
<u>Interest payable and other similar charges</u>	(29,098)	-	-	(29,098)
<u>Interest income</u>	-	6,928	1,300	8,228
<u>Gains on derecognition</u>	-	-	-	-
<u>Interest and investment income</u>	-	6,928	1,300	8,228
<u>Gains on revaluation</u>	-	-	-	-
<u>Losses on revaluation</u>	-	-	-	-
<u>Amounts recycled to the I + E Account after impairment</u>	-	-	-	-
<u>Surplus arising on revaluation of financial assets</u>	-	-	-	-
<u>Net gain/(loss) for the year</u>	(29,098)	6,928	1,300	

See also Notes 37 on Financial Assets and Liabilities and 38 on Fair Value.

7. Agency Services

The Council carries out work on an agency basis for United Utilities plc for which it is fully reimbursed. The Council collects water rates from people who live in Council owned houses on behalf of United Utilities plc. This is an agency agreement with United Utilities plc and earned a commission of £0.877m in 2009/10 (£0.813m in 2008/09).

The 2009 Statement of Recommended Practice (SoRP) has revised Accounting for Local Taxes and has determined that Billing Authorities act as the agent of their major preceptors when collecting Council Tax on their behalf. In Oldham the major preceptors are the Greater Manchester Police Authority and the Greater Manchester Fire and Rescue Authority. No fee is chargeable for this service.

The Authority, as the billing authority, also acts as agent for the Government in collecting National Non-Domestic Rates (NNDR). The Government paid an allowance for the cost of this collection in 2009/10 of £0.318m (£0.316m in 2008/09).

2008/09 £000		2009/10 £000
813	Services provided for United Utilities	877
316	- commission on water rates collection	318
1,129	Government allowance for cost of collection of NNDR	1,195

8. Health Act 1999 Pooled Funds and Similar Arrangements

There are no formal contractual arrangements in place.

9. Local Area Agreement

Local Area Agreements (LAA) are 3 year agreements between the Department for Communities and Local Government (CLG) and the Local Strategic Partnership (LSP). For Oldham, the LAA is between the CLG and the Oldham Partnership. The Oldham Partnership consists of over 100 organisations and agencies working together to improve the quality of life in Oldham. The LAA sets the priorities for the local area in defined areas of activity, with Oldham Council acting as the accountable body for grant funding received for the LAA.

Oldham Council is therefore a participant in the LAA involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2008/09 there was a change in the allocation of resources for Local Authorities with the advent of the Area Based Grant. This switched a range of funding allocations from specific ring fenced grants to a single general grant.

Allocations of grant were for an initial 3 year period (2008/09 to 2010/11) to align with the Comprehensive Spending Review (CSR 2007) funding period. The financial year 2009/10 marked the second year of Area Based Grant and processes to administer the grant have built upon on those established during 2008/09. Government guidance indicates that:

“Non ring fenced” means that there are no conditions attached to the way funding can be used.

In Oldham, in accordance with the excellent partnership working arrangements that have been established, the Council receives the Area Based Grant funding, but the LSP makes decisions about the deployment of the grant. This funding is programme managed and commissioned via a dedicated staffing unit, the Oldham Partnership Support Team, on behalf of the Oldham Partnership.

The Local Authority, in administering the Area Based Grant, is required to:

- Formally consider the decisions of the LSP so that it is able to endorse the decisions and thereby enable ABG spending plans to be incorporated within the budget of the Council.
- Ensure compliance with financial and audit requirements

- Ensure proper regulation, financial propriety and value for money and robust audit trails

The purpose of the LAA is to:

- Provide intelligent and mature discussion between Local and Central Government, based on a clear framework and shared understanding of national and local priorities, in order to deliver the Community Strategy and enhance community leadership
- Ensure there is joint partnership delivery of the agreed targets and performance indicators over the three years of the LAA
- Develop joint strategies to improve the effectiveness of public services by pooling and aligning funding streams and by working to continue sustainable delivery
- Deliver better outcomes for local people

The Oldham Partnership Executive (OPE) allocates the ABG and oversees delivery by the Thematic Blocks. Quarterly management of ABG expenditure is delegated to the Public Service Board which meets on a monthly basis. The Oldham Partnership Steering Group (OPSG) is responsible for strategic policy making with delivery and executive responsibilities vested in the OPE.

The LAA partners within the OPE and OPSG include:

- Local Authorities - Oldham Council
- Other public sector agencies - Greater Manchester Police Authority, Greater Manchester Passenger Integrated Transport Authority, Greater Manchester Fire and Rescue Service, Oldham Primary Care Trust, Oldham College, Job Centre Plus, and the North West Development Agency, with Government Office North West in a supportive role
- Private Sector organisations - including the Chamber of Commerce
- Third Sector organisations – Oldham Council for Voluntary Youth Services, the BME Network, Interfaith Forum, Churches Together and Oldham Theatre
- Local Citizens – Community Council Co-optees

The total amount of Area Based Grant available in 2009/10 (both capital and revenue) was £23.030m. This represents the 2009/10 allocation of £19.502m plus £1.339m of locally pooled funding and a carry forward from 2008/09 of £2.189m. Total LAA grant related expenditure in 2009/10 was £20.011m of which £9.369m related to activities delivered directly by Oldham Council.

Grant funding allocated but not used in 2009/10 will be carried forward into 2010/11 and pooled as part of the Area Based Grant funding arrangements. The total sum to carry forward remains at £2.189m.

An ABG review will take place during the latter half of 2010 to ensure that funded activities are in line with strategic priorities and to prepare the programme for potential funding cuts.

10. General Government Grants not attributable to Specific Services

The Council receives grants from central government each year to support revenue expenditure which are not attributable to specific services. The grants received for 2009/10 were:

2008/09 £000		2009/10 £000
13,803	Revenue Support Grant (RSG)	22,041
17,205	Area Based Grant (ABG)	19,502
31,008		41,543

11. Members' Allowances

The total allowances paid to Members during 2009/10 were £0.959m (£0.931m in 2008/09).

12. Officers' Emoluments

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 is set out below. The total of 237 included 153 teachers (224 including 149 teachers in 2008/09).

Employees 2008/09	Remuneration Band	Employees 2009/10
76	£50,000 - £55,000	83
76	£55,001 - £60,000	68
20	£60,001 - £65,000	21
8	£65,001 - £70,000	18
15	£70,001 - £75,000	11
5	£75,001 - £80,000	7
11	£80,001 - £85,000	11
-	£85,001 - £90,000	-
4	£90,001 - £95,000	6
1	£95,001 - £100,000	2
1	£100,001 - £105,000	2
1	£105,001 - £110,000	2
1	£110,001 - £115,000	1
-	£115,001 - £120,000	-
2	£120,001 - £125,000	-
-	£125,001 - £130,000	1
1	£130,001 - £135,000	1
1	£135,001 - £140,000	2
-	£140,001 - £145,000	-
-	£145,001 - £150,000	-
-	£151,001 - £155,000	-
1	£155,001 - £160,000	-
-	£160,001 - £165,000	1
224	TOTAL	237

2009/10							
Postholder	Note	Salary inc Fees & Allow.	Expense Allow. £000	Compens -ation for loss of	Total Remuner- ation	Pension Cont. £000	Total Remuner- ation incl.

		£000		office £000	excl. Pension Cont. £000		Pension Cont. £000
Chief Executive – C Parker (Head of Paid Services)	A	184	2	-	186	27	213
Executive Director - People, Communities & Society (Director of Social Services)	C	138	1	-	139	21	160
Executive Director – Economy, Place & Skills	C	136	-	-	136	20	156
Executive Director – Performance, Services & Capacity	C	132	-	-	132	23	155
Assistant Chief Executive	C	128	-	-	128	19	147
Borough Treasurer (Chief Financial Officer)	D	49	-	-	49	7	56
Borough Solicitor (Monitoring Officer)	B	90	1	-	91	13	104
Executive Director	C	20	-	138	158	3	161
Executive Director (Chief Education Officer)	C&E	45	1	-	46	7	53
Assistant Executive Director (Chief Education Officer)	E	101	-	-	101	15	116

2008/9							
Postholder	Note	Salary inc Fees & Allow. £000	Expense Allow. £000	Compens- -ation for loss of office £000	Total Remuner- ation excl. Pension	Pension Cont. £000	Total Remuner- ation incl. Pension Cont.

					Cont. £000		£000
Chief Executive – C Parker (Head of Paid Services)	A	82	-	-	82	12	94
Chief Executive – A Kilburn (Head of Paid Services)	A	82	-	-	82	12	94
Executive Director - People, Communities & Society (Director of Social Services)	C	142	1	-	143	20	163
Executive Director – Economy, Place & Skills	C	-	-	-	-	-	-
Executive Director – Performance, Services & Capacity	C	11	-	-	11	1	12
Assistant Chief Executive	C	-	-	-	-	-	-
Borough Treasurer (Chief Financial Officer)	D	50	-	-	50	7	57
Borough Solicitor (Monitoring Officer)	B	77	1	-	78	11	89
Borough Solicitor (Monitoring Officer)	B	15	-	-	15	2	17
Executive Director	C	121	-	-	121	17	138
Executive Director	C	129	1	-	130	18	148
Executive Director (Chief Education Officer)	C	120	2	-	122	17	139
Executive Director	C	122	2	-	124	17	141

Note	
A	The annualised salary for the Chief Executive for 2009/10 was £163,920 (2008/09 £148,628). C Parker was appointed to this post on 17 September 2008 replacing A Kilburn who resigned with effect from 5 October 2008.
B	The Borough Solicitor was appointed on 13 November 2009, replacing the previous post holder who resigned with effect from 31 January 2009. A temporary acting up arrangement was in place for the interim period.
C	Following a senior management restructure in 2008/09, 3 new posts of Executive Director were filled by the retention of one existing Executive Director and two external appointments. A new Assistant Chief Executive was also appointed to replace the previous post holder who had resigned his position.
D	The Borough Treasurer was appointed on 5 October 2009, replacing the previous post holder who resigned with effect from 30 September 2008. The post was filled by an interim appointment between these dates paid on an agency contract.
E	The Chief Education Officer was appointed on 3 April 2009, replacing the previous post holder who resigned with effect from 16 August 2009.

13. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. This is so as to assist the reader in assessing to what extent the Council may either have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council. In this context, related parties include:

- Central Government
- Other Local Authorities and precepting bodies
- Subsidiary and associated companies
- Joint ventures and partnerships
- Members and Chief Officers.

To aid the reader in this assessment, transactions whose terms apply equally across the Borough and for which the related party would have a duty or entitlement if the relationship did not exist (for example Council Tax), have been excluded.

Receipts from Central Government are disclosed within the Cashflow Statement.

Contributions to Joint Committees, Joint Services and other bodies are disclosed in Note 2 to the financial statements. Contributions to cost sharing arrangements with other Authorities are dealt with in the Council's Income and Expenditure Account.

The Council acts as accountable body administering funding for a number of regeneration initiatives e.g. New Deal for Communities. Expenditure incurred and grant income under such initiatives on Council related projects is included within the Council's Income and Expenditure Account in accordance with the Best Value Accounting Code of Practice.

The net value of transactions with related organisations in the year were:

2008/09 £000	Subsidiary and Associated Companies	2009/10 £000
-	Oldham Economic Development Association (OEDA)	-
(250)	Oldham Property Partnerships (OPP)	(250)
27,407	First Choice Homes Oldham Ltd (FCHO)	25,279
(573)	Oldham Educational Enterprises (OEE)	(588)
19,771	Unity Partnership Ltd	16,856
-	Meridian Development Ltd	-
541	Community 1 st Oldham	48
46,896	Total Net Transactions	41,345

Further details of OEDA, OPP, OEE, FCHO, the Unity Partnership Ltd and Meridian Developments are contained in note G1.

2008/09 £000	Parish Councils	2009/10 £000
170	Saddleworth	176
90	Shaw and Crompton	93
260		269

The register of Members' interests is held by Constitutional Services within the Civic Centre, Oldham and is available for public inspection upon application.

Chief Officers have not disclosed any material transactions with related parties.

14. Auditor's Fees

During the year audit fees as set out below were payable:

2008/09 £000		2009/10 £000
348	Audit work	340
128	Statutory Inspections	45
72	Certification of Grant Claims	96
548	Total	481

15. Statement of Movement on the General Fund Balance

It is important to understand the impact of the Statement of Movement on the General Fund Balance and the resources available to fund the Council's activities. Whilst it is recognised that the Income and Expenditure (I & E) Account is the best means of measuring the Council's financial result for the year, the movement on General Fund Balance is also an important aspect of the Council's stewardship. The I & E Account shows the Council's actual financial performance for the year, measured in terms of resources consumed and generated over the past financial year. The Council is, however, required to raise council tax on a different accounting basis. The main differences are:

- Capital investment is accounted for as it is financed rather than when fixed assets are consumed;
- The payment of a share of housing capital receipts to the Government shows as a loss in the I & E account, but it is met from the usable capital receipts balance rather than from council tax;
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.

The General Fund Balance compares the spending for the Council in the financial year against the Council Tax that it can raise, taking into account the use of reserves that have been built up in the past and contributions to reserves that have been earmarked for future expenditure.

The reconciliation statement therefore summarises the differences between the outturn on the I & E Account and the General Fund Balance.

16. Tangible Fixed Assets

Movement of Fixed Assets 2009/10

The Authority's fixed assets are valued on the balance sheet in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. Carrying values are adjusted for depreciation and impairment.

	Net Book Value at 1 April 2009 £000	Additions £000	Disposals & Transfers £000	Revaluations £000	Depreciation £000	Impairment £000	Net Book Value at 31 March 2010 £000
OPERATIONAL ASSETS							
Council Dwellings	438,754	48,971	(573)	8,406	(9,097)	(51,711)	434,750
Other Land & Buildings	385,111	21,946	2,169	7,586	(11,110)	(17,995)	387,707
Vehicles, Plant & Equipment	8,137	2,537	-	-	(2,709)	(23)	7,942
Infrastructure Assets	103,559	7,265	-	-	(4,504)	(936)	105,384
Community Assets	5,264	139	(825)	-	(69)	(96)	4,413
NON-OPERATIONAL ASSETS							
Assets under construction	3,240	1,673	(3,240)	-	-	-	1,673
Investment Assets	109,549	11,366	3,014	6,455	-	(16,676)	113,708
Surplus assets held for disposal	6,950	42	(1,374)	47	(45)	(228)	5,392
TOTALS 2009/10	1,060,564	93,939	(829)	22,494	(27,534)	(87,665)	1,060,969
TOTALS 2008/09	1,000,356	76,279	(4,815)	99,095	(34,377)	(75,974)	1,060,564

ANALYSIS OF OPENING BALANCE	Gross Book Value at 1 April 2009 £000	Accumulated Depreciation & Impairment £000	Net Book Value at 1 April 2009 £000
OPERATIONAL ASSETS			
Council Dwellings	457,911	(19,157)	438,754
Other Land & Buildings	403,821	(18,710)	385,111
Vehicles, Plant & Equipment	11,888	(3,751)	8,137
Infrastructure Assets	144,012	(40,453)	103,559
Community Assets	5,494	(230)	5,264
NON-OPERATIONAL ASSETS			
Assets under construction	3,240	-	3,240
Investment Assets	109,573	(24)	109,549
Surplus assets held for disposal	7,046	(96)	6,950
NET BOOK VALUE AT 1 APRIL 2009	1,142,985	(82,421)	1,060,564

Capital Expenditure and the Capital Financing Requirement

The following table sets out how capital expenditure has been financed and shows the movement in the Capital Financing Requirement.

**31 March
2009**

**31 March
2010**

£000		£000
521,914	Opening Capital Financing Requirement	553,554
57,155	Operational Assets	80,857
19,124	Non Operational Assets	13,081
21,109	Deferred charges	9,153
2,824	Other	544
	Sources of Finance	
(2,900)	Capital Receipts	(1,887)
(37,820)	Government Grants and other contributions	(36,864)
(20,362)	Revenue	(16,733)
(7,492)	Major Repairs Allowance	(8,820)
	Reserves	-
-	Other	(9)
553,552	Closing Capital Financing Requirement	592,876
31,638	Movement in the Year	39,322
	Explanation of Movement in Year	
(18)	Supported Borrowing - increase/(decrease)	(1,582)
31,656	Unsupported Borrowing – increase/(decrease)	40,904
31,638		39,322

North Chadderton School has recently been given Foundation School Status and therefore under the CIPFA Accounting Code of Practice the assets do not appear in the Balance Sheet.

The Net Book Value of the assets at the date of transfer were:

North Chadderton Lower School	£2.3m
North Chadderton Upper School	£7.9m

17. Capital Commitments

The Council has contractual commitments in future years including the following significant schemes:

	2010/11 £000	2011/12 £000
Freehold School Alterations & Extension	794	33
Greenhill Primary School Alterations & Extension	629	14
Stanley Road Primary School Alterations & Extension	1,501	31

18. Statement of Physical Assets

An analysis of the main assets owned by Oldham Council and included in Fixed Assets at 31 March 2010, together with a comparison with totals at 31 March 2009 is given below:

31 March 2009	FIXED ASSETS	31 March 2010
	<u>BUILDINGS</u>	
	People, Communities & Society	
54	Nursery and Primary Schools	57
13	Secondary Schools	10
21	Youth and Community Centres	17
10	Other Educational Buildings	10
4	Childrens Homes	3
16	Day Nurseries/Family Centres and Childrens Centres	14
3	Museums and Art Gallery	3
13	Libraries	11
6	Leisure Centres and Pools	5
10	Homes and Elderly Daycare Centres	9
9	Homes and Mentally Ill/Handicapped Daycare Centres	6
	Economy, Place & Skills	
10	Other Sports Facilities	13
	Administrative	
1	Civic Centre	1
1	Other	1
	Council Dwellings	
7,125	Houses *	7,079
6,753	Flats *	6,720
	<u>OTHER</u>	
	Parkland	
573	Hectares of Parkland	573
	Infrastructure	
111	km of Principal Roads	100
63	km of Other Classified Roads	66
682	km of Unclassified Roads	648
	Other Sites	
22	Shops	22
16	Industrial Buildings	15
21	Offices	16
23	Other Commercial Land	23
62	Industrial Land	60
104	Car Parking	110
33	Agricultural Land	35
22	Development Schemes	23
1	Manchester Airport Land	1
4	Markets	4
1	Market Hall	1
7	Cemeteries	7
1	Crematorium	1
9	Public Conveniences	9
1,109	Miscellaneous Sites	1,201

* see also Note H1

19. Leasing – Oldham Council as Lessee

During 2009/10 the Council continued to lease vehicles, plant, machinery and equipment by means of operating leases. Rentals totalling £2.617m (£2.652m in 2008/09) were paid to lessors in the year. At 31 March 2010 the Council was committed to make the following payments under operating leases in 2010/11 on leases falling due, as set out below:

	Amount payable (contractually) in 2009/10 on leases that expire in:		
	12months (2010/11) £000	2-5 Years (11/12-13/14) £000	6 Years+ (2014/15 +) £000
Amount payable for:			
Land and buildings	-	-	-
Other	530	1,024	-
Total	530	1,024	-
Total at 31 March 2009	334	1,580	-

The Council has obligations under finance leases at 31 March 2009 falling due as set out below:

	12months (2010/11) £000	2-5 Years (11/12-13/14) £000	6 Years+ (2014/15 +) £000
	Amount payable for:		
Land and buildings	287	1,053	-
Other	217	320	77
Total	504	1,373	77
Total at 31 March 2009	552	1,423	487

Payment for the finance charge element of finance leases (interest) made in 2009/10 was £188,219 (£213,789 in 2008/09)

Assets Held Under Finance Leases

	Gross Book Value at 31 March 2010 £000	Impairment Charge for the Year £000	Additions £000	Revaluation £000	Accumulated Depreciation & Impairment £000	Net Book Value at 31 March 2010 £000
Queen Elizabeth Hall	827	-	-	-	(11)	816
Civic Centre	5,565	(209)	1,028	-	(99)	6,285
School Equipment	679	-	-	-	(148)	531
Total	7,071	(209)	1,028	-	(258)	7632
Total at 31 March 2009	6,660	-	510	-	(283)	6,887

At 31 March 2010 there were no additional lease commitments entered into for which inception commenced after the year-end.

20. Leasing – Oldham Council as Lessor

Assets hired to Third Parties under Operating Lease

2008/09 £000		2009/10 £000
15,445	Gross book value	20,238
-	Accumulated depreciation charge	-
15,445	Net book value	20,238

21. Assets Recognised under a Private Finance Initiative (PFI) Arrangement and Similar Contract

The following assets have been built under Private Finance Initiatives and similar contracts and are included in the authority's statement of accounts in accordance with IFRIC 12.

Scheme	Opening Net Book Value 1 April 2009 £000	Depreciation & Impairment £000	Revaluation £000	Additions £000	Closing Net Book Value 31 March 2010 £000
Oldham Life Long Learning Centre	18,564	(743)	-	-	17,821
Sheltered Housing PFI	46,127	(32,737)	202	39,194	52,786
Secondary Schools PFI	61,182	(1,953)	-	-	59,229
Chadderton Health & Wellbeing Centre	-	-	-	9,049	9,049
Total	125,873	(35,433)	202	48,243	138,885

22. Valuation of Fixed Assets

The following statements show the progress of the Council's rolling programme, for the revaluation of fixed assets, for operational and non-operational fixed assets respectively. The basis for valuation is set out in the Statement of Accounting Policies.

OPERATIONAL FIXED ASSETS	Council Dwellings	Other Land & Buildings	Vehicles, Plant etc.	Infra structure	Community Assets	Total
	£000	£000	£000	£000	£000	£000
Valued at historical cost	-	-	7,942	105,384	3,203	116,529
Valued at current value in:						
2009/10	433,666	58,200	-	-	44	491,910
2008/09	416	229,104	-	-	95	229,615
2007/08	-	27,624	-	-	-	27,624
2006/07	668	31,356	-	-	-	32,024
2005/06	-	41,423	-	-	1,071	42,494
2004/05	-	-	-	-	-	-
2003/04	-	-	-	-	-	-
Total	434,750	387,707	7,942	105,384	4,413	940,196
NON OPERATIONAL FIXED ASSETS			Assets under Construction	Investment Properties	Surplus Properties	Total

	£000	£000	£000	£000
Valued at historical cost	1,673	26,313	-	27,986
Valued at current value in:				
2009/10	-	29,431	156	29,587
2008/09	-	10,128	2,378	12,506
2007/08	-	26,862	1,225	28,087
2006/07	-	13,660	388	14,048
2005/06	-	7,313	1,245	8,558
2004/05	-	-	-	-
2003/04	-	-	-	-
Total	1,673	113,707	5,392	120,772

The properties were valued in 2009/10 by Members of the Royal Institution of Chartered Surveyors employed by Unity Partnership, the Authority's partner for certain administrative services. Previously the valuers were employed directly by the Authority.

23. Depreciation of Fixed Assets

Depreciation is provided for on all fixed assets with a finite useful life with the exception of land and non-operational investment properties using the straight-line method, as follows:

Infrastructure	40 years
Operational Buildings	up to 50 years
Plant and Equipment	3-10 years

Assets held under finance lease are valued and depreciated in accordance with the policy stated above, according to the category into which they fall.

24. Intangible Fixed Assets

All expenditure in respect of intangible assets relates to the purchase of computer software and licences. The assets are written off over their useful lives.

2008/09 £000		2009/10 £000
4,398	Balance at 1 April	4,925
1,223	Expenditure in year	544
(696)	Written off to revenue in year	(1,056)
4,925	Balance at 31 March	4,413

25. Analysis of Net Assets Employed

The Accounting Code of Practice requires disclosure of the Authority's overall net asset position with regard to the General Fund, the Housing Revenue Account (HRA) and any trading undertakings where material. Since none of the Authority's trading services use a material level of the overall net assets, the analysis below identifies the split between the net assets employed by the General Fund and the HRA.

2008/09 £000		2009/10 £000
13,513	General Fund	(219,214)
289,801	HRA	253,510
303,314	Total	34,296

26. Long Term Investments

31 March 2009 £000		31 March 2010 £000
10,214	Manchester International Airport PLC - 10,214,000 fully paid £1 ordinary shares (at cost)	10,214
2,416	Oldham Property Partnership Limited - 756,950 £1 preference shares - 50 fully paid £1 ordinary shares	757
1,311	Meridian Development Company Limited - 199 £1 "B" ordinary shares - 1,311,021 £1 "B" voting shares	1,311
58	Oldham Education Enterprises Ltd - £1 shares	58
-	Unity Partnership Ltd	-
200	Fundco (Chadderton Wellbeing Centre)	200
14,199	TOTAL	12,540

27. Long Term Debtors

This note identifies long-term debts owing to the Authority which are being repaid over various periods longer than one year. Long term debt which has become due in less than twelve months has been reclassified as short term debt. The long term debtors are analysed below.

2008/09 £000		2009/10 £000
7,573	Manchester Airport transferred debt	8,710
205	Pre 1974 functions transferred debt	158
5,743	Advance to Oldham Education Enterprise Ltd	-
35	Others	23
82	Oldham Community Leisure Ltd	-
272	Mortgages	236
13,910	Total	9,127

28. Stocks and Work In Progress

2008/09 £000		2009/10 £000
905	Stock	701
776	Work in progress	-
1,681		701

29. Debtors

The Council's debtors are as follows:

2008/09 £000		2009/10 £000
29,948	Debtors system	25,854
18,596	Government Bodies	17,353
506	Other Local Authorities	1,957
335	National Health Service	20
1,700	PFI4 Gateways to Oldham	3,396
236	Related Parties	6,193
-	Non Government grants	-
28,471	Other External Debtors	29,611
78,792		84,384
(13,310)	Provision for Bad Debts	(15,619)
66,482		68,765
4,900	Payments in Advance	3,825
71,382	Total	72,590

PFI 4

The Council has purchased and demolished numerous properties, both private and residential, in preparation for this project which is due to commence July 2010.

Included in other External Debtors is an amount of £3.396m receivable from the selected preferred bidder for the project.

This represents the amount paid by the Council as at 31 March 2010 under the provisions of an Advance Works Contract (AWC).

The AWC is intended to hold, as far as possible, the price and timetable of the project and will be part of the PFI project and thereby protect the Council from the effects of slippage and cost inflation resulting from delays to the financial close date. The monies paid out are refundable in full to the Council immediately the PFI contract achieves close.

30. Short Term Investments

31 March 2009 £000		31 March 2010 £000
7,660	Co-operative Bank Group Treasury	5,180
9,600	DMO	-
5,000	Nationwide Building Society	-
2,000	Alliance & Leicester PLC	-
10,000	Bank of Scotland	2,000
8,500	Riyad Bank	-
5,000	Barclays	-
2,000	National Bank of Abu Dhabi	-
5,000	Ulster Bank	-
5,000	Yorkshire Bank	-
5,000	Irish Intercontinental Bank	-
8,000	Cater Allen	8,000
5,000	Clydesdale	5,000
-	Royal Bank of Scotland	5,000
77,760	Total	25,180

31. Loans Repayable on Demand or Within 12 Months

31 March 2009 £000	Lender	31 March 2010 £000
25,348	Public Works Loan Board	352
665	Temporary Loans	765
18,000	Other Local Authorities	11,000
28	Bonds, Debentures and Annuities	27
44,041	Total	12,144

32. Creditors

The Council's creditors are as follows:

2008/09 £000		2009/10 £000
3,983	Creditor system	6,918
16,869	Government Bodies	2,268
431	Other Local Authorities	273
66	National Health Service	326
2,315	Related Parties	3,538
8,364	First Choice Homes Limited	6,626
43,386	Other External Creditors	43,248
75,414		63,197
22,037	Receipts in Advance	33,566
97,451		96,763

33. Long Term Borrowing

An analysis of loans by type is:

31 March 2009 £000	Analysis by type of loan	Rates Payable (%)	31 March 2010 £000
263,384	Public Works Loan Board	4.25 – 11.875	228,032
126,199	Banks and Money Market	3.45 – 4.68	126,231
6,800	Local Authority Stock & Bonds	12.40	6,600
396,383	Total		360,863

An analysis of loans by maturity is:

31 March 2009 £000		31 March 2010 £000
553	Maturing in 1 – 2 years	388
4,287	Maturing in 2 – 5 years	4,669
20,528	Maturing in 5 – 10 years	19,758
41,000	Maturing in 10 – 15 years	41,000
203,817	Maturing in more than 15 years	168,817
126,198	Variable (LOBOs)	126,231
396,383	Total	360,863

34. Deferred Liabilities

The deferred liabilities figure comprises outstanding loan repayments due to other Authorities through the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF) and Trafford MBC following council reorganisation, outstanding leasing payments due on the Civic Centre and on heat meters installed in Council dwellings, and outstanding amounts relating to PFI and similar contracts.

	1 April 2009 £000	Receipts in year £000	Payments in Year £000	31 March 2010 £000
Transferred Debt				
GMMDAF	9,753	-	(510)	9,243
Trafford MBC	121	-	(6)	115
GMMADF Airport Loan	-	1,414	-	1,414
	9,874	1,414	(516)	10,772
Leasing				
Civic Centre	1,599	-	(259)	1,340
Heat meters in Council dwellings	423	-	(62)	361
Schools Equipment	494	-	(229)	265
	2,516	-	(550)	1,966
PFI's				
Lifelong Learning Centre	15,285	-	(340)	14,945
Sheltered Housing	32,208	39,174	(2,484)	68,898
Secondary Schools	53,434	-	(1,290)	52,144
Chadderton Health & Wellbeing Centre	-	9,049	(31)	9,018
	100,927	48,223	(4,145)	145,005
TOTAL	113,317	49,637	(5,211)	157,743

35. Government Grants and Contributions Deferred

This account contains the grants and contributions received by way of Government Grants and used to finance capital expenditure.

The movements on the account represent the use of various specific grants to finance the Council's capital programme and the reduction of Government grants against assets as they are depreciated. An analysis of the main balances is provided below:

2008/09 £000		2009/10 £000
124,636	Balance at 1 April	130,840
34,920	Grants/Contributions Applied During the Year	36,864
	Transfers to Revenue -	
(12,085)	Deferred Charges	(9,834)
(2,530)	Depreciated Assets	(2,627)
(13,051)	Impairment	(4,375)
(1,050)	Disposals	(70)
130,840	Balance at 31 March	150,798

36. Provisions

	Balance at 1 April 2009 £000	Receipts in year £000	Payments in year £000	Balance at 31 March 2010 £000
Insurance Provision	11,701	-	(2,489)	9,212
Other Provisions:				
R&M dilapidation provision	197	-	(197)	-
Provision re Gresham Mill	250	-	-	250
Town Centre Interest	350	-	(350)	-
Equal Pay backpay provision	267	-	(206)	61
ERDF Clawback provision	-	75	-	75
Total	12,765	75	(3,242)	9,598

The Insurance Provision covers all legal liability claims including personal accident risks to employees whilst carrying out their duties, public and all other liability claims, the losses arising from the inability of contractors to fulfil obligations, the fire fund (property claims under £100,000) and all other claims under the policy excess, which is £50,000.

The other Provisions represent amounts set aside to meet potential future liabilities.

37. Financial Assets and Liabilities

Under the 2009 SoRP the Council is required to account for 'Financial Instruments' following the adoption of three new Financial Reporting Standards, arising from the influence of International Accounting Standards on UK GAAP.

These are:

- FRS 25 Financial Instruments – Disclosure and Presentation
- FRS 26 Financial Instruments – Measurement
- FRS 29 Financial Instruments – Disclosure

They are designed to encompass the full range of sophisticated financial instruments that are used in the commercial world, and include what are regarded as 'Current Assets and Liabilities'.

The Borrowings and Investments disclosed in the Balance Sheet are shown in Note 6.

38. Fair Value of Assets and Liabilities Carried at Amortised Cost.

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 cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rates at 31 March 2010 of 5% for loans from the PWLB and 6% for other loans receivable and payable
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values are calculated as follows:

	2010	
	31 March Carrying amount £000	31 March Fair Value £000
Financial liabilities	435,883	489,385

The Council, drawing on external professional advice, has estimated the fair values for PWLB loans based on the terms for new loans. If an alternative method of valuation had been used, based on the premature redemption terms for the existing loans, the fair value of PWLB loans would have been £272,157m rather than £256,406m.

The fair value is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

	2010	
	31 March Carrying amount £000	31 March Fair Value £000
Loans and receivables	88,558	89,263

The fair value is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. The guarantee to receive interest above current market rates increases the amount that the Authority would receive if it agreed to early repayment of the loans.

The Council also has the following financial instruments that cannot be measured reliably at fair value as there is no active market by which to value the equity instruments. As per the Statement of Recommended Practice 2009 these instruments should be measured at cost less impairment as shown in the table below:

	31 March 2010 £000
Long term investments	12,540

Details of the long term investments are provided in Note G3 to the group accounts. The Council does not intend to dispose of these investments in the short term as the entities in which the holdings are held are required for the undertaking of the group activities.

See also Notes 6 on Gains and Losses on Financial Instruments and Note 27 on Long Term Debtors.

39. Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay monies due to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team under policies approved by the Authority in the annual Treasury Management Strategy. Written principles are provided for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposure to the Authority's customers.

Credit ratings are issued by three agencies. They evaluate up to four measures of an institution's strength. These are its ability to meet its short term obligations (i.e. up to one year) and its long term obligation (up to five years), its financial strength and, finally, the likelihood that it would be supported if it was in financial difficulty.

The Council distinguishes between four prudent levels of credit rating based on an amalgamation of the different ratings from the credit agencies. Purple being the highest rated and nationalised institutions, the Council will deposit up to £18m with these institutions. Green being the lowest, the Council will deposit £5m for up to 3 months with institutions meeting this criteria.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years.

	Amount at 31 March 2010	Historical experience of default	Estimated maximum exposure to default and uncollectability
	£000	%	£000
Deposits with banks and financial institutions	25,180	-	-
Customers	89,626	0.18	161
Total	114,806		161

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority does not generally allow extended credit for customers, but some of the current balance is past its due date for payment. This past due amount can be analysed by age as follows:

	2008/09 £000	2009/10 £000
Less than 3 months	9,236	10,960
3 – 6 months	1,726	447
6 – 12 months	4,545	4,291
More than 12 months	3,960	3,829
Total	19,467	19,527

Liquidity risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The Council's Treasury Management Strategy is to maintain sufficient cash reserve to give it necessary liquidity.

The maturity analysis of financial liabilities is as follows:

	2008/09 £000	2009/10 £000
Less than 1 year	102,506	73,935
1 – 2 years	553	388
2 – 5 years	4,287	4,669
More than 5 years	391,543	355,806
Total	498,889	434,798

All trade and other current payables are due to be paid in less than one year.

Market risk

The Council is exposed to market risk in terms of its exposure that the value of an instrument will fluctuate because of changes in:

- Interest rates
- Stock market prices
- Foreign exchange rates

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The Authority has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans can be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government Grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The Treasury Management Team has an active strategy for assigning interest rate exposure that feeds into the setting of the Annual Budget and which is used to update the Budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is at fixed or variable rates.

If interest rates had been 1% higher as at 31 March 2010, with all other variables held constant, the financial effect would be:

	2009/10 £000
Increase in government receivable for financing costs Impact on Income & Expenditure Account	1,508 1,508
Share of overall impact debited to HRA	-
Decrease in fair value of fixed rate investments	252
Impact on STRGL	252
Decrease in fair value of fixed rate borrowings liabilities (no impact on I & E Account or STRGL)	3,792

The impact of a 1% fall in interest rates would be as above, but with movements being reversed.

Price Risk

The Authority does not generally invest in equity shares, but does have shareholdings to the aggregate value of £12.5m in a number of joint ventures and in local companies. The Authority is consequently exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Authority is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for 'open book' arrangements with the company concerned so that the Authority can monitor factors that might cause a fall in value of specific shareholdings.

The £12.5m shares are all classified as 'available – for – sale', meaning that all movements in price will impact on gains and losses recognised in the STRGL. A general shift of 5% in the average price of these shares (positive or negative) would thus have resulted in a £0.625m gain or loss being recognised in the STRGL for 2009/10.

Foreign Exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies, and thus has no direct exposure to loss arising from movements in exchange rates.

40. Reserves

(a) Capital Adjustment Account

The balance on the Capital Adjustment Account represents the timing differences between the amount of the historical cost of Fixed Assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

The credit balance on the account therefore shows that Capital Finance has been set-aside at a faster rate than Fixed Assets have been consumed, and that the Authority has a nominal surplus when comparing financing to the consumption of resources.

As the balance on this account is matched by Fixed Assets within the Balance Sheet, it does not represent a resource that is available to the Authority.

The table below sets out the Capital Adjustment Account.

	2009/10 £000
Opening Balance	265,738
Movements in amounts set aside to finance capital investment	44,347
Historic Cost of Acquiring, Creating, or Enhancing Fixed Assets	(93,419)
Historic Cost of Revenue Expenditure funded from Capital Under Statute	(9,153)
Balance of Capital Adjustment Account	207,513

(b) Financial Instrument Adjustment Account

The Financial Instrument Adjustment Account records derecognised premia and discounts in accordance with regulation and statutory guidance set out in the SoRP.

	2009/10 £000
Opening Balance	(18,273)
Premiums Transferred	-
Premium amortised in the year	2,661
Discounts Transferred	1,201
Discount amortised in the year	(471)
Closing Balance	(14,882)

(c) Collection Fund Adjustment Account

The Collection Fund Adjustment Account reflects timing differences between statutory provisions for payments out of the Collection Fund and full accruals accounting.

	2009/10 £000
Opening Balance	1,801
Previous years surplus taken to I&E Account	(861)
Deficit in year	(72)
Closing Balance	868

(d) Revaluation Reserve

The Revaluation Reserve reflects revaluation gains accumulated since 1 April 2007.

	2009/10 £000
Opening Balance	132,093
Impairment	(20,161)
Depreciation	(5,135)
Disposals	(42)
Gains in Year	22,510
Closing Balance	129,265

As this Account is matched by Fixed Assets within the Balance Sheet it does not represent a resource that is available to the Authority.

(e) Pensions Reserve

The Pensions Reserve (FRS17) represents the Council's share of the deficit to the Greater Manchester Pension Fund as at 31 March 2010, details of which are set out in Note 47. The deficit on the fund will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

	2009/10 £000
Opening Balance	(136,900)
Losses in Year	(221,400)
Gains in Year	-
Closing Balance	(358,300)

(f) Useable Capital Receipts Reserve

These are reserves which can be used to finance capital investment in future years or for the voluntary repayment of debt. They consist of unused capital receipts and capital contributions.

	2009/10 £000
Unused Capital Contributions at 1 April	4,016
Capital Receipts in Year	3,478
Less:	
Right to Buy Admin Costs	(13)
Mandatory Pooling of Housing Receipts	(642)
Capital Receipts used to Finance Capital Expenditure	(1,887)
Balance carried forward at 31 March	4,952

(g) Major Repairs Reserve

The Major Repairs Reserve can only be utilised to support HRA capital expenditure. Details of this reserve are set out in Note H4.

(h) Earmarked Reserves

Earmarked Reserves are items which have been provided in specific reserves for future Directorate spending plans or contractual commitments such as PFI reserves. A brief description of the main reserves and their purpose is set out below:

	Balance at 1 April 2009 £000	Transfers to Reserves £000	Transfers (from) Reserves £000	Balance at 31 March 2010 £000
Earmarked Reserves				
Schools PFI & BSF Reserve	36	182	-	218
Safeguarding Reserve	328	-	(328)	-
Property & Infrastructure Maintenance & Improvement Reserve	366	-	(366)	-
Beal Valley Reserve	200	-	-	200
Beal Valley Compensation Reserve	875	125	-	1,000
Manchester Airport Dividend Reserve	333	-	(81)	252
Insurance Reserve	4,886	2,542	(1,386)	6,042
Investment Opportunities Reserve	500	-	(500)	-
Job Evaluation Reserve	3,300	2,000	-	5,300
Pension Reserve	1,784	-	(897)	887
LPSA Reward Grant	2,211	1,704	(1,200)	2,715
Area Based Grant Reserve	2,189	-	-	2,189
Directorate Earmarked Reserves:				
People, Communities & Society	1,430	-	(1,330)	100
Economy, Place & Skills	564	-	(564)	-
Performance, Services & Capacity	1,420	145	(1,420)	145
Special Projects Reserve	-	4,100	-	4,100
Waste Smoothing Levy Reserve	-	1,108	-	1,108
Winter Maintenance Reserve	-	350	-	350
Children's Reserve	-	300	-	300
Priority Investment Fund Reserves	-	1,276	-	1,276
District Partnerships Reserve	-	369	-	369
Partnership Reserve	-	413	-	413
Other Minor Earmarked Reserves	255	-	-	255
Total Earmarked Reserves	20,677	14,614	(8,072)	27,219
Balances:				
General Fund Balance				
General Fund	12,712	10	-	12,722
Schools	7,617	-	(759)	6,858
Collection Fund Balance	-	-	-	-
HRA Balance	13,216	4,867	-	18,083
Total Balances	33,545	4,877	(759)	37,663

The **Schools PFI & BSF Reserve** provides the contribution required on service commencement by the Authority at June 2008 towards the debt rescheduling. The fund has been increased in 2009/10 to support the future years' costs of delivering the BSF programme.

The **Safeguarding Reserve** has been fully utilised during the year to provide intensive specialist support for the most vulnerable looked after children and young people.

The **Property & Infrastructure Maintenance and Improvement Reserve** has been fully utilised during the year.

The **Beal Valley Reserve** arises from income from tipping fees in the Beal Valley, which were earmarked for the construction of a Golf Course on the site. The Council subsequently sought to vary the original terms of the agreement with the developer in order to stop non-inert waste being deposited on the Beal Valley site. Under the terms of a Deed of Variation the Council undertook to repay in six annual equal instalments the tipping fees received to date. The current balance represents instalments still to be paid.

The **Beal Valley Compensation Reserve** provides for the cost of reimbursing the developer for additional operating expenses in the extra years consequential to the Deed of Variation.

The **Manchester Airport Dividend Reserve** represents the value of previous uncommitted dividend receipts.

The **Insurance Reserve** has been established in order to finance costs (e.g. claims and premium payments) associated with insurable risk. In addition to maintaining an Insurance Fund the Authority established an Insurance Reserve in 1998/99 to meet expenditure relating to various types of claim which are not covered by the Insurance Fund. An example of this relates to the on-going risks in relation to the Municipal Mutual (MMI) claims paid by the Company but which may have to be underwritten by the Authority should a solvent runoff not be secured.

The **Investment Opportunities Reserve** was fully utilised during the year.

The **Job Evaluation Reserve** has been set up to provide for the future increase in payroll costs resulting from the implementation of the Job Evaluation project in 2010/11.

The **Pensions Reserve** was set up to fund the ongoing additional costs of early retirements approved prior to 2006/07. The accumulated balance has been funded by charging Directorates a proportion of the costs of their early retirements which will be written back to the accounts as the amounts become payable to the pension fund.

The **Local Public Service Agreement (LPSA) Reward Grant** represents the sum awarded to the Council as an incentive by the DCLG as a result of hitting targets included in the LPSA.

The **Area Based Grant Reserve** represents the amount of grant which was unspent at 31 March 2009. This balance is fully committed and will be expended in 2009/10.

Directorate Earmarked Reserves were provided to fund specific revenue expenditure items mainly in 2009/11 as part of the financial strategy of each Directorate.

Special Projects Reserve represents sums set aside to fund various invest to save and performance improvement initiatives

The **Waste Smoothing Levy Reserve** represents sums set aside to cover the increased levy in future years resulting from the Greater Manchester Waste Disposal Authority's Private Finance Initiative

The **Winter Maintenance Reserve** represents sums set aside to cover the cost winter maintenance of Oldham's roads due to unforeseen extreme adverse weather conditions.

The **Children's Reserve** represents sums set aside to ensure if numbers of looked children increase adequate funding is available.

Priority Investment Fund Reserve is to fund specific investment projects which have been identified as a priority.

The **District Partnership Reserve** represents sums set aside to finance projects agreed by the six District Partnerships.

The **Partnership Reserve** has been created after a partnership governance risk assessment was carried out. The outcome of which was reported to the Audit Committee in march 2010. This assessment highlighted instances within partnership arrangements whereby the council could incur additional costs. This reserve has been established to fund these costs and the risk assessment together with this reserve will be reviewed regularly.

41. Contingent Assets and Liabilities

Contingent Assets

Equity Share Scheme

The Housing Market Renewal (HMR) process continues to acquire properties voluntarily for the purpose of site assembly and the delivery of transformational change to the housing markets that is needed in certain targeted neighbourhoods. A major part of this work is providing sufficient equity release funding (either to renovate existing homes or to enable households to move to newly purchased accommodation). Currently there remains £3.824m of net loans outstanding at 31 March 2010.

This funding will eventually be repaid to the Council on resale of the properties and as such will have to be returned to the Department for Communities and Local Government (DCLG) unless approval is obtained from DCLG to reinvest this funding into the initiative to continue the work to stabilise and improve the housing markets across Oldham.

In addition to the HMR funded equity share scheme the Council also utilise part of the Regional Housing Capital Pot (RHCP) to renovate existing owner occupied homes on the same equity basis. Currently there remains £0.166m of net loans outstanding at 31 March 2010. This funding will eventually be repaid to the Council on resale of the properties and will have to be returned to the Regional Housing Board (RHB) unless approval is obtained from RHB to reinvest this funding in the Council's Housing Strategy.

Contingent Liabilities

a) Insurance

In March 1993 the Council's insurers, Municipal Mutual Insurance (MMI) ceased accepting new business. The Council had a number of outstanding claims with MMI and arrangements are in place to ensure an orderly settlement of the sums due.

The value of the outstanding claims at 31 March 2010 totalled £0.130m. Since that date no further claims have been settled.

MMI were taken over by Zurich Insurance in March 1993 to form Zurich Municipal Limited. Claims arising as from April 1993 are now secured by Zurich's financial backing and are therefore deemed secure.

With regard to claims prior to April 1993 these are still funded by MMI under a scheme of arrangement with its creditors, whereby claims are initially paid out in full, but in the event that the eventual winding up of the company results in insufficient assets to meet all liabilities, a claw back clause will be triggered which would affect claims already paid. The current estimated potential liability for claims paid to date amounts to £1.842m, which has been provided for within the Insurance Reserve. At the present time the latest published financial report from MMI suggest that the current level of claims exceed the existing level of funds to meet potential claims. There is a caveat to this assumption in that the creditors reports to the Council based on the management accounts indicate the company still envisages achieving a solvent run-off. If the ultimate cost of all claims significantly increases from those currently known then the funding in MMI may be insufficient to meet the claims liability. The Authority would have a liability to meet the costs of the claims should the provisions held by MMI be insufficient to meet the level of claims. As this potential liability is currently unknown no provision has been made in the balance sheet for the potential losses other than the £1.842m already provided in the Insurance Reserve.

b) Manchester Airport plc

In 2009/10 various loans used to finance capital expenditure that the Airport had agreed to reimburse the Council for were restructured. As a consequence the loans to the Airport that were previously secured become unsecured but as a consequence a higher coupon rate is

receivable. The loan agreement expires in 2055. No provision has been made in the balance sheet for any potential losses arising from this agreement.

c) Pension Guarantees

The Council has entered into long – term contracts for services for which continued access to the Greater Manchester Pension Fund (GMPF) was an outcome. The legislative framework governing access to the GMPF mean that non-public bodies can only obtain “admitted body” status if there is a sponsoring body who provides a guarantee. The Council has given such a guarantee in respect of: -

- (i) FCHO
- (ii) Unity Partnership
- (iii) Housing 21
- (iv) Schools PFI - Taylor Shaw
- Kier

The structure of the contracts, and in some cases bonding arrangements or parent company guarantees, mean that the risk of the guarantee being called are minimal. As such it is not considered necessary to provide for those in the balance sheet. In relation to FCHO the current valuation indicates that the fund is in a surplus position thus causing no liability to the Council. Information for the remaining companies will be available from the 2009/10 Statement of Accounts.

d) Oldham Coliseum Theatre: Overdraft Guarantee

In 1997/98 the Council agreed to act as guarantor up to £0.100m for the overdraft facilities of Oldham Coliseum Theatre. Due to the continued improvement in the financial position of the Theatre there has been no overdraft requirement since 31 March 2005. Any new overdraft facility making use of the guarantee would require approval by the Council.

e) Oldham Property Partnerships Limited: Loan Guarantee

The Council, some years ago, formed a joint venture company with the Brookhouse Group, called Oldham Property Partnership Limited (formerly Hiretarget Limited), in connection with the purchase and redevelopment of the Watersheddings site used by Oldham RLFC. Other developments have followed, most recently being the development of the former Westwood Athletics Track and the development of the Failsworth District Centre including the provision of a new Tesco store.

At the time of the Watersheddings development the Council guaranteed half the borrowings of the Company up to £1m. That guarantee is still in place. The risk of the guarantee being called upon is considered to be remote.

f) Guarantees to Limited Companies

The Council and certain of its Members are guarantors of several companies limited by guarantee. Rather than paying for issued share capital, members of these companies agree to pay a certain amount in the event of a winding up or other dissolution of the company. These are nominal sums, amounting to no more than a few pounds for all such companies in Council ownership and are the maximum of the Council’s obligation.

g) Section 117 Mental Health Act

Consequent to a High Court decision in 1999, relating to four other Local Authorities, Social Services no longer raise charges for service users receiving care under S117 of the Mental Health Act 1983.

Oldham has not knowingly charged for these services since 2001. The Council is reviewing its arrangements to identify whether any repayments are due for charges between 1997 and 2001. There is a significant further issue of self-funding service users yet to be identified.

Counsel advice obtained by other Councils as to whether persons in supported accommodation are affected by this decision has been obtained. The advice received is that such persons are not affected, though this has yet to be tested in the courts.

Further guidance was issued in April 2003 by the Local Government Ombudsman which recommended that all Social Services authorities which have charged in the past should reimburse former patients without laying strict legal limits on how far back in time repayments go. In addition there remains significant uncertainty as to the respective obligations of Social Services and Health organisations. No provision has been made due to the level of uncertainty.

h) Anchor Mill

The Council acted as the accountable body for SRB and ERDF grants for the Anchor Mill restoration project, the grant scheme expiry dates being 31 March 2001 and 31 December 2001 respectively. The grants totalled £0.563m and the Council made a contribution of £0.241m, giving a total scheme cost of £0.804m. Because the project failed to meet the grant expiry dates, the Council as the Accountable Body could be requested to repay both the SRB and ERDF grants of £0.563m if the project is not completed to the satisfaction of the grant funders. The Council is actively working to achieve completion of the overall scheme.

i) Employee Tribunal Application

There is an outstanding case against the Council by a former employee who is claiming in excess of £0.050m from the Council on a corporate basis.

j) Trading Standards Prosecution

In 2009/10 the Council was unsuccessful in its prosecution against a trader which led to the risk that those individuals may submit a claim against the Council for financial losses incurred as a result of the Council's action. At present it is not certain whether a claim will be made or the extent of the claim. This has therefore been included as a Contingent Liability.

k) Limeside Housing Area

As part of the transfer of the Council's housing stock at Limeside the Council gave warranties to Portico Housing relating to the environmental conditions of the site. If the whole of the site were to become uninhabitable due to environmental conditions inherent in the area but not disclosed this could amount to a total liability of approximately £6m. There is not deemed to be any significant likelihood that this warranty will be called upon and as such no provision has been made in the accounts.

l) Modesole Limited

As a result of the Council receiving a distribution from the proceeds of Modesole's sale of its shares in the Midland Hotel & Conference Centre, a liability may arise, the extent of which cannot yet be determined, to repay its share of a grant given in 1986 towards the refurbishment of the hotel.

In addition, as a result of the Council receiving a distribution of proceeds from the sale of its entire shareholding in Modesole Ltd, an indemnity was given to the buyer against any future liabilities arising in Modesole prior to the date of the sale. This indemnity is limited to the value of the sale proceeds received of £0.661m and will last for a period of 10 years from the date of the sale, which was completed on 9 August 2005.

m) Fitton Hill Housing Area

As part of the transfer of the Council's housing stock at Fitton Hill the Council gave warranties to Village Housing Association relating to the environmental conditions of the site. The maximum liability is £20m. There is not deemed to be any significant likelihood that this warranty will be called upon and no provision has been made in the accounts.

n) Equal Pay and Job Evaluation

The Council, in common with many other Local Authorities, is currently undertaking a review of the pay and grading of its employees. This review is being undertaken as a consequence of the 2004 national agreement that was reached between Local Authority employers and the Trades Unions and also takes into account the Council's potential liabilities under equal pay claims.

Over the last few financial years the Council has undertaken certain action in an effort to reduce its overall financial liability on Equal Pay.

However, the Council is taking a prudent view by including a contingent liability in its accounts as the full financial impact of the costs of outstanding or possible future equal pay/value claims cannot be estimated at this time because key stages of the settlement process, including the completion of Job Evaluation will not be implemented until 2010/11. The Council is of the view that it will have future costs associated with the implementation of Job Evaluation and has made provision in its forward plans to meet those costs, on the basis of implementation taking place in the last quarter of 2010/11, and as such does not consider that a liability for Job Evaluation exists in the 2009/10 accounts. Given uncertainty on that matter we, have included this in our contingent liability note.

o) Metrolink

The Association of Greater Manchester Authorities (AGMA), the Greater Manchester Passenger Transport Authority and Executive (PTA/E) and the Department for Transport (DFT) for Metrolink phase 3a have entered into a partnership funding arrangement.

Within the agreement the DFT contribution is capped at £244m in cash and the PTA/E and the AGMA authorities are jointly and severally responsible for meeting all costs over and above that sum on the strict understanding that the scope of the scheme, granted full approval, is delivered. The scheme is fully funded at present and the above arrangement will only be operative if the amount is exceeded. Strict Monitoring arrangements will be put in place by all parties to minimise the risk of that happening.

A separate business case is being compiled to extend the Metrolink from 3a to 3b (i.e to extend the Metrolink to Ashton-under-Lyne). This funding and prioritisation proposal has been submitted formally to the Secretary of State for approval.

p) Oldham and Rochdale Groundwork Trust

The Council has agreed, jointly with Rochdale MBC, to provide a cashflow facility to assist the Trust in maintaining its operations due to the time delay it experiences in being paid grants. That facility is, in effect, unsecured and in theory there is a possibility that full repayment may not occur. Regular reviews of the Trust's financial position are undertaken to manage that risk, and there is no reason to consider it will be called upon.

q) Accommodation for the Homeless

The Council is aware of a recent Court of Appeal judgement in respect of the housing allocations policy applied by another Local Authority. No provision has been included in the accounts as it is not thought probable that there will be a transfer of economic benefit to settle any obligation.

r) PFI 2

The building sub-contractor to the Housing PFI 2 scheme has submitted numerous compensation claims to the Council, which may be of significant value. The Council has rejected these claims and the matter has been to Dispute Resolution Panel which found in the Council's favour. However, Housing 21 does have the right under the contract to progress the matter.

s) Pump Street Development

This is a development, which initially attracted external funding to aid the regeneration of the site. The Council subsequently had to pull out and there is a risk that the grant could be clawed back.

42. Authorisation of Accounts for Issue

These accounts will be approved by the Audit Committee meeting to be held on 27 May 2010.

43. Post Balance Sheet Events

The SoRP requires compliance with FRS (Financial Reporting Standard) 21 'Events after the Balance Sheet Date'. This requires the disclosure of the date that the financial statements are authorised for issue by the Borough Treasurer. This is the date after which there could be no reasonable expectation that events could have been taken into account by the Authority. This date has been agreed as 21 May 2010 in respect of the preparation of the 2009/10 Statement of Accounts. This date has been determined in order to meet the statutory requirement to produce and despatch an agenda five working days in advance of the Audit Committee meeting which has been called to approve the accounts.

FRS 21 requires adjusting events (if any), defined as those significant enough to require publication where the amounts are considered to be material to the accounts, should be explained in this note. The required adjustments should therefore be made to the accounts. Non-adjusting events concern conditions which did not exist at the balance sheet date but are events that are of such materiality that they require disclosure for the fair presentation of the financial statements.

There has been one non adjusting post balance sheet event:

On 7 April 2010 the result of the ballot for a Large Scale Voluntary Transfer of the Council's Housing Stock was announced as a positive ballot. The value of this stock is included in the Council's Fixed Assets Council Dwellings figures. The buildings' value is around £250m. The transfer to First Choice Homes (Oldham) Ltd is expected to take place in December 2010.

44. Trust Funds

The Authority is responsible for the administration of some 90 individual trust funds, for all but one of which it is the sole trustee. These funds are not owned by the Authority and are used in accordance with the aims of the particular charity or trust. The funds are invested in marketable securities. They are not included in the Consolidated Balance Sheet as ownership lies with the Trust Funds themselves and not with the Authority. The funds vary considerably in purpose and amount and can be broadly classified as follows:

	2009/10			
	1 April 2009 £000	Income £000	Expenditure £000	31 March 2010 £000
Education related funds:				
Scholarship funds	487	1	(2)	486
Prize funds	205	1	(6)	200

Social Services related funds	45	1	-	46
Other funds	158	77	(2)	233
Totals	895	80	(10)	965
Totals at 31 March 2009	902	124	(131)	895

The above balances are represented by:

	Cash/Other Balances	External Investments at cost	Total
	£000	£000	£000
Education related funds:			
Scholarship funds	303	183	486
Prize funds	76	124	200
Social Services related funds	45	-	45
Other funds	151	83	234
Totals at 31 March 2010	575	390	965
Totals at 31 March 2009	505	390	895

The Education related funds comprise 11 scholarship funds and 63 prize funds, which provide grants for educational purposes to qualifying pupils in schools within the Borough.

The Trust Fund cash balances are included as a current liability in the Authority's Balance Sheet within the Bank Overdraft figure.

45. Disclosure of Deployment of Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided in an authority wide basis and for the Individual Schools Budget which is divided into a budget share for each maintained school. The carry forward to 2010/11 represents a receipt in advance of the DSG and not the Cumulative Schools Balances.

Details of the deployment of the DSG receivable for 2009/10 are as follows:

2008/09				2009/10		
Central Exp £000	ISB £000	Total £000		Central Exp £000	ISB £000	Total £000
		159,029	Final DSG for 2009/10			165,138
		1,424	Brought forward from 2008/09			5,123
		762	Carry forward to 2010/11			5,123

17,145	141,122	158,267	agreed in advance Agreed budget distribution in 2009/10	17,806	147,332	165,138
14,208	-	14,208	Actual central expenditure	15,447	-	15,447
-	141,122	141,122	Actual ISB deployed to schools	-	147,332	147,332
-	-	-	Local Authority contribution for 2009/10	-	-	-
5,123	-	5,123	Carry forward to 2010/11	2,359	-	7,482

46. Amounts Due To/From Related Parties

The following amounts were due from Related Parties at 31 March and are included in Debtors (see Note 29):

2009 £000		2010 £000
-	First Choice Homes (Oldham) Ltd. (FCHO)	-
221	Unity Partnership Ltd.	450
15	Other	5,743
236		6,193

The following amounts were due to Related Parties at 31 March and are included in Creditors (see Note 32):

2009 £000		2010 £000
500	Oldham Economic Development Association (OEDA)	-
-	First Choice Homes (Oldham) Ltd. (FCHO)	-
1,815	Unity Partnership Ltd.	3,538
-	Other	-
2,315		3,538

47. Retirement Benefits

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement 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 that employees earn their future entitlement.

The Council participates in two pension schemes, one for teachers and one for non-teaching staff as set out below.

Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by Teachers' Pensions (TP) on behalf of the Department for Children, Schools and Families (DCSF). It provides teachers with defined benefits upon their retirement and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2009/10 the Council paid £10.402m to the DCSF in respect of teachers' retirement benefits (£10.926m in 2008/09). This represents an average 13.53% of teachers' pensionable pay (14.05% in 2008/09). There were no contributions remaining unpaid at the year-end.

The scheme is a defined benefit scheme. Although the scheme is unfunded, the TP uses a notional fund as the basis for calculating the employer contribution rate paid by Local Education Authorities (LEAs). However, it is not possible for the Council to identify a share of the underlying

liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. This is therefore included within the non Teachers Pension Fund administered by Tameside Metropolitan Borough Council. The costs of these benefits are detailed below and are fully accrued and included in the Council's pensions reserve.

2008/09 £000		2009/10 £000
-	Added years costs appearing in past service costs	-
13,700	Level of Unfunded Added Years	18,300

Other Employees

As part of the terms and conditions of the employment of its employees, the Council offers the opportunity to join a pension scheme. Although the pension will not actually be payable until the employees retire, the Council makes the payments to the pension fund, disclosed here, when the employee earns the right to those pension benefits.

The Council and its employees participate in the Greater Manchester Pension Fund which is administered by Tameside MBC. This and other similar local government pension schemes are also known as the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit final salary scheme, administered in accordance with the Local Government Pension Scheme Regulations. This means the Council and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with the investment assets of the fund.

The information included in this note is based on the actuarial valuation for FRS 17 purposes as at 31 March 2010, prepared by Hymans Robertson, an independent firm of actuaries. The latest formal valuation of the Fund for the purposes of setting employees actual contributions was as at 31 March 2010, with the next formal valuation due at 31 March 2013.

In preparing the LGPS balance sheet and revenue account as at 31 March 2010, allowance has been included for the removal of the 'Rule of 85' for new entrants from 1 October 2006 to the extent that any such new entrants were included in membership at the formal valuation date of 31 March 2007. No allowance has been made for the effect of the 'Rule of 85' for new entrants since 31 March 2007 principally because there is insufficient information to make such an adjustment.

The cost of the future pensions appears in the Net Cost of Services when employees earn them, rather than when the pensions are eventually paid. However, the cost that should be paid out of Council Tax is the amount payable to the Pension Fund in the year. The real cost of pensions is reversed out in the Statement of Movement in General Fund Balance.

The Local Government Pension Scheme (Amendment) Regulations 2006, SI 2006/96, made a number of changes to the LGPS with effect from 1 April 2006, including the right of scheme members retiring on or after 2006 to take an enhanced tax free sum in return for a reduced annual pension. The Council's actuaries, Hymans Robertson, have advised that they expect that 50% of future retirees will elect for additional tax-free cash, up to HM Revenue & Customs limits.

Consequently, the valuation of the Council's retirement benefit liabilities as at 31 March 2010 includes an allowance for this change in the pension scheme.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in General Fund Balance during the year:

2008/09		Income & Expenditure Account	2009/10	
£000	%		£000	%
13,300	11.7	Net Cost of Service	10,900	9.6
5,900	5.2	Service cost	600	0.5
-	-	Past service costs	2,300	2.0
19,200	16.9	Total Net Cost of Service Charge	13,800	12.1
(35,300)	(30.9)	Net Operating Expenditure	(26,900)	(23.9)
39,800	34.8	Expected return on assets	38,700	33.5
4,500	3.9	Net Return	11,800	9.6
23,700	20.8	Net Revenue Account Cost	25,600	21.7

2008/09		2009/10
£000		£000
	Statement of Movement on the General Fund Balance	
23,700	Reversal of net charges made for Retirement Benefits in accordance with FRS 17	25,600
	Actual amount charged against the General Fund Balance for pensions in the year	
16,700	Employers contributions	16,400
2,600	Unfunded benefits contributions	2,700
19,300	Total Contributions	19,100

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £215.5m (losses of £67.2m in 2008/09) were included in the Statement of Total Recognised Gains and Losses.

The Council's Fund assets (LGPS Unfunded and Teachers element) and the liability for future pensions at 31 March is set out below:

Funded Liabilities of the LGPS

2008/09		2009/10
£000		£000
575,000	Opening Balance at 1 April	562,900
13,300	Current Service Cost	10,900
39,800	Interest cost	38,700
7,300	Contributions by members	7,100
5,900	Contributions for Unfunded Benefits	600
-	Loss/(Gains) from Curtailments	2,300

(55,900)	Actuarial (Gains) or Losses	341,200
(2,600)	Unfunded Benefits paid	(2,700)
(19,900)	Benefits paid	(21,200)
(12,100)	Increase/(Decrease) during the year	376,900
562,900	Closing Balance at 31 March	939,800

Current Service Cost reduced by £2.4m to £10.9m while Past Service Cost reduced from £5.9m to £0.6m, mainly because of the 2008/09 retrospective changes to member benefits of £4.9m that came into effect on 1 April 2008.

A reconciliation of fair value of assets is set out below

2008/09		2009/10
£000		£000
509,700	Opening Balance at 1 April	426,000
35,300	Expected return on Assets	26,900
7,300	Contributions by members	7,100
16,700	Contributions by Employer	16,400
2,600	Contributions for Unfunded Benefits	2,700
(123,100)	Actuarial (Gains) or Losses	126,300
(2,600)	Unfunded Benefits paid	(2,700)
(19,900)	Benefits paid	(21,200)
(83,700)	Increase/(Decrease) during the year	155,500
426,000	Closing Balance at 31 March	581,500

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet Date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets was £153.4m (2008/09 £86.1m).

The scheme history for the last five years is as follows:

	2005/06	2006/07	2007/08	2008/09	2009/10
	£000	£000	£000	£000	£000
Present value of liabilities	(640,500)	(670,700)	(575,000)	(562,900)	(939,800)
Fair value of assets	516,100	558,300	507,600	426,000	581,500
Deficit in the scheme	(124,400)	(112,400)	(67,400)	(136,900)	(358,300)

The liabilities show the commitments on which the Council will have to pay pensions in the future i.e. £939.8m and it has an impact on the net worth of the Authority as recorded in the Balance Sheet. The deficit is higher than that in previous years primarily due to the fact that the financial assumptions at March 2010 are less favourable than those at March 2009.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the fund will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, rolling forward the value of the employer's liabilities calculated at the last formal valuation (31 March 2010) allowing for different financial assumptions required under FRS 17. The Council's share of the Fund's assets have been assessed by rolling forward the assets as at the last valuation allowing for investment returns, the effect of payments to the fund and payments from the fund. The fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2010.

The service cost has been calculated using the projected unit method, an estimate of the pensions that will be payable in future years dependant upon assumptions about, for example, mortality rates and salary levels. With this methodology, as the age profile of the active membership of the pension scheme rises, the current service cost increases as the members of the fund approach retirement.

The main financial assumptions used in the calculations are set out below:

2009 % p.a.		2010 % p.a.
3.1	Rate of inflation (price increases)	3.8
4.6	Rate of increase in salaries	5.3
3.1	Rate of increase in pensions	3.8
6.9	Rate for discounting scheme liabilities	5.5
50.0	Take up of option to convert annual pension into retirement lump sum	50.0
	Long term expected rate of return on assets in the scheme	
7.0	Equity	7.8
5.4	Bonds	5.0
4.9	Property	5.8
4.0	Cash	4.8

The Mortality assumptions at age 65 for both current pensioners and future pensioners are set out below:

2009 years		2010 years
19.6	Longevity at 65 for current pensioners Men	20.8
22.5	Women	24.1
20.7	Longevity at 65 for future pensioners Men	22.8
23.6	Women	26.2

The Council's Fund assets consist of the following categories shown by proportion of the total assets held:

31 March 2009 %		31 March 2010 %
67	Equity investments	67
16	Bonds	16
7	Property	6
10	Cash	11

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March of the relevant year as set out in the table below:

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Differences between the expected and actual return on assets	12.8	0.6	(18.1)	(28.9)	(7.6)
Experience gains and losses on liabilities	(0.1)	(4.0)	5.1	0.2	0.1

The estimated contributions expected to be paid to the scheme in the accounting period following the Balance Sheet date is £17.4m.

48. Reconciliation of Revenue Activities Net Cash Flow to Surplus/Deficit on the Income and Expenditure Account.

2008/09 £000		2009/10 £000
	Surplus/(Deficit) for the year	
4,559	- General Fund	(56,737)
876	- Collection Fund	(933)
12,163	- HRA	4,867
	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year	55,988
-		
17,598		3,185
	Non cash transactions	
7,538	Add: minimum revenue provision	6,996
2,970	Add: provisions set aside in year	(3,167)
(15,647)	Add: contributions to/(from) reserves	6,542
11,747	Add: other non cash transactions	31,500
6,608		41,871
	Items on an accruals basis	
120	(Increase)/decrease in stocks	980
(11,885)	Decrease/(increase) in debtors (revenue items only)	(5,662)
12,045	Increase/(decrease) in creditors (revenue items only)	8,768
280		4,086
	Items classified elsewhere in cash flow statement	
37,715	Add: interest payments	20,058
7,090	Add: finance leasing rental payments	10,809
(8,228)	Less: investment income	(3,691)
36,577		27,176
61,063	Net cash flow from revenue activities	76,318

49. Reconciliation of the Movement in Cash to the Movement in Net Debt

Balance at 1 April 2009 £000		Balance at 31 March 2010 £000
(13)	Increase/(Decrease) in bank overdraft in the period	1,506
(327)	Decrease /(Increase) in cash at bank	(5,864)
75,122	New loans raised	12,449
(62,087)	Decrease in debt through debt repayment	(83,663)
-	Decrease in debt from sale of short term investments	485,317
(19,800)	Increase in debt from purchase of short-term investments	(432,737)
(7,105)	Change in net debt resulting from cash flows	(22,992)

100,927	Change in net debt not resulting from cash flows	48,223
391,453	Net debt at 1 April 2009	485,275
485,275	Net debt at 31 March 2010	510,506

50. Analysis of Changes in Net Debt

The following table shows those items the Authority classes as liquid resources and the reconciliation of the Financing and Management of Liquid Resources Section of the Balance Sheet.

	31 March 2009 £000	Movement in Year £000	31 March 2010 £000
Cash at bank	3,828	(1,506)	2,322
Bank overdraft	(13,121)	5,864	(7,257)
Long-term borrowing	(396,383)	35,519	(360,864)
Deferred liabilities	(113,317)	(44,426)	(157,743)
Loans repayable on demand or within 12 months	(44,042)	31,898	(12,144)
Short-term investments	77,760	(52,580)	25,180
Total	(485,275)	(25,231)	(510,506)

51. Analysis of Other Government Grants

The other Government Grants shown on the Cash Flow Statement represent the cash received by the Authority and may differ from the amounts included within gross income figures in the Income and Expenditure Account, which is prepared on an accruals basis. This table summarises cash received as other Government Grants:

2008/09 £000		2009/10 £000
8,575	Local Area Agreements	3,193
11,557	DfES Early Years	10,161
2,504	HMR Fund Grant	2,187
5,673	LSC 6 th Form	6,329

1,457	LSC ACL income	2,482
833	LSC Other Income	-
1,946	LSC Vocational	1,728
81	Neighbourhood Renewal Fund (NRF)	-
2,812	New Deal for Communities (NDC)	2,048
29,530	Other Government Grants	21,115
7,260	Other Grants	510
70	Single Regeneration Budget (SRB)	-
28,445	Standards Fund	27,359
8,228	Supporting People	8,228
-	Surestart	43
276	European Regional Development Fund (ERDF)	1,642
159,029	Dedicated Schools Grant (DSG)	165,138
268,276	Total	252,163

52. Analysis of Liabilities as a result of PFI & Similar Contracts

The following table shows the movements in liabilities due to PFI and similar contracts. When an asset held under a PFI & Similar contract is recognised in the accounts a corresponding liability of equal value is also recognised in the Authority's accounts. The liability is reduced over the life of the contact from the Unitary Charge/Lease Plus payments.

Scheme	Liability 31 March 2009 £000	Additions £000	Repayments £000	Liability 31 March 2010
Library & Lifelong Learning Centre	15,284	-	(340)	14,944
Schools	53,434	-	(1,290)	52,144
Sheltered Housing	32,208	39,174	(2,484)	68,898
Chadderton Wellbeing Centre	-	9,049	(31)	9,018
Total	100,926	48,223	(4,145)	145,004

53. Analysis of Payments due to be made under PFI & Similar Contracts

The following table shows Payments due to be made under PFI & Similar contracts. As all the payments under PFI & Similar contracts are linked in full or in part to the Retail Price Index, the figures below are estimates of the cash amounts that will be paid. Lifecycle replacement costs have been included in the Service charges element.

		Library & Lifelong Learning Centre £000	Schools £000	Sheltered Housing £000	Chadderton Wellbeing Centre £000	Total £000
2010/11	Repayment of Liability	329	1,370	2,269	78	4,045
	Interest	1,384	4,180	6,683	585	12,832
	Service Charges	1,183	1,978	3,230	215	6,606
	Total	2,896	7,528	12,182	878	23,483
2011/12 to 2014/15	Repayment of Liability	1,730	5,710	10,490	367	18,297
	Interest	5,181	15,648	28,238	2,288	51,355
	Service Charges	4,993	9,410	15,253	1,140	30,796
	Total	11,904	30,768	53,981	3,795	100,448
2015/16 to 2029/20	Repayment of Liability	2,455	7,905	13,125	466	23,951
	Interest	5,508	16,886	30,797	2,735	55,926
	Service Charges	7,702	15,282	27,580	2,164	52,728
	Total	15,665	40,073	71,502	5,365	132,605
2020/21 to 2024/25	Repayment of Liability	3,487	12,030	16,786	444	32,747
	Interest	4,266	13,075	25,633	2,553	45,527
	Service Charges	8,891	16,980	33,690	3,072	62,633
	Total	16,645	42,085	76,109	6,069	140,908
2025/26 to 2039/30	Repayment of Liability	5,749	14,351	17,026	499	37,624
	Interest	2,272	7,944	19,034	2,432	31,682
	Service Charges	9,732	22,068	44,952	3,936	80,688
	Total	17,753	44,363	81,012	6,867	149,994
2030/31 to 2034/35	Repayment of Liability	1,194	10,778	30,033	1,046	43,051
	Interest	111	1,566	11,479	2,211	15,367
	Service Charges	1,775	13,926	44,720	4,513	64,934
	Total	3,080	26,270	86,232	7,770	123,352
2035/36 to 2039/40	Repayment of Liability			11,922	6,119	18,041
	Interest			1,228	1,681	2,909
	Service Charges			13,815	4,947	18,762
	Total			26,965	12,747	39,712
Repayment of Liability- Total		14,944	52,144	101,650	9,018	177,757
Interest- Total		18,722	59,299	123,092	14,485	215,598
Service Charges- Total		34,276	79,644	183,240	19,987	317,147
Grand Total		67,943	191,087	407,982	43,490	710,503

Supplementary Financial Statements

4.0 SUPPLEMENTARY FINANCIAL STATEMENTS AND EXPLANATORY NOTES

4.1 HOUSING REVENUE ACCOUNT (HRA)

4.1.1 Housing Revenue Account Income and Expenditure Account

2008/09 £000		2009/10 £000	Notes
	Income		
(38,139)	Dwellings Rents	(38,454)	
(600)	Non-dwellings Rents	(609)	
(1,744)	Charges for Services and Facilities	(2,112)	
(9,531)	Contributions towards Expenditure	(8,986)	
(10,941)	Housing Revenue Account Subsidy receivable	(12,952)	H9
(2,813)	Housing PFI Grant Interest Element	(4,709)	
(63,768)	Total Income	(67,822)	
	Expenditure		
12,467	Repairs and Maintenance	14,408	H5
15,512	Supervision and Management	18,595	
2,674	Rent, Rates and Other Charges	1,195	
53,974	Depreciation and Impairment of Fixed Assets	50,055	
145	Debt Management Costs	145	
512	Increased Provision for Bad or Doubtful Debts	435	
85,284	Total Expenditure	84,834	
21,516	Net Cost of HRA Services before Share of Corporate & Democratic Core	16,993	
257	HRA Services Share of Corporate and Democratic Core	478	
21,773	Net Cost of HRA Services	17,490	
	HRA share of operating income and expenditure included in the Authority's Income and Expenditure Account		
(678)	(Gain) / Loss on sale of HRA Fixed Assets	(888)	
13,914	Interest Payable and Similar Charges	14,810	
2,663	Amortisation of Premiums and Discounts	1,815	
(510)	Interest and Investment Income	(152)	
37,162	(Surplus) / Deficit for the year on HRA Services	33,075	

4.1.2 Statement of Movement in the Housing Revenue Account

2008/09 £000		2009/10 £000	Notes
37,162	Income (Surplus) / Deficit for the year on the HRA I & E Account	33,075	
(49,327)	Net Additional Amount Required by Statute and non-statutory proper practices to be debited or credited to the HRA Balance for the year	(37,941)	
(12,165)	(Increase) / Decrease in the HRA Balance	(4,866)	
(1,052)	HRA Balance brought forward	(13,217)	
(13,217)	HRA Balance carried forward	(18,083)	
2008/09 £000	Note to Statement of Movement on the HRA Balance	2009/10 £000	
	Items included in HRA I & E account but excluded from the movement on HRA balance for the year		
-	Difference - Amortisation of Premiums and Discounts	-	
(46,176)	Difference - any other in accordance with SoRP	(41,852)	
309	Government Grants Deferred	80	
678	Gain or Loss on Sale of HRA Fixed Assets	888	
(45,189)		(40,884)	
	Items not included in HRA I&E Account but included in the movement on HRA balance for the year		
(7,881)	Transfer to / from (-) Earmarked Reserves	-	
3,743	Voluntary Set Aside for Debt Repayment	2,943	
-	Capital Expenditure funded by CERA	-	
(4,138)		2,943	
(49,327)	Net additional amount required by statute	(37,941)	

4.1.3 Explanatory Notes to the Housing Revenue Account

H1. Housing Stock – Numbers

At 31 March 2010, the Council had a total housing stock of 13,799 dwellings. The management of 12,333 of these dwellings has been passed to the Council's Arms Length Management Organisation, First Choice Homes Oldham Ltd (FCHO), the relationship having been formalised through a number of mutually agreed schedules. The table below sets out the changes to this housing stock from the opening position at April 2009 (12,269 dwellings) to 12,333 at March 2010.

Oldham Retirement Housing Partnership (ORHP) manages the remaining 1,466 dwellings as a result of the Sheltered Housing PFI scheme. The composition of this stock is also outlined in the table below.

	Houses and Bungalows	Flats and Maisonettes	Hostel Bed Spaces	Total
Stock at 1 April 2009	6,288	6,061	20	12,269
Sales	(20)	(3)	-	(23)
Conversions	-	-	-	-
Demolitions	(3)	(10)	-	(13)
Total - FCHO	6,265	6,048	20	12,333
Stock Managed by ORHP	814	652	-	1,466
Total Stock as at 31 March 2010	7,079	6,700	20	13,799

H2. Housing Revenue Account – Fixed Asset Valuations

The balance sheet value of HRA assets was as follows:

31 March 2009 £000		31 March 2010 £000
429,172	Dwellings	432,408
1,513	Other Operational Property	1,384
3,238	Non-operational Assets	3,603
433,923	Total	437,395

Other operational property consists of offices and other operational bases. Non-operational assets chiefly consist of shops.

Total capital receipts in the HRA amounted to £1.254m in 2009/10 and were split as follows:

	£000
Dwellings	1,254
Non-operational assets	-

The balance sheet value allows for the discounts to which tenants are entitled.

H3. Value of Housing Revenue Account Vacant Possession Dwellings

In accordance with Government guidance, valuation of council dwellings have been reduced by a regional adjustment factor in recognition of their status as social housing. As a consequence the Council recognises council dwellings at a value of £432.4m (£429.2m at 31 March 2009). At vacant possession therefore the same dwellings would have a value of £910.7m (£886.2m at 31 March 2009) recognising the economic cost to the Government of providing council housing at less than open market rents of £478.2m (£457.1m in 2008/09).

H4. Major Repairs Reserve

The Major Repairs Reserve is an earmarked fund to which the Council transfers an amount annually to support capital spending on council dwellings.

2008/09 £000		2009/10 £000
-	Balance at 1 April	617
11,674	Amount transferred to Major Repairs Reserve in year	9,127
(671)	Amount for Depreciation on non dwellings	(58)
(7,492)	Amount used to Finance Capital Expenditure	(8,820)
(2,894)	Amount for Depreciation on Dwellings in Excess of MRA	(866)
617	Balance at 31 March	-

H5. Housing Repairs Account

The movement on this account during the year was as follows:

2008/09 £000		2009/10 £000
	Expenditure	
12,467	Repairs to property	14,408
12,467		14,408
	Income	
(12,467)	Contribution from Housing Revenue Account	(14,408)
(12,467)		(14,408)
-	Net Total	-

H6. Type and Source of Capital Expenditure 2009/10

Capital Expenditure	2009/10 £000	Financing	2009/10 £000
Capital Expenditure in year on dwellings	10,373	Government Grants	729
		Non Government Grants	425
		Major Repairs Reserve	8,820
		Miscellaneous Contributions under £25k	(56)
		Agreed Council Resources	3
		Unsupported Borrowings	452
Total	10,373	Total	10,373

H7. Depreciation of Assets

	2009/10		
	Operational Assets £000	Non-operational Assets £000	Total £000
Balance 1 April 2009	19,243	-	19,243
Depreciation written off during the year	(7,983)	-	(7,983)
Depreciation during the year	9,127	-	9,127
Balance 31 March 2010	20,387	-	20,387

H8. Revenue Expenditure Funded from Capital Under Statute

No charge was made to the HRA during the year in respect of revenue expenditure funded from capital under statute.

H9. Housing Revenue Account Subsidy

The Government subsidises the Authority's council housing, and the calculation of how this subsidy figure is arrived at is detailed below:

2008/09 £000		2009/10 £000
	Notional Expenditure	
23,582	Management and Maintenance	23,987
9,373	Capital charges	8,051
-	Adjustment for previous years	300
-	Caps and limits	302
7,086	PFI Grant	9,899
6,912	Other Allowances	6,912
8,108	Major Repairs Allowance	8,203
55,061		57,654
	Notional Income	
(39,640)	Notional Dwelling Rent Income	(39,985)
(7)	Interest on Mortgages	(8)
15,414	Deficit (subsidy payable)	17,661
	Less :	
(4,473)	PFI Grant used to fund capital element	-
-	Housing PFI Grant interest element	(4,709)
10,941		12,952

H10. Rent Arrears

Arrears totalled £2.806m at 31 March 2010 (£2.143m at 31 March 2009) and are analysed below:

31 March 2009 £000		31 March 2010 £000
1,087	Due from Former Tenants	1,456
1,056	Due From Current Tenants	1,350
2,143	Total Arrears	2,806

Rent arrears as a percentage of total rent payable during the year were 6.24% (2008/09 4.78%)

The provision in respect of bad debts at 31 March 2010 was £1.696m (£1.482m at 31 March 2009).

4.2 COLLECTION FUND

4.2.1 Collection Fund Income and Expenditure Account

2008/09 £000		2009/10 £000	Note
	INCOME		
(75,465)	Council Tax Payers	(76,044)	C2
(18,760)	Transfers from General Fund:		
(52,603)	- Council Tax Benefits	(20,827)	
	Income from Business Ratepayers	(54,829)	C3
(146,828)		(151,700)	
	EXPENDITURE		
	Precepts:		
81,177	- Oldham Council	83,919	
7,759	- Greater Manchester Police Authority	8,454	
3,086	- Greater Manchester Fire & Rescue Authority	3,235	
	Business Rates:		
52,286	- Payments to National Pool	54,511	C3
317	- Costs of Collection	318	
	Bad and Doubtful Debts		
(219)	- Provisions	1,299	C5
1,340	- Write Offs	45	
(31)	Transfer of Collection Fund Surplus	924	C4
145,715		152,705	
(1,113)	Deficit / (Surplus) for the year	1,005	
	COLLECTION FUND BALANCE		
(925)	Balance brought forward at 1 April	(2,038)	
(1,113)	Deficit / (Surplus) for the year (as above)	1,005	
(2,038)	Balance carried forward at 31 March	(1,033)	
	Allocated to:		
(1,800)	- Oldham	(868)	
(171)	- Greater Manchester Police Authority	(119)	
(67)	- Greater Manchester Fire and Rescue Authority	(46)	
(2,038)		(1,033)	

4.2.2 Explanatory Notes to the Collection Fund

C1. General

The Council has a statutory requirement to operate a distinct Collection Fund as a separate account to the General Fund.

The purpose of the Collection Fund is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Surpluses declared by the Collection Fund are apportioned to the precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the precepting bodies in the following year. For Oldham the precepting bodies are the Greater Manchester Police Authority and the Greater Manchester Fire and Rescue Authority.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

C2. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2009/10 was 62,969 (62,122 in 2008/09) calculated as follows:

Band	Chargeable Dwellings	Proportion of Band D Tax	Equivalent Band D Dwellings
A Reduced	119	$\frac{5}{9}$	66
A	42,419	$\frac{6}{9}$	28,279
B	14,411	$\frac{7}{9}$	11,209
C	13,623	$\frac{8}{9}$	12,109
D	5,942	1	5,942
E	2,864	$\frac{11}{9}$	3,500
F	1,341	$\frac{13}{9}$	1,937
G	779	$\frac{15}{9}$	1,299
H	39	$\frac{18}{9}$	78
Less allowance for non-collection		2.25%	(1,450)
Tax Base for the Calculation of Council Tax			62,969

Those who are "disabled" are entitled to have their dwelling reduced to the next lowest band for the calculation of Council Tax. As band 'A' is the lowest band, 'A reduced' has been introduced to give effect to this reduction for those in band A properties. Income received from Council Tax payers in 2009/10 was £76.0m (£75.5m 2008/09).

C3. Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values multiplied by a uniform business rate set nationally by Central Government. The total amount due, less certain allowances, is paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, pays to Local Authorities their share of the pool, such share being based on a standard amount per head of the local adult population.

For 2009/10 Oldham collected £54.8m (£52.6m in 2008/09) from business ratepayers and its contribution to the Pool amounted to £54.5m (£52.3m in 2008/09).

The total non-domestic rateable value at the year-end is £134.8m (£133.9m in 2008/09). The national multipliers for 2009/10 were 48.1p for qualifying Small Businesses, and 48.5p for non-qualifying Small Businesses and all other Businesses (45.8p and 46.2p respectively in 2008/09).

C4. Contributions to Collection Fund Surpluses and Deficits

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. In January 2010 there was an estimated surplus of £564,000 (£31,000 deficit in January 2009) which was distributed as shown in the table below.

2008/09 £000		2009/10 £000
(27)	Oldham Council	502
(3)	Greater Manchester Police Authority	44
(1)	Greater Manchester Fire & Rescue Authority	18
(31)	Total	564

C5. Council Tax Bad Debt Provision – Accounting Policy

The Council provides for bad debts on Council Tax on the basis of levels recommended by the Audit Commission.

2008/09 £000		2009/10 £000
4,552	Balance at 1 April	4,333
(1,340)	Write-offs during year for previous years	(45)
1,121	Contributions to provisions during year	606
(219)	Net Increase/(Decrease) in Provision	561
4,333	Balance at 31 March	4,894

5.0 THE GROUP ACCOUNTS

1 Introduction

The Best Value Accounting Code of Practice requires that where an Authority has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities. Before group accounts can be produced, the following actions need to be carried out:

- Determine whether the Council has any form of interest in an entity
- Assess the nature of the relationship between the Council and the entity
- Determine on the grounds of materiality whether group accounts should be prepared

2 Inclusion within the Group Accounts

Included

The Council has relationships with a number of entities over which it has varying degrees of control or influence. The SoRP 2009 requires these to be classified into the categories of subsidiaries, associates and joint ventures. The meanings of these are outlined below.

Subsidiary

"An entity is a subsidiary of the reporting Authority if the Authority is able to exercise control over the operating and financial policies of the entity and the Authority is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control."

The following entities are classified as subsidiaries of Oldham Council and have been consolidated:

First Choice Homes Oldham Ltd
Oldham Educational Enterprises Ltd

Associate

"An entity other than a subsidiary or joint venture in which the reporting Authority has a participating interest and over whose operating and financial policies the reporting Authority is able to exercise significant influence."

The following entities are classified as an associate of Oldham Council and will be consolidated:

Meridian Development Co Ltd
Unity Partnership Ltd
Community 1st Oldham (Chadderton) Ltd

Joint Venture

"An entity in which the reporting Authority has an interest on a long term basis and which is jointly controlled by the reporting Authority and one or more other entities under a contractual or other binding arrangement."

Oldham Council currently has no Joint Venture arrangements with any other entities.

More detailed information regarding the individual subsidiaries and associates of Oldham Council are included in note G2.

Excluded

A number of entities have not been included in the Group Accounts on the grounds of materiality, and details of the Authority's relationship with each of them are given in explanatory note G1.

3 Accounting policies used in preparing the Group Financial Statements

The financial statements produced by individual group entities have been re-aligned in order to ensure consistent accounting policies in the preparation of the Group Statements.

The accounting policies followed in the preparation of the Group Financial Statements differ from those applicable to the Council's primary financial statements only in the following respects:

- Subsidiaries have been consolidated on a line-by-line basis; and
- Associates have been consolidated using the equity method.

5.1 GROUP INCOME AND EXPENDITURE ACCOUNT

This statement sets out the income and expenditure relating to the Council and its subsidiaries and associates as a whole, together with any appropriations to reserves.

2008/09 NET EXPEND £000		2009/10		
		GROSS EXPEND £000	INCOME £000	NET EXPEND £000
1,217	Assistant Chief Executive	15,137	(2,847)	12,290
66,889	Economy, Place and Skills	79,155	(11,954)	67,201
128,127	People, Communities & Society	412,087	(291,148)	120,938
(6,757)	Performance, Capacity & Services	114,599	(112,165)	2,434
16,646	HRA	84,717	(91,613)	(6,896)
7,926	Exceptional Item	-	-	-
39,758	Corporate Management	17,530	(86)	17,444
1,178	Corporate & Democratic Core	4,739	(21)	4,718
(3)	Share of operating results of Associates	463	-	463
254,981	NET COST OF SERVICES	728,427	(509,834)	218,592
(696)	Loss/(Gain) on disposal of Fixed Assets			(1,047)
-	Share on Profit of Business Centres			-
260	Precepts paid to Parish Councils			269
(1,023)	(Surplus)/deficit on trading activities			930
38,222	External interest payable			31,822
-	Share of interest payable by Associates			-
-	Premiums and discounts			-
1,543	Contribution of Housing Capital Receipts to Government pool			642
(8,228)	Interest and Investment Income			(3,691)
-	Share of interest receivable by Associates			-
10,069	Pension Interest cost and Expected Return on assets			11,806
8	Corporation Tax			-
-	Share of Corporation Tax payable by Associate			1
295,136	NET OPERATING EXPENDITURE			259,325
-	Council Precept, Parish Precepts, and Collection Fund (Surplus)/Deficit			-
(82,134)	Income from Council Tax			(83,848)
(31,008)	General Government Grants			(41,543)
(99,152)	National Non Domestic Rates Distribution			(95,493)
(5,968)	PFI Grants			(10,442)
76,874	(SURPLUS)/DEFICIT FOR THE YEAR			34,351

5.2 RECONCILIATION OF OLDHAM COUNCIL'S INCOME AND EXPENDITURE ACCOUNT (SURPLUS) OR DEFICIT TO THE GROUP INCOME AND EXPENDITURE ACCOUNT (SURPLUS) OR DEFICIT

2008/09 £000		2009/10 £000
77,139	(Surplus) or deficit on Oldham Council's Income and Expenditure Account for the year	56,737
	(Surplus) or deficit arising from other entities included in the group accounts:	
(262)	- Subsidiaries	(24,492)
(3)	- Associates	464
76,874	Group Account (surplus) or deficit for the year	32,709

5.3 GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement shows all of the net gains and losses recognised by the group during the year, including those arising from valuation changes in assets and liabilities, which are not recognised in the Income and Expenditure Account.

2008/09 £000		2009/10 £000
76,874	(Surplus) / deficit on the Income and Expenditure Account for the year	32,715
(96,257)	(Surplus)/deficit arising on Revaluation of Fixed Assets	(4,732)
68,156	Actuarial (Gains) and Losses on Pension Fund Assets and Liabilities	266,280
-	Effect of Premium and Discount	-
125	Any other Gains and Losses recognised in the STRGL.	1,676
48,898	Total recognised gains and losses for the year	295,939
	Details of "Other Gains and Losses" shown above are as follows:	
108	Collection Fund Balance	
	Effect of changes in bodies consolidated	
-	- Community 1 st Oldham (Chadderton) Ltd	2,220
-	- Meridian (Interurban)	(544)
17	Other	-
125	Total	1,676

RECONCILIATION OF 2008/09 PUBLISHED GROUP BALANCE SHEET TO RESTATED GROUP BALANCE SHEET.

See Note 1 – Prior Period Adjustment for more details

	2008/09 Publicised Accounts £000	2008/09 Restated £000
Council Dwellings	421,708	438,754
Other Land & Buildings	308,873	387,935
Total Fixed Assets	972,204	1,068,312
Long Term Debtors	19,116	13,910
Total Fixed & Long Term Assets	1,007,162	1,098,064
Debtors – Net of Provision for Bad Debts	88,298	69,170
Total Current Assets	173,779	154,172
Creditors	(94,083)	(92,491)
Total assets less current liabilities	1,029,217	1,102,583
Deferred Liabilities	(12,390)	(113,317)
Government Grants Deferred	(129,057)	(130,840)
TOTAL ASSETS LESS LIABILITIES	335,992	306,648
Capital Adjustment Account	(315,060)	(265,738)
Collection Fund Adjustment Account	-	(1,801)
Revaluation Reserve	(110,152)	(132,202)
Earmarked Reserves	(22,512)	(20,677)
Balances – Collection Fund	(2,038)	-
TOTAL NET WORTH	(335,992)	(306,648)

5.4 GROUP BALANCE SHEET

The Group Balance Sheet summarises the financial position of the Council and its subsidiaries and associates as a whole. It shows the value of the group assets and liabilities at the end of the financial year.

2008/09 £000		2009/10 £000	Notes
	FIXED ASSETS		
4,924	Intangible Fixed Assets	4,413	
	Tangible Fixed Assets		
	Operational assets		
438,754	- Council dwellings	435,598	G5
387,935	- Other land and buildings	391,807	G5
8,137	- Vehicles, plant and equipment	7,942	G5
103,559	- Infrastructure assets	105,384	G5
5,264	- Community assets	4,413	G5
119,739	Non-operational assets	120,773	G5
1,068,312	TOTAL FIXED ASSETS	1,070,330	
14,199	Long term investments	12,540	
1,643	Interests in associated undertakings	247	
13,910	Long term debtors	9,127	
-	Deferred Premiums	-	
29,752		21,914	
1,098,064	TOTAL LONG TERM ASSETS	1,092,244	
	CURRENT ASSETS		
2,164	Stocks and work in progress	965	G6
69,170	Debtors	68,379	G7
77,760	Short term investments	25,179	
5,078	Cash and bank	2,618	
154,172		97,141	
	CURRENT LIABILITIES		
(44,041)	Temporary loans	(12,144)	
(92,491)	Creditors	(93,125)	G8
(13,121)	Bank Overdraft	(7,257)	
(149,653)		1,076,859	
1,102,583	TOTAL ASSETS LESS CURRENT LIABILITIES		
	LONG TERM LIABILITIES		
(401,996)	Long term borrowing	(360,863)	
(113,317)	Deferred liabilities	(157,743)	
(117)	Deferred capital receipts	(79)	
-	Deferred Discounts on Early Repayment of Debt	-	
(136,900)	Liability relating to defined benefit pension scheme	(386,523)	
(12,765)	Provisions	(9,604)	
(130,840)	Government Grants deferred account	(150,798)	
(795,935)		(1,065,610)	
306,648	TOTAL ASSETS LESS LIABILITIES	11,249	

2008/09 £000		2009/10 £000	Notes
	FINANCED BY		
(265,738)	Capital Adjustment Account	(207,512)	
(1,801)	Collection Fund Adjustment Account	(868)	
18,273	Financial Instruments Adjustment Account	14,882	
(132,202)	Revaluation Reserve	(131,876)	
-	Available-for-Sale Financial Instruments Reserve	-	
(4,016)	Usable Capital Receipts Reserve	(4,951)	
136,900	Pensions Reserve	386,523	
(617)	Major Repairs Reserve	-	
	Associated and Subsidiary Cost General Reserve		
(20,677)	Earmarked Reserves	(27,219)	
(1,534)	Authorities share of the Associate's post acquisition reserves (excluding revaluation reserve which needs to be shown separately.)	3,401	
(12,712)	Balances – General Fund	(12,722)	
(1,691)	Balances – Income and Expenditure Reserve	(5,426)	
(13,216)	Balances – Housing Revenue Account	(18,083)	
-	Balances – Collection fund	-	
(7,617)	Balances - Schools	(6,858)	
-	Revaluation Reserve of group entities and reporting authorities share of revaluation reserve of associates	-	
-	Profit and loss and other reserves of group entities and reporting authorities share of profit and loss and other reserves of associates	-	
(306,648)	GROUP BALANCES AND RESERVES	(10,709)	
-	Minority interest	-	
(306,648)	TOTAL BALANCES AND RESERVES	(10,709)	

5.5 GROUP CASH FLOW STATEMENT

The Group Cash Flow Statement summarises the cash flows of the Council and its subsidiaries and associates during the year.

31 March 2009 £000		31 March 2010 £000	Note
64,584	Revenue Activities Net Cash Inflow / (Outflow)	77,031	
1,300	Dividends received from Joint Ventures	1,000	
	Returns on Investment and Servicing of Finance		
	<u>Cash Outflows</u>		
(29,328)	Interest paid	(21,013)	
(8,945)	Interest element of finance lease rentals	(10,809)	
	<u>Cash Inflows</u>		
-	Dividends received from Joint Ventures and Associates	-	
6,979	Interest received	2,691	
(29,994)	Returns on Investment and Servicing of Finance	(28,131)	
(39)	Taxation	(37)	
	Capital Expenditure and Financial Investment		
	<u>Cash Outflows</u>		
(61,812)	Purchase of fixed assets	(69,368)	
-	Purchase of long-term investments	-	
(192)	Other capital cash payments	-	
	<u>Cash Inflows</u>		
36,218	Capital grants received	39,110	
3,458	Sale of fixed assets	3,273	
(22,367)	Capital Activities Net Cash Outflow	(27,022)	
-	Acquisitions and disposals	-	
12,223	NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	21,878	
	Management of Liquid Resources		
(14,800)	Net (increase)/decrease in short term deposits	52,580	
(54)	Net (increase)/decrease in other liquid resources	(13)	
(14,854)	Management of Liquid Resources Net Cash Flow	52,567	
	Financing		
	<u>Cash Outflows</u>		
(61,780)	Repayments of long-term loans borrowed	(78,698)	
-	Repayments of short-term loans borrowed	-	
(7,233)	Capital element of finance lease rental payments	(4,695)	
	<u>Cash Inflows</u>		
31,194	New long-term loans raised	1,622	
43,622	New short term loans raised	11,000	
5,803	Financing Net Cash Flow	(71,041)	
3,172	INCREASE/(DECREASE) IN CASH	3,404	

5.6 EXPLANATORY NOTES TO THE GROUP ACCOUNTS

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

G1. Bodies Not Consolidated

The following have not been consolidated into the Group Accounts.

<u>Entity</u>	<u>Reason</u>
Oldham Economic Development Association Limited	Subsidiary although not material.
Southlink Developments Ltd	Subsidiary although not material.
Oldham Property Partnership	Minority Interest and group share not material.
Manchester Airport Group PLC	Minority Interest and group share not material.
Rochdale Canal Trust	Joint venture although not material.

Further details can be seen either below or in Note 3 to the Group Accounts.

Oldham Economic Development Association Limited (OEDA)

OEDA is a company without share capital which is 100% owned by the Council, and which was set up to aid economic development and regeneration across the Borough. The company has remained inactive in the past year because of the restrictions which apply to companies wholly owned by a Local Authority.

The audited accounts for 2008/09 are set out below. These have been used for group purposes as there have been immaterial movements between 2009 and 2010.

Year ended 31 March 2008 £000		Year ended 31 March 2009 £000
764	Net assets	763
(3)	Surplus (Deficit) – before tax	(1)
(3)	Surplus (Deficit) – after tax	(1)

Further information and details of the financial statements of Oldham Economic Developments Association can be obtained from The Company Secretary at PO Box 33, Civic Centre, West Street, Oldham.

Southlink Developments Limited

The principal activity of the company is that of a property developer. However the development land now owned by the company is reduced to a few acres located on the Southlink Business Park. The continued inactivity of the company is the result of the restrictions which apply to companies wholly owned by a Local Authority.

The audited accounts for 2008/09 are set out below. These have been used for group purposes as there have been immaterial movements between 2009 and 2010.

Year ended 31 March 2008 £		Year ended 31 March 2009 £
(5,329)	Net assets	(6,259)
(930)	Surplus (Deficit) – before tax	(930)
(930)	Surplus (Deficit) – after tax	(930)

Further information and details of the financial statements Southlink Developments Limited can be obtained from The Company Secretary at PO Box 33, Civic Centre, West Street, Oldham, OL1 1UL.

Rochdale Canal Trust Limited

The Rochdale Canal Trust Limited was incorporated in England and Wales on 4 February 1986 and is a charitable company, limited by guarantee. The Trust has continued to operate as the co-ordinator of Local Authority approval of spending plans for the restoration and maintenance of the Rochdale Canal.

The audited accounts for 2009/10 are not available at this time. The unaudited figures are shown below.

Year ended 31 March 2009 £		Year ended 31 March 2010 £
1,218	Net liabilities	1,163
4,175	Surplus (Deficit) – before tax	40
4,175	Surplus (Deficit) – after tax	40

Further information and details of the financial statements Rochdale Canal Trust Limited can be obtained from The Trust Secretary at PO Box 33, Civic Centre, West Street, Oldham, OL1 1UL.

G2. Bodies Consolidated

Five bodies have been consolidated into the Council's 2009/10 Group Accounts as set out below:

First Choice Homes Oldham Limited (FCHO)

FCHO was formed in March 2002 as an "Arms Length Management Organisation". It is a company "limited by guarantee" meaning it has no share capital. The Council is the sole guarantor of the company in the event of a winding up for an amount of not more than £1.

The main objectives of FCHO are delivering major repairs and improvement to bring Council homes up to the Decent Homes Standard, rent collection, dealing with arrears and debt counselling, maintenance, managing lettings and dealing with empty properties.

Management of the company is by the Main Board, consisting of eighteen members – six tenants, six councillors and six independents.

The audited accounts for 2009/10 are not available at this time. The unaudited figures are shown below.

Year ended	Year ended
------------	------------

31 March 2009 £000		31 March 2010 £000
5,075	Net assets	5,426
681	Surplus (Deficit) – before tax	225
674	Surplus (Deficit) – after tax	219

Further information and details of the financial statements of FCHO can be obtained from The Company Secretary, First Choice Homes Oldham Ltd, 1 Media Square, Phoenix Street, Oldham, OL1 1AN.

Oldham Educational Enterprises Limited (OEE)

OEE is a company that invests in properties and estates, leasing out such property and providing services for the upkeep and maintenance.

On 2 September 1999 the company entered into an overriding lease with the Council regarding a property in Oldham town centre called Henshaw House. On the same date the company also purchased two other sites from the Council, Roundthorn Road and Harmony Street. On the 30 March 2007 the entire issued share capital of the company was acquired by the Council.

The audited accounts for the year ended 31 May 2009, are set out below.

Year ended 31 May 2008 £000		Year ended 31 May 2009 £000
(3,141)	Net assets (liabilities)	(3,650)
(518)	Deficit – before tax	(508)
(518)	Deficit – after tax	(508)

Further information and details of the financial statements of OEE can be obtained from the Company Secretary, PO Box 33, Civic Centre, West Street, Oldham.

Unity Partnership Ltd (Unity)

Unity came into being on 1 April 2007. It was made up of the Council, Mouchel and HBS (with both companies later merging) and is a private company limited by shares. The Council owns one third of the voting rights of Unity.

Unity was formed to deliver services in the following areas:

- Customer services
- Exchequer services
- Information and Communication Technology
- Highways services
- Property services

The unaudited accounts for 2009/10 are set out below.

Year ended 31 March 2009 £000		Year ended 31 March 2010 £000
(407)	Net assets	(1,678)
(282)	Surplus (Deficit) – before tax	(1,248)
(282)	Surplus (Deficit) – after tax	(1,248)

Further information and details of the financial statements of Unity can be obtained from The Company Secretary, Parvis Road, West Byfleet, Surrey, KT14 6EZ.

Meridian

The Council had provided loans and grants to fund the development of the Meridian Business Centre which was developed by Interurban Limited in the 1970s. MDCL was established during 1995/96 as a company involving the Council and a partner for the purchase and development of Lumb Mill, Delph, Saddleworth. As part of these arrangements Interurban Limited then became a 100% subsidiary of MDCL with Interurban Limited retaining its ownership of the Meridian Business Centre.

MDCL sold the two Business Centres it operates at Saddleworth and Hollinwood to Biz Space Ltd in January 2008 and MEDCL sold the Hollinwood Business Centre Phase 2 development to Biz Space Ltd.

The Council's shareholding in MDCL is 27.2% of the voting shares and 59.1% of the non voting shares.

The audited accounts for MDCL for 2009/10 are not available at this time. The unaudited figures are shown below.

Year ended 28 February 2009 £000		Year ended 28 February 2010 £000
7,988	Net assets	8,006
135	Surplus (Deficit) – before tax	23
121	Surplus (Deficit) – after tax	18
-	Dividends received	-

Further information and details of the financial statements of Meridian Development Company can be obtained from the Company Secretary, Hollinwood Business Centre, Albert Street, Hollinwood, Oldham.

Community 1st Oldham (Chadderton) Ltd

Community 1st Oldham (Chadderton) Ltd was incorporated on 29 March 2008 and commenced trading on 30 April 2008. The principle activity of the company is the development and property management of a Multi-Purpose Health & Wellbeing Centre in Chadderton. The Centre opened on 26 October 2009 and is now fully operational.

The Council has a 20% shareholding. The company's unaudited accounts for 2009 are set out below.

Year ended 31 December 2008 £000		Year ended 31 December 2009 £000
(512)	Net assets (Liabilities)	1,568
(647)	Surplus (Deficit) – before tax	(342)
(512)	Surplus (Deficit) – after tax	(342)

G3. Related Parties

The shareholding in **Manchester International Airport PLC** represents 5% of the issued share capital and is based on historical cost.

31 March 2009 £000		31 March 2010 £000
788,500	Net assets	
2,200	Surplus (Deficit) – before tax	
(100,900)	Surplus (Deficit) – after tax	
1,300	Dividends received	

Further information and details of the financial statements of Manchester International Airport Plc can be obtained from the Company Secretary at Professional Services Limited, PO Box 532, Town Hall, Manchester.

Oldham Property Partnership Limited (formerly Hiretarget Limited) was established during 1994/95 as a company involving the Council and a partner in connection with the purchase and redevelopment of the Watersheddings site used by Oldham RLFC. Other developments have followed and during 1999/00 the Council received 7,060,000 preference shares in exchange for land to the value of this amount in respect of the development of the former Westwood Athletics Track. The shares in Oldham Property Partnership Limited are held in trust by Southlink Developments, a company fully owned by the Council. During 2008/09 1,500,000 preference shares were redeemed as part of a land swap arrangements regarding the Lime Mill site and a further 1,659,000 preference shares were redeemed in 2009/10 to repay monies owed to OPP in respect of the acquisition of five sites in Oldham. The Council owns none of the ordinary shares in OPP.

Year ended 24 September 2008 £000		Year ended 24 September 2009 £000
3,753	Net assets	3,761
265	Surplus (Deficit) – before tax	20
252	Surplus (Deficit) – after tax	8
-	Dividends received	-

Further information and details of the financial statements of Oldham Property Partnerships Limited can be obtained from the Company Secretary, Mercury Way, Barton Dock Road, Trafford Park, Manchester.

G4. Reconciliation of operating surplus/(deficit) to net outflow from operating activities

2008/09	2009/10
----------------	----------------

£000		£000
	Surplus/(Deficit) for the year	
4,559	- General Fund	(749)
876	- Collection Fund	4,867
12,164	- HRA	(933)
218	- Operating Surplus	1,401
17,817		4,586
	Non cash transactions	
7,538	Add: minimum revenue provision	6,996
2,970	Add: provisions set aside in year	(3,167)
(15,647)	Add: contributions to/(from) reserves	6,542
12,264	Add: other non cash transactions	30,645
7,125		41,016
	Items on an accruals basis	
132	(Increase)/decrease in stocks	1,199
(11,272)	Decrease/(increase) in debtors (revenue items only)	(4,564)
13,811	Increase/(decrease) in creditors (revenue items only)	6,663
2,671		3,298
	Items classified elsewhere in cash flow statement	
38,109	Add: interest payments	21,013
7,090	Add: finance leasing rental payments	10,809
(8,228)	Less: investment income	(3,691)
36,971		28,131
64,584	Net cash flow from revenue activities	77,031

G5. Fixed Assets

	Value at 1 April	Additions	Disposals & Transfers	Revalua- tions	Depreciation	Impairment	Value at 31 March
	£000	£000	£000	£000	£000	£000	£000
OPERATIONAL ASSETS							
Council dwellings	438,754	49,819	(573)	8,406	(9,097)	(51,711)	435,598
Other land and buildings	387,934	21,946	2,169	7,586	(11,732)	(17,995)	389,908
Vehicles, plant and equipment	8,137	2,537	-	-	(2,707)	(23)	7,944
Infrastructure assets	103,559	7,265	-	-	(4,504)	(936)	105,384
Community Assets	5,264	139	(825)	-	(69)	(96)	4,413
NON OPERATIONAL ASSETS							
Assets under construction	3,240	1,673	(3,240)	-	-	-	1,673
Investment assets	109,549	11,366	3,014	6,455	-	(16,676)	113,708
Surplus assets held for disposal	6,950	42	(1,374)	47	(45)	(228)	5,392
TOTALS 2009/10	1,063,387	74,787	(829)	22,494	(28,154)	(87,665)	1,064,020
TOTALS 2008/09	1,003,798	76,279	(4,815)	99,095	(34,997)	(75,973)	1,063,387

G6. Stocks and Work-in-progress

2008/09 £000		2009/10 £000
	Stocks	
905	Oldham Council	701
483	FCHO	179
-	OEE	-
	WIP	
776	Oldham Council	-
-	FCHO	85
-	OEE	-
2,164	Total	965

G7. Debtors

2008/09 £000		2009/10 £000
	Debtors	
66,270	Oldham Council	70,181
11,216	FCHO	9,772
94	OEE	94
-	OEDA	-
	Provision for Bad Debts	
(13,310)	Oldham Council	(13,967)
-	FCHO	-
-	OEE	-
64,270		66,080
	Payments in Advance	
4,900	Oldham Council	2,182
-	FCHO	117
-	OEE	-
69,170	Total	68,379

G8. Creditors

2008/09 £000		2009/10 £000
	Creditors	
(83,929)	Oldham Council	(86,669)
(6,728)	FCHO	(5,803)
(1,834)	OEE	(653)
(92,491)	Total	(93,125)

6.0 OTHER STATEMENTS

6.1 STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at year end of 31 March 2010. The Accounts have been prepared in accordance with the Accounts and Audit Regulations 2003 (as amended 2004 – 2008) and the Local Government and Housing Act 1989. They follow the principles and form recommended by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) published CIPFA.

They also conform with CIPFA's Statement of Recommended Practice (the SoRP) 2009 on The Applicability of Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs). Any divergence from either the Code or any SSAP is indicated with an appropriate explanatory note.

There has been a change to the Council's accounting policies in this financial year to take account of the mandatory changes introduced by the Statement of Recommended Practice 2009 regarding accounting for Private Finance Initiatives and Similar Contracts which now uses International Financial Reporting Interpretations Committee Issue 12 - Services Concession Arrangements, instead of Financial Reporting Standard 5 - Reporting the Substance of Transactions. As a consequence of this change the 2008/09 accounts have been restated. The effect of this restatement can be viewed in Note 1 - Prior Period Adjustment.

1 Fundamental Accounting Concepts

This Statement of Accounts has been prepared in accordance with the fundamental accounting concepts set out below:

- a) Financial information should be relevant, reliable, comparable and understandable.
- b) Materiality of information must be considered, i.e. information must be of such significance as to justify its inclusion.
- c) The accounts must be prepared on both an accruals basis (i.e. income and expenditure must be recognised in the accounting period in which the effects of these are experienced) and assuming that the Council will continue to be operational in the foreseeable future (principle of going concern).
- d) Local Authority finance operates within a framework of legislation and regulation, and where legislative and accounting principles conflict, legislative requirements shall apply.

The following explanations are areas that are considered significant in regards to the way items have been treated in the accounts.

2 Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identified and controlled by the Authority is capitalised when it will bring benefits to the Authority for more than one year. It is separately shown on the balance sheet. This category of assets is defined as software licenses, licenses, trademarks and artistic originals and patents. The Authority has identified computer software in the intangible assets category.

The charge to service revenue accounts, support services and trading accounts is based on writing down the historic cost over the useful economic life of the asset to reflect the pattern of consumption of benefits.

3 Tangible Fixed Assets

Tangible Fixed Assets are assets that have a physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts, provided that the fixed assets yield benefits to the authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance which is charged direct to service revenue accounts.

Fixed assets are valued on the basis set out in the Code of Practice for Capital Accounting issued by CIPFA, and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institute of Chartered Surveyors (RICS).

For presentation in the Balance Sheet, fixed assets have been classified into the groupings required by the Code and valued on the appropriate basis:

- Land, operational properties and other operational assets are valued on the basis of current value in existing use and are included in the balance sheet at the lower of net current replacement cost and net realisable value net of depreciation, unless they are of a specialist nature, in which case they are valued on a depreciated replacement cost basis. Council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing, in accordance with guidance from DCLG.
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value.
- Infrastructure assets and vehicles, plant and equipment are included in the balance sheet at historical cost, net of depreciation. A general limit of £10,000 applies below which costs will be charged to revenue unless grant regulations specify otherwise.
- Community assets are included at historical cost, net of depreciation, where appropriate.

Revaluations of fixed assets are carried out on a five year rolling programme and surpluses included in the Revaluation Reserve. Any material changes to asset valuations are adjusted in the interim period as they occur.

4 Depreciation

Depreciation is provided for on all fixed assets included in the Balance Sheet at the commencement of the financial year.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

Infrastructure	40 years
Operational Buildings	Up to 50 years
Plant and Equipment	3 – 10 years

No depreciation charge is made in the year of construction or purchase.

5 Capital Receipts

Income from the disposal of fixed assets known as capital receipts, has been accounted for on an accruals basis.

A proportion of the capital receipts earned during the year is payable to the Government as per the Local Authorities Finance regulations 2004 using the proportions as first defined in the Local Government and Housing Act 1989. The balance of receipts is credited to the Useable Capital Receipts Reserve and is available to finance capital expenditure.

6 Charges to Revenue for Use of Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year;

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service; and
- Amortisation of intangible fixed assets attributable to the service.

As the authority is not required to raise Council Tax to cover depreciation, impairment losses or amortisations, the equivalent amount is credited back to the Statement of Movement on the General Fund Balance, which neutralises the effect on the Council Tax.

However, the Authority makes an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement.

7 Leasing

All of the Authority's principal leases have been reviewed to determine whether they are Finance or Operating Leases.

a) Finance Leases

The authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the authority. Rentals payable are apportioned between;

A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset - the liability is written down by the principal element of the rent payable). The principal element of the rent payable is charged to the Statement of General Fund Balances; and

A finance charge (i.e. interest element of rent payable) is debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable.

Fixed assets recognised under finance leases are accounted for using the accounting policies applied generally to Tangible Fixed Assets.

Finance leases are accounted for as provided under SSAP21 - Accounting for Leases and Hire Purchase Contracts in accordance with the Code of Practice on Local Authority Accounting.

b) Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

8 Capital Expenditure Which Does Not Result In The Creation Of A Fixed Asset

Capital expenditure which does not result in the creation of a fixed asset is written off to service revenue accounts, support services and trading accounts in the year in which the expenditure is incurred, and so does not show on the Balance Sheet.

9 Redemption of Debt

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement.

10 Investments

Investments are shown in the Balance Sheet at amortised cost. Income from investments is credited to the Income and Expenditure Account in the year the Authority is entitled to receive it.

11 Stocks and Work in Progress

Stocks and Work In Progress are included in the accounts at the lower of cost and net realisable value.

12 Debtors and Creditors

The accounts of the Council are maintained on an accruals basis which means that amounts due to or owed by the Council are included, whether or not the cash has actually been received or paid in the year.

13 Government Grants and Contributions

Revenue grants are accrued and credited to income in the same period in which the related expenditure is charged. SSAP4 (Revised) Accounting for Government Grants states that capital expenditure related grants should be credited to revenue over the expected useful life of the asset. When a government grant or any other contribution has been applied to the financing of capital expenditure on fixed assets, a balance is established representing a deferred credit to be released to revenue to net off the depreciation that might be charged to assets.

14 Provisions

The Authority sets aside provisions where there is a legal or constructive obligation to transfer economic benefits as a result of a past event, and where it is probable that a transfer of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation, but where the timing of such costs is uncertain.

Contributions to provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation. Any subsequent expenditure arising to which the provision relates is charged to the provision set up in the Balance Sheet.

15 Reserves

The Authority sets aside specific amounts as reserves, as required by statute or by Authority policy, for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year within the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the Statement of Movement on the General Fund Balance so that there is no net charge against Council Tax when the expenditure is actually made, other than any difference written off between the actual expenditure made and the reserve set up in anticipation of it.

Certain reserves are kept to manage the accounting processes that do not represent usable resources for the Authority - these three reserves are:

Revaluation Reserve

This represents principally the balance of the surpluses or deficits arising on the periodic revaluation of tangible fixed assets.

Pensions Reserve

This is disclosed as a negative reserve on the Balance Sheet, representing the difference between Oldham's share of the Pensions Fund assets and its liability to pay future pensions. This reserve also includes the capitalised value of unfunded pensions, which are charged directly to the Income and Expenditure Account as a non-distributed cost on an annual basis.

Capital Adjustment Account

This represents the timing differences between the amount of the historical cost of Fixed Assets that has been consumed and the amount that has been financed in accordance with statutory requirements. The credit balance on the account shows that Capital Finance has been set-aside at a faster rate than Fixed Assets have been consumed, and that the Authority has a nominal surplus when comparing financing to the consumption of resources.

16 Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The key features relevant to accounting for Council Tax in the core financial statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes Council Tax income on behalf of the major preceptors and itself
- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors
- Until 2008/09 the SoRP required the Council Tax income included in the Income and Expenditure Account to be that which under regulation was required to be transferred from the Collection Fund to the General Fund of the billing authority
- From the year commencing 1 April 2009 the Council Tax income included in the Income and Expenditure Account for the year is the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance
- Since the collection of Council Tax and NNDR is in substance an agency arrangement:

Cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will be therefore a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Taxpayers; and

Cash collected from NNDR taxpayers by billing authorities (net of the cost of collection allowance) belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date is included in the Balance Sheet as a creditor. Similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the billing

authority's cost of collection allowance), the excess is included in the Balance Sheet as a debtor.

17 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the principles set out in the CIPFA Best Value Accounting Code of Practice 2009 (BVACOP).

The allocation bases include actual time spent by staff, building floor space occupied and actual usage of support services. The full absorption costing principle is used with the exception of the following :

- Corporate and Democratic Core costs relating to the Council's status as a multi-functional, democratic organisation
- Non Distributed Costs are the costs of discretionary benefits awarded to employees taking early retirement.

These two categories of overhead costs are accounted for as separate headings in the Income and Expenditure Account as part of Net Cost of Services.

18 Group Accounts

The Council is required to prepare group accounts if it has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures. The SoRP sets out criteria by which the Council must determine whether the value of the entity and the Council's interest is significant enough for group accounts to be produced.

19 Value Added Tax (VAT)

Value Added Tax is included within the accounts only to the extent that it is irrecoverable and therefore charged to revenue or capital expenditure as appropriate.

20 Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the fixed assets will pass to the Council at the end of the contracts for no additional charge or an option to purchase at less than market value, the Council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year - debited to the relevant service in the Income and Expenditure Account
- Finance cost - an interest charge on the outstanding Balance Sheet Liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account

- Contingent Rent - increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- Payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs - recognised as fixed assets on the Balance Sheet

21 Events After the Balance Sheet Date

Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue. The date when the Statement of Accounts was authorised for issue and who gave that authorisation is disclosed in the notes to the Statement of Accounts, including confirmation that this is the date up to which events after the Balance Sheet date have been considered.

Where a material event after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date occurs (adjusting event) the amounts recognised in the Statement of Accounts are adjusted.

Where an event that occurs after the Balance Sheet date is indicative of conditions that arose after the Balance Sheet date (non-adjusting event) the amounts recognised in the Statement of Accounts are not adjusted, e.g. a decline in market value of investments after the Balance Sheet date.

The following is disclosed for each material category of non-adjusting event after the Balance Sheet date:

- a) The nature of the event, and
- b) An estimate of the financial effect, or a statement that such an estimate cannot be made reliably.

22 Exceptional Items, Extraordinary Items and Prior Period Adjustments

Exceptional items are included in the cost of the service to which they relate or on the face of the Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts.

Extraordinary items are disclosed and described on the face of the Income and Expenditure Account after dealing with all items within the ordinary activities of the Authority. There are no extraordinary items included in the accounts for 2009/10.

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. These are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and then adjusting the opening balance of reserves for the cumulative effect. The cumulative effect of the adjustments is also noted at the foot of the Statement of Total Recognised Gains and Losses of the current period.

23 Area Based Grant

In 2008/09 the Local Area Agreement (LAA) Grant was replaced by the Area Based Grant (ABG). ABG is a non-ringfenced general grant which means that its use is not restricted to supporting the achievement of LAA targets. ABG is included in the Income and Expenditure Account with other general income sources such as income from the Collection Fund and NNDR distribution. A breakdown of general grants income by type of grant is shown in Note 10.

24 Retirement Benefits

Employees of the authority are entitled to join either The Local Government Pensions Scheme or The Teachers' Pension Scheme.

The Local Government Pension Scheme

The Greater Manchester Local Government Pensions Scheme is administered by Tameside Metropolitan Borough Council on behalf of the 10 Greater Manchester Districts. This is a contributory, final salary based, occupational pension scheme which is contracted out of the State Earnings Related Scheme. The contribution rate is determined by the Fund's actuary based on triennial valuations.

The Teachers' Pension Scheme

The Teachers' Scheme, which is an unfunded scheme, is administered by Teachers' Pensions on behalf of the Department for Children, Schools and Families, formerly the Department for Education and Skills (up to 27 June 2007). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme.

Discretionary Benefits

The Authority 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 (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies that are applied to the Local Government Pension Scheme.

25 Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the accounting statements but are disclosed in the Explanatory Notes to the Core Financial Statements.

26 Financial Liabilities

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate of interest for the instrument.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from (or added to) the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable (or discount receivable) when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

27 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 initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Where assets are identified as impaired because of the 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 Income and Expenditure Account.

Any gains or losses that arise from the derecognition of the asset are credited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account 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 is credited to the Income and Expenditure Account when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- 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.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses. The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the reserve.

Where assets are identified as impaired because of the likelihood arising from a past event means that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains or losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

6.2 ANNUAL GOVERNANCE STATEMENT 2009/2010

SCOPE OF RESPONSIBILITY

Oldham Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Oldham Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Oldham Council is responsible for putting in place proper arrangements for the governance of its affairs including internal control, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Oldham Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.oldham.gov.uk or can be obtained from Mark Stenson, Head of Corporate Governance at Oldham Council. This statement explains how Oldham Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of an Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Oldham Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Oldham Council for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Statement of Accounts.

THE GOVERNANCE FRAMEWORK

The Council's control environment encompasses the strategies, policies, plans, procedures, structures, processes, attitudes, behaviour and actions required to deliver good governance for the citizens of Oldham. The key elements of good governance arrangements in Oldham Council are:

Communicating the Authority's Vision

The Council's strategic objectives have been identified and set out in the Corporate Plan. These have been aligned to establish a clear link between Central Government priorities, the priorities for the Council as identified with its partners, involvement of the local community and the work of the Council. The Council's Corporate Plan is currently under review to update the Council's priorities to supplement the fundamental review done in 2009/10.

Core Values

The Core Values of the Council have established within the Council's cultural change and development programme, the Trust Oldham Initiative. These are that staff will :

- Help make Oldham a place of choice
- Value each other
- Have integrity
- Deliver their best at all times

Engagement and Consultation with the Community

The Council is fully committed to community engagement and consultation. The authority works closely with other local public bodies, community and voluntary groups via a partnership approach to ensure effective delivery of its services.

Clear Management Accountability

The Council is managed by a Cabinet system as set out in the agreed Council Constitution, which sets out the scheme of delegation between elected Members and Officers. Members of the Cabinet are held to account by a system of Scrutiny which is also set out in the Constitution. Scrutiny is undertaken by the:

- Overview and Scrutiny Management Board
- Performance and Value for Money Select Committee
- Health and Wellbeing Select Group
- Safer and Stronger Communities Select Group
- Economic Prosperity Select Group
- Education, Skills and Training Select Group

To implement the agreed policies at officer level the Executive Management Team, which consists of the Chief Executive, Executive Directors, Assistant Chief Executive and Borough Treasurer, meets on a weekly basis. The representation of the Borough Treasurer as the Section 151 Officer with attendance by the Borough Solicitor on an as and when required basis as the Monitoring Officer ensures that the key Statutory Officers are represented at the most senior level. This is supported by Directorate Management Teams, which meet on a regular basis to devolve the agreed policy of the Council at an Operational Level.

Ensuring Development Needs for Members and Senior Officers are met

The Council is committed to developing the skills of both Members and Senior Officers in order to enable a continuous improvement in the services provided.

All officers are covered by the Corporate Performance Appraisal system, which ensures that their performance and development needs are reviewed on a regular basis. A full leadership development and cultural change training programme, Trust Oldham, has been delivered throughout 2009/10 and will continue in 2010/11. This will link directly to the performance objectives for each Senior Officer and Cabinet Member.

A full training programme for both established and newly elected members is under development within the Organisational Development Service to ensure they have all the necessary skills and legislative training to discharge their duties. This will be fully implemented in 2010/11 and will address the issues raised in inspection reports about an area the Council needs to improve.

Facilitation of Policy and Decision Making

The Council has agreed a Constitution that sets out how it operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, proportionate, transparent and accountable. This Constitution is regularly reviewed and a comprehensive update was agreed by the Council at its meeting in May 2009 to ensure it remained up to date. In 2010/11 further work is

underway led by the Borough Solicitor and Head of Corporate Governance to ensure it remains fit for purpose with an aim to report to the Council at its meeting in May. On an annual basis the Borough Solicitor supported by key officers will undertake a annual review of the Constitution.

The Constitution sets out the delegated responsibilities for the Council, Cabinet, individual Cabinet Portfolio Holders, Committees and the powers that are delegated to key officers. The scheme of delegation clearly sets out the levels at which decisions can be made.

Decisions taken under delegated powers are recorded electronically and are reported on a regular basis via the Council's Electronic Decision Making Recording System (EDRS). The Council is in the process of updating this system with an aim in 2010/11 to introduce an improved system

All meetings of the Cabinet and key Committees are included in the Council's Forward Plan, which is publicised and available to the public.

Ensuring Quality Outcomes and Efficient Use of Resources

All Executive Directors and Assistant Executive Directors prepare Directorate and Divisional Plans that contain the key actions and performance targets necessary to deliver the strategic objectives of the organisation as outlined in the Corporate Plan.

The Council has a Performance Management Framework for the whole organisation, which monitors performance against national, local performance indicators and progress against the priorities set within its Business Plans. Information on performance is reported via quarterly Directorate and Council Performance Reports and where necessary monthly reports, Directorate Information Standards Groups, and Senior Management Meetings, Leadership and Cabinet Sessions and the Performance and Value for Money Overview and Scrutiny Committee. Performance targets and outcomes are reported to stakeholders and bodies that externally review the Council's performance; such as the Care Quality Commission, Office for Standards in Education and the Audit Commission.

The Council seeks to obtain value for money via a number of arrangements:

- A co-ordinated approach to Procurement across Directorates to ensure separate initiatives within Directorates are brought together to ensure economies of scale to the Council are achieved. In 2009/10, as part of the efficiency programme, the Procurement function has been brought together as one unit
- Developing joint financial and performance reports
- Linking into the various Association of Greater Manchester Authority initiatives to look at saving money
- The development of a Value for Money Strategy in 2009/10 which will be implemented in 2010/11
- A robust year on year process for budget challenge when the Council agrees resources for each financial year
- The appointment of efficiency partners with an agreed programme of work in a number of operational and back office areas to assist the Council to make efficiency savings
- Reporting on the achievement of its efficiency savings under the key performance indicator on Council Tax Bills to all its Council Tax payers

The Council has an Approved Risk Management Strategy that enables it to effectively assist the achievement of its objectives alongside national and local performance indicators. A Corporate Risk Register, now an integral part of the Corporate Plan, supports this. This is in the process of being updated to support the Annual Governance Statement and the updated Corporate Plan.

A Corporate Governance Officers Group has been established to ensure the Corporate Governance Framework of the Council becomes embedded in processes. This Group meets when required and agrees what should be included in the Annual Governance Statement.

The Council identifies efficiencies and monitors their implementation primarily through its budget strategy and monitoring processes. Also, since the Gershon review report in July 2004 which was updated for CSR 2007 and the latest budget, it has aligned these processes with the principles and

guidance issued by the government. In the year 2010/11 the government will introduce an emergency budget on 22 June 2010 and a detailed spending review, both of which are likely to increase the efficiency target expected of the Council from the 2010/11 financial year.

The Council is currently reviewing its Workforce Strategy for relaunch in 2010/11 and clearly this will underpin the delivery of all current and future policies, strategies and objectives and impact on the efficient and effective use of resources and quality outcomes.

Ensuring Compliance with Established Policies, Procedures, Laws and Regulations

Executive Directors supported by Assistant Executive Directors are responsible for ensuring that they establish and maintain effective systems of internal control, complying with legislation, the Council's Constitution and key Financial Procedure Rules. This includes responding to recommendations by Inspectorates.

The respective roles of the Section 151 Officer and the Monitoring Officer ensure legality, financial prudence, and transparency in transactions.

The Council also places reliance on external assurance providers, such as the Audit Commission, Officer for Standards in Education, and Care Quality Commission, and any recommendations arising are acted upon and monitored through the scrutiny process. The Council has a public complaints procedure that allows the Local Government Ombudsman to investigate and report its findings. This ensures that lessons can be learned to prevent repeated occurrences.

Both the Standards and Audit Committees take a proactive approach to ensuring high levels of good governance, ethical behaviour and transparency throughout the Council's processes for both members and officers. Both of these Committees are chaired by an Independent Member to ensure its work is non political. To improve the feedback to the Council on its work the Audit Committee, in July of each year, will produce its annual report of its work for consideration at a full Council meeting.

Developing, Communicating and Embedding Codes of Conduct

Members have, in accordance with the Local Government Act 2000, adopted the National Code of Conduct. The Council also operates a Standards Committee with appropriate representation by Independent Members including a Chair who is not an elected member where allegations into breaches of the Code by Members can be raised.

Employees are bound by the various Codes of Conduct, which have been agreed with the Unions, setting out acceptable standards of behaviour. The Codes of Conduct are supported by other further guidance where it is felt to be suitable e.g. on the acceptable private use of ICT provided by the Council for staff.

There is a Members and Officers relationship protocol, which has been prepared in accordance with best practice.

Financial Management of the Council

The financial framework of the Council is structured through the Finance and Contract Procedure Rules plus the Land and Property Protocol, which are set out in the Constitution and follow best professional practice as set out in Chartered Institute of Public Finance and Accountancy's guidance. A system of regular management information, administrative procedures (including division of duties), management supervision and a system of delegation and accountability support these. Such procedures seek to ensure that transactions are authorised and that material errors or irregularities are either prevented or would be detected within a timely period.

Maintenance of an effective system of both internal and more detailed financial control is the agreed responsibility of all managers at directorate and corporate level. There are regular budget monitoring reports presented to Directorate Management Teams, the Executive Management Team and Cabinet with consultation with the relevant Cabinet Members between month 2 and 10 of each financial year.

In respect of reviewing the effective system of internal control an independent check is provided by both External and Internal Audit

Schools' expenditure is a significant commitment for the Authority. All schools over the defined period of time are working towards achieving the Financial Management Standard in Schools, which places a requirement on the Leadership of a school to self certify that their procedures are sound. This process provides the Borough Treasurer with assurance that overall delegated schools' budgets are properly controlled and accounted for. Where schools are not achieving the Standard in accordance with the specified timetable they will be subject to more detailed scrutiny from Internal Audit.

Corporate Governance and the Audit Committee

The Council maintains a Corporate Governance Section, which covers Internal Audit, Counter Fraud and Risk Management/Insurance. A number of changes to procedures in previous years have resulted in the Internal Audit Service now operating to the Standards set out in the Code of Practice for Internal Audit in Local Government in the UK. These improvements have resulted in the Audit Commission as the external auditor to the Council being able to place greater reliance of the work done by Internal Audit.

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control and, where relevant, making recommendations for improvement. Internal Audit subsequently checks the implementation of recommendations.

The Head of Corporate Governance has direct access and reporting lines to all senior management, including the Chief Executive and Chair of the Audit Committee. The Head of Corporate Governance formally reports on the activities to the Audit Committee and at the end of each year provides an opinion on the overall adequacy and effectiveness of the Council's overall internal control environment.

As part of the regular internal audit review process, Internal Audit undertake audits as specified by International Auditing Standards which cover the main financial systems. It produces an Audit Needs Assessment, Partnership Governance Assessment and a Fraud and Loss Risk Assessment, which aid the production of an Audit Plan. The Audit Plan is reported to the Audit Committee along with regular reports on the progress made.

The Audit Committee has three Independent Members who provide financial expertise to supplement the skills of elected Members. The Chair of the Audit Committee is an Independent Member. The Audit Committee meets on a regular basis, at least quarterly, to receive the reports of both Internal and External Audit and has the power to hold both the Cabinet and Executive Directors to account. Reports are submitted on internal control matters in relation to each Directorate, and at the relevant meeting the Executive Director and/or a senior representative of the Directorate will respond directly to the Audit Committee on matters raised.

Procedures for Whistle Blowing and for receiving and investigating Complaints

A strong ethical and performance framework is in place to enable officers and Members of the Council to operate effectively in their respective roles, which allows the pursuit of excellence in service delivery. The Council has a formalised Counter Fraud Framework, which includes an Anti-Fraud and Anti-Corruption Strategy, Whistle Blowing Policy and Fraud and Loss Risk Assessment. The Whistle Blowing Policy allows both staff and members of the public, including contractors, to raise matters in a confidential manner within the Council.

The Internal Audit and/or Counter Fraud Function investigate all matters of suspected impropriety. Registered electors can also raise matters with the External Auditor.

In addition a formal complaints policy exists to deal with other matters of public concern regarding the services provided by the Council.

Partnership Arrangements

The Council currently delivers a wide range of services, which often involve working in partnership with others, many of which involve considerable levels of funding.

It is a requirement of the Statement of Recommended Practice (SORP) 2009 that, “Where an authority is in a group relationship with other entities and undertakes significant activities through the group, the review of the effectiveness of the system of internal control should include its group activities.”

The Borough Treasurer has commissioned the production of a Partnership Governance Risk Assessment, which is updated on a quarterly basis. This was reported to the Audit Committee in March 2010 assessing the risks on significant partnerships to the Council at a point in time using a traffic light rating. This is to be reported to Directorate Management Teams every quarter and the Audit Committee every half year to support its role in assessing the risks on significant partnerships.

REVIEW OF EFFECTIVENESS

Oldham Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Corporate Governance’s annual report, and also by comments made by the External Auditors and other Review Agencies and Inspectorates.

SIGNIFICANT GOVERNANCE ISSUES

2008/09 Issues to be Carried Forward	Planned Management Action to Reduce Risk
<p>Single status/job evaluation is to be implemented in 2010/11. This is an extremely challenging issue for the Council in that it needs to progress the issue to implement single status as required under the national agreement against the fact that the impact on employees means that, once results are announced, there could be employees who either see an increase or a reduction in salary.</p> <p>At the present time, it is currently assumed that this will be achieved within budget. The Council has resolved one issue on the project but the remaining issues are going to be challenging to implement.</p>	<p>The Council is working closely with the joint trade unions to establish the new pay and grading structure. These discussions also include plans to harmonise terms and conditions for employees including overtime. It is planned that these discussions will be completed by the end of June 2010, at which time the Council will consult with staff on their new salary and grade. Following this there will be a 90 day consultation for staff to comment upon the proposals.</p> <p>The Council is working on the proposition that the proposals must be affordable within the assumptions included in the 2010/11 detailed budgets and the Medium Term Financial Strategy.</p>
<p>The overall score for the 2008/09 Use of Resources Assessment remained an overall 2 despite it being an overall harder test. The view in 2009/10 is that the Council will be a stronger 2 overall demonstrating improvements on data quality. The view of the Audit Committee has been that this remains an issue for the Annual Governance Statement until the Council achieves an overall performance of 3.</p>	<p>The Council has in place a Use of Resources Officer Group led by the Executive Director Performance, Services and Capacity which meets on a monthly basis to ensure that for 2010/11 the Council achieves an overall score of 3.</p> <p>This group plans to incorporate the feedback from the Audit Commission, via their official assessment, and use the self-assessment done to support the 2009/10 submission of evidence to the Audit Commission to improve overall performance in the Council.</p>

2008/09 Issues to be Carried Forward	Planned Management Action to Reduce Risk
<p>Improve financial administration within the Council in certain areas. The improved financial monitoring within the Council supported by Internal Audit work has shown there are issues around financial administration, which need to be improved within the Council.</p>	<p>There is close liaison between Accountancy Staff and those in Internal Audit to target specific internal audit reviews on identifying areas where financial practice can be improved. This work is then reported both to the Directorate and the Audit Committee. There is targeted follow up to ensure Directorates are improving processes within their area of operation. Executive Directors are required to attend the Audit Committee to provide assurance that improvements promised in financial administration are actioned within their Directorate</p>
<p>The Council has a number of challenging and complex projects such as Building Schools for the Future (BSF). These are either delivered in-house or by partners which are key to implement the planned change within the Council which are also influenced by outside factors and in many cases places the residual financial risk on the Council.</p>	<p>There are dedicated project teams in place to manage the key projects to the Council such as the Housing Stock Transfer and BSF. These are working to a detailed plan to ensure the projects are delivered in the agreed timescale.</p> <p>One risk outside the Council's control is whether the previously agreed Central Government Support at the envisaged level will be available as the projects move towards completion. This situation will be monitored throughout the year.</p>
<p>Partnership governance is expanding as more and more money where the Council is the accountable body is spend by third parties.</p>	<p>The Council has prepared a risk assessment, which from a Council perspective, analyses the risks facing the Council on partnerships. This is to be updated on a quarterly basis and reported to each Directorate Management Team. Each six months it will be reported to the Audit Committee.</p>
<p>Addressing any issues within the Economy, Places and Skills Directorate going forward into 2010/11 will be a priority to ensure the Council spends within its agreed resources.</p>	<p>This has been an issue for 2009/10 in relation to this Directorate and the Borough Treasurer is to undertake a detailed review of budgetary control arrangements to ensure any issues are addressed by appropriate management action.</p>
<p>The future need to balance the public finances in future financial years is likely to have a significant impact on the local authority expenditure. The only certainty at present is the reported efficiency target, which has increased to 4% from 2010/11 against the original target of 3%. Indications are that from 2011/12 the target of 4% could increase. At present the projections for the Medium Term Financial Strategy are assuming savings in 2011/12 of 10%.</p>	<p>A review of the Medium Term Financial Strategy is underway to assess the impact on the Council finances going forward. This will be updated in light of subsequent government announcements and spending reviews. The emergency budget on 22 June will provide an insight to the Central Government thinking.</p>
<p>One issue out of various Assessments was the need to better link the reporting of financial information into performance and risk.</p>	<p>There is ongoing work between the Borough Treasurer and the Performance Service to introduce this for 2010/11.</p>
<p>One risk of increased costs in 2010/11 is the initiative to reduce Carbon emissions made by</p>	<p>The impact of this is currently being assessed by the Council with a consideration of the action</p>

2008/09 Issues to be Carried Forward	Planned Management Action to Reduce Risk
the Council.	required to minimise the financial impact on the Council. The aim is to report to Cabinet by August 2010.
One other issue identified in the Audit Commission's Annual Governance Report was that the Council needed to improve its data quality arrangements.	<p>The Performance Service has worked to improve the Council's data quality arrangements in 2009-10 and the indications from the self-assessment are that the Council is operating at improved performance. This is subject to External Audit Scrutiny.</p> <p>In 2010/11 a plan will be prepared to ensure that the Council's performance improves to good (a score of 3). Progress will be reported to the Use of Resources Steering Group.</p>

2009/10 Issues	Planned Management Action to Reduce Risk
The Council has a strategic service delivery partnership with a joint venture partner Unity that needs reviewing to ensure the present and future contract is set up in a manner to benefit the Council.	A detailed review of the contract monitoring arrangements presently in place for the Unity Contract is ongoing with a view to negotiate with Unity in relation to both Phase 1 (already transferred) and Phase 2 Services (to be transferred), which will benefit the Council.
An unsuccessful prosecution on a Trading Standards investigation has resulted in damage to the Council's reputation and a need to improve processes in deciding how to progress future investigations	An independent review has been commissioned by the Council to assess the lessons that can be learned in relation to this prosecution. The Council will implement the recommendations of the report.
Under the Uses of Resources Assessment the Council is currently scoring at a level below adequate performance for Asset Management	The Use of Resources Steering Group will meet on a regular basis to monitor the progress made on this issue. The Asset Management Team has prepared an action plan, which is in the process of being implemented.
International Financial Reporting Standards (IFRS) are due to be fully implemented in relation to the 2010/11 final accounts and in relation to the Council the impact is expected to be significant given there are a number of PFI and similar schemes in the Council.	A dedicated team has been set up within the Borough Treasurer's Department to oversee the accounting entries required by IFRS. The progress made on implementation will be reported to the Audit Committee who will monitor the progress made on behalf of the Council.
Information Security is an emerging issue and in 2009/10 there have been instances within the Council where ICT equipment including personal data has been stolen.	The Council introduced a new Information Security Policy in 2009/10 which it is in the process of implementing to improve its security arrangements on items such as ICT equipment.

Chief Executive of Oldham Council

C. Parker

Leader of Oldham Council

H. Sykes

6.3 GLOSSARY OF TERMS

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Actuarial Gains & Losses

Actuaries assess financial and non financial information provided by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- events have not coincided with the actuarial assumptions made for the last valuation
- the actuarial assumptions have changed.

Agency Services

These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

Appointed Auditors

The Audit Commission appoints external auditors to every Local Authority. They may be from the Commission's own Operations Directorate or from one of the major firms of registered auditors.

Associate Companies

This is an entity other than a subsidiary or joint venture in which the reporting Authority has a participating interest and over whose operating and financial policies the reporting Authority is able to exercise significant influence.

Balances

The balances of the Authority represent the accumulated surplus of income over expenditure on any of the Funds.

Budget Requirement

This is the estimated revenue expenditure on General Fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves. The Department for Communities and Local Government refers to it when deciding the criteria for capping Local Authority revenue expenditure.

Business Improvement District (BID)

BIDs are provided for under Part 4 of the Local Government Act 2003 (England & Wales) whereby a levy is collected from Business Ratepayers to provide agreed additional services.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (deferred charges). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Financing Charges

This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

Collection Fund

A fund administered by the Council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipts of non-domestic rates collected on behalf of Central Government.

Community Assets

Fixed Assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks, historical buildings not used for operational purposes, works of art, museum exhibits and statues.

Comprehensive Spending Review (CSR)

CSR is the public expenditure planning process introduced by the Government in 1997. The most recent CSR set the parameters for public spending for the three years from 2008 until 2011.

Contingency

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

Council Tax

This is the main source of local taxation to Local Authorities. Council Tax is levied on households within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General Fund.

Council Tax Benefit

This is the assistance provided by Billing Authorities to adults on low incomes to help them pay their Council Tax bill. The cost to Authorities of Council Tax benefit is largely met by Government grant.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailment

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

Deferred Charges

Deferred Charges represent either expenditure which has been capitalised but does not create a fixed asset for the Authority e.g. improvement grants, or expenditure which creates long-term debtors e.g. mortgages.

Deferred Credits

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

Deferred Discounts

Deferred discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the SoRP, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

Deferred Liabilities

These are liabilities which are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time e.g. deferred purchase arrangements.

Defined Benefit Scheme

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

Derecognition

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific known or predicted future expenditure.

Exceptional items

Material items deriving from events or transactions that fall within the ordinary activities of the Authority, but which need to be separately disclosed by virtue of their size and/ or incidence to give a fair presentation of the accounts.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

Expenditure

This is amounts paid by the Authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

Fair value

Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Regulations

These are the written code of procedures approved by the Authority, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

Financial Reporting Standards (FRSs)

These are statements prepared by the Accounting Standards Board to ensure consistency in accountancy matters. Many FRSs apply to Local Authorities and any departures must be disclosed in the published accounts.

Fixed Assets

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

FRS17

Financial Reporting Standard (FRS) 17 sets out the treatment of pensions and other forms of retirement benefits in an organisation's statutory accounts. The main features of FRS 17 are the valuation of assets and liabilities relating to pensions and other retirement benefits and their recognition and disclosure in the financial statements.

General Fund

This is the main revenue fund of the Authority and includes the net cost of all services financed by local taxpayers and Government grants.

Group Accounts

The Council is required to prepare Group Accounts that consolidate the financial results of the Council, any of its subsidiaries and/or associates.

Housing Benefit

This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants is known as rent rebate and that paid to private tenants as rent allowance.

Housing Revenue Account (HRA)

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

HRA Subsidy

This is a government grant paid to some Housing Authorities towards the cost of providing, managing and maintaining dwellings and paying housing benefits to tenants.

Impairment

A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Income

These are amounts due to the Council for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Council).

Infrastructure Assets

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Fixed Assets

Fixed Assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

Joint Venture

This is an entity in which the reporting Authority has an interest on a longer term basis and is jointly controlled by the reporting Authority and one or more other entities under a contractual or other binding arrangement.

Leasing Costs

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.

Lender Option Borrower Option (LOBO)

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every six months to 3 years), the lender has the ability to alter the interest rate. Should the lender make this offer, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Local Area Agreements (LAAs)

LAAs are a Central Government initiative to improve co-ordination between Central Government and Local Authorities and their partners, working through Local Strategic Partnerships.

Local Public Service Agreements (LPSAs)

LPSAs are agreements between Central Government and Local Authorities to deliver improved outcomes in key areas in return for greater flexibility and rewards for success.

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

National Non Domestic Rate (NNDR) (also known as Business Rates)

NNDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines a national rate poundage each year which is applicable to all Local Authorities. Local Authorities collect the non-domestic rate but the proceeds are pooled and then redistributed by Central Government on the basis of an Authority's population.

Neighbourhood Renewal Fund (NRF)

NRF is a Government grant funding initiative introduced in 2001/02 to assist local communities to deliver better outcomes for their most deprived areas.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

This is the cost of replacing or recreating a particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the open market value of the asset in its existing use (or open market value in the case of non operational assets) less the expenses to be incurred in realising the asset.

Non-Operational Assets

Fixed assets held which are not directly used in the delivery of Council services.

Operational Assets

Fixed assets held and occupied, used or consumed in the delivery of Council services.

Operating Lease

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

Precept

The amount levied by various Authorities that is collected by the Council on their behalf. The precepting Authorities in Oldham are the Greater Manchester Police Authority and the Greater Manchester Fire and Rescue Authority.

Prior Period Adjustments

Material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Private Finance Initiative (PFI)

A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities' participation.

Projected Unit Method

This is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date.

Provisions

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs is uncertain.

Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Assistant Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:-

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reserves

Amounts set aside for general contingencies, to provide working balances or earmarked to specific future expenditure.

Revaluation Reserve

The Reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Soft Loans

Local authorities will sometimes make loans for policy reasons rather than as financial instruments and these loans may be interest free or at rates below prevailing market rates. Where this occurs these loans are referred to as soft loans.

Statement of Recommended Practice (SoRP)

These are statements prepared by the Accounting Standards Board to provide further guidance (beyond that in other standards like SSAPs & FRSs) to particular sectors. The SoRP relevant to the Council is the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. The SoRP received statutory backing in the Local Government Act 2003 and departures must be disclosed in the published accounts.

Statements of Standard Accounting Practice (SSAPs)

Statements prepared by the Accounting Standards Board to ensure consistency in accountancy matters. More recently issued standards have been redesignated FRSs. Many SSAPs apply to Local Authorities and any departures must be disclosed in the published accounts.

Statement of Recognised Gains and Losses (STRGL)

The STRGL is intended to show those gains and losses which are incidental to the main operating business of the organisation. Examples of such items include revaluation of fixed assets and exchange rate gains and losses on overseas investments. These items are deemed to be incidental to the organisation's main activities and are therefore not appropriate for disclosure in the Income & Expenditure Account. FRS 17 also requires any actuarial gains or losses arising during the year to be recognised immediately in the STRGL.

Stock

Amounts of unused or unconsumed stocks held in expectation of future use. Stock is comprised of the following categories:

- a) Goods or other assets purchased for resale
- b) Consumable stores
- c) Raw materials and components
- d) Products and services in intermediate stages of completion
- e) Finished goods

Subsidiary

This is an entity over which the reporting Authority is able to exercise control over operating and financial policies and is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

Treasury Management

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Trust Funds

These are funds administered by the Council on behalf of charitable organisations and/or specific organisations.

Unsupported (Prudential) Borrowing

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.