

Report to Audit Committee

2019/20 Annual Statement of Accounts

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Reason for Decision

The Audit Committee is charged with scrutiny and approval of the Statement of Accounts. This report presents the 2019/20 Statement of Accounts.

Executive Summary

The report presents the Council's Statement of Accounts for the financial year 2019/20.

The report highlights:

- The overall revenue outturn position for 2019/20 is a surplus of £0.270m. This is an increase on the favourable variance of £0.065m projected at month 9 that was reported to Cabinet on 23 March 2020.
- The year-end variances that are attributable to each Portfolio.
- Schools balances at 31 March 2020 were £5.487m but are offset by the deficit on the Dedicated Schools Grant (DSG) of £4.916m leaving a net balance of £0.571m held within Other Earmarked Reserves.
- The final Housing Revenue Account (HRA) balance was £21.796m.
- The balance on the Collection Fund was a surplus of £3.295m
- The small reduction in revenue account earmarked reserves of £1.263m to a level of £79.360m, a decrease in other earmarked reserves of £4.431m to a level of £8.504m and an increase in the General Fund balance of £0.270m to £15.110m, reflective of the revenue outturn position
- Expenditure on the Council's Capital Programme for 2019/20 was £54.383m which is an increase on the month 9 forecast expenditure of £52.497m. The increase in expenditure required funding allocated to future years to be re-profiled to fully finance the Capital Programme in 2019/20.

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- Capital Receipts in year totalled £9.914m, all of which were used to finance the Capital Programme in year.
 - The significant items in each of the primary financial statements.
 - The preparation of Group Accounts incorporating the Council's two wholly owned companies – the Unity Partnership Ltd. and MioCare Community Interest Company
 - The performance of the Finance Team in closing the accounts.

The presentation of the audited Statement of Accounts provides Audit Committee members with the opportunity to review the Council's Statement of Accounts and any amendments made to date as a result of the audit process, and following the conclusion of the period for public inspection. The Accounts are presented at Appendix 1.

It is important to advise that at the time of issuing the Committee papers, the audit, although substantially complete, requires the resolution of an outstanding item relating to the Council's investment in the Manchester Airport Holdings Limited. The External Auditors must also have assurance with regard to the audit of the Greater Manchester Pension Fund (GMPF). The GMPF assurance work has yet to conclude.

As the outstanding matters may not be resolved by the meeting of 21 July and therefore the External Auditor is content with a recommendation that the Committee considers the accounts but delegates the final approval of the Council's Statement of Accounts (once there has been a resolution to the two items) to the Vice Chair of the Audit Committee and the Director of Finance on receipt of the full agreement of the valuation in consultation with the External Auditor.

Recommendation

Audit Committee members are recommended to:

- 1) Consider the Council's Statement of Accounts,
- 2) Note the Management Letter of Representation, and
- 3) Delegate the approval of the Council's Statement of Accounts to the Vice Chair of the Audit Committee and Director of Finance on receipt of advice from the External Auditor.

1 Background

- 1.1 The Council is required to prepare a Statement of Accounts for each financial year. The accounts must be prepared in accordance with statutory timelines and accounting practices. Since 2010/11 those accounting practices have been based on International Financial Reporting Standards (IFRS) which attempt to facilitate the production of accounts in a standardised and consistent format across the public and private sectors giving greater transparency for stakeholders.
- 1.2 These accounting practices are set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) 2019/20 Code of Practice on Local Authority Accounting in the UK and any additional CIPFA guidance such as the year end Final Accounts Bulletins. Members of the Audit Committee can be assured that the accounts were prepared so that all the requirements of the Code have been complied with.
- 1.3 For 2019/20 the requirements and timeline for the approval of a Local Authority's Statement of Accounts as set out in the Accounts and Audit Regulations 2015 have been revised. It was recognised by the Government that the COVID-19 pandemic would have an impact on the ability of Councils to comply with the statutory deadlines. Therefore, after consultation with key stakeholders, the Ministry of Housing, Communities and Local Government (MHCLG) introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015. The regulations implementing these measures were laid on 7 April and came into force on 30 April 2020.
- 1.4 The impact on deadlines and timescales is as follows:
- the publication date for final, audited, accounts has moved from 31 July for Category 1 Authorities and 30 September for Category 2 Authorities to 30 November 2020 for all Local Authority bodies (Oldham Council is a Category 1 body).
 - To give Local Authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June (for Category 1 Authorities) and July (for Category 2 Authorities) has been removed. Instead Local Authorities must commence the public inspection period on or before the first working day of September 2020.
- 1.5 This means that draft accounts must be approved by 31 August 2020 at the latest or may be approved earlier, wherever possible.
- 1.6 For this year 2019/20, Authorities must publish the dates of their public inspection period, providing a public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2020. The Council published such a notice.
- 1.7 The legislation requires that following the conclusion of a 30 day period of public inspection the Council must submit the Statement of Accounts for consideration and approval to Committee or by Members meeting as a whole. For Oldham, the body designated to receive the accounts is the Audit Committee.
- 1.8 The public inspection period for the 2019/20 Statement of Accounts began on 1 June 2020 and concluded on 10 July 2020. The Council received no objections to the Statement of Accounts.

2 Current Position

- 2.1 The Council submitted its draft financial statements to the External Auditors, Mazars LLP, on 31 May 2020 which was a little later than expected due to the impact of the pandemic. However, it must be noted that this was within the original statutory deadline of 31 May 2020. The public inspection period began on 1 June and concluded on 10 July 2020.
- 2.2 In line with good practice, the draft Statement of Accounts was issued to Audit Committee members. There was a high level summary of the 2019/20 outturn and a progress update presented at the Audit Committee of 4 June 2020. The accounts were presented for review at the Audit Committee meeting of 23 June 2020. This gave members of the Audit Committee the opportunity to consider the key issues and ask officers and the External Auditor any relevant questions. All matters raised were addressed at the meeting to the satisfaction of the Committee.
- 2.3 The audit of the Accounts is now substantially complete, but there are two outstanding items:
- a) Relating to the Input level in fair value hierarchy of Manchester Airport Holding Limited (MAHL) of the valuation. This matter has not been resolved due to additional discussions required with the Council's external advisors (BDO) and the external auditors. It is important to note that the impact of any change in this regard would be in the disclosure in the Financial Instruments note (Note 20).
 - b) Before Mazars can finalise the audit of the Council's pension fund liability they must have assurance with regard to the audit of the Greater Manchester Pension Fund (GMPF). The GMPF assurance work has yet to conclude.
- 2.4 As the outstanding matters may not be resolved by the meeting of 21 July, the External Auditor is content with a recommendation that the Committee considers the accounts but delegates the final approval of the Council's Statement of Accounts (once there has been a resolution to the two items) to the Vice Chair of the Audit Committee and the Director of Finance on receipt of the full agreement of the External Auditor.
- 2.5 The Statement of Accounts has been updated during the audit process. The changes to date can be found at Appendix 2 with the full amended Statements shown in Appendix 1. The Audit Committee is therefore requested to consider the Accounts and the changes made.
- 2.6 It is important to note that the audit process cannot be fully finalised until all remaining issues are resolved and the Whole of Government Accounts (WGA) audit is completed. The WGA audit cannot be undertaken yet and is programmed for later in the year.
- 2.7 Mazars LLP is required to provide the Council with an Annual Audit Completion Report (ACR) and a Value for Money (VFM) opinion. The draft ACR (elsewhere on the agenda) gives an unqualified opinion and provides assurance that no material errors have been identified for the 11th successive year.
- 2.8 As noted in the draft Audit Completion Report, at the time of issuing the agenda, there were also a number of assurances that were required by the auditor. In the main, these assurances are required from external bodies, although there is one Council area where additional non-financial evidence is required.
- 2.9 As this is the second year that the Council's audit has been undertaken by Mazars LLP, and due to the Covid-19 pandemic as would be expected, extensive testing has been

conducted, including the examination of larger samples and more in-depth review of processes. The overall audit process, to date, has been positive and despite the additional testing, the ACR has resulted in no recommendations. The ACR will be reviewed upon completion of the audit and any significant changes will be presented to Committee.

2.10 The auditors VFM conclusion is positive, and states that for 2019/20 in all significant respects the Council has processes in place to ensure financial resilience.

2.11 In addition to the Statement of Accounts, the Committee is asked to note the Management Letter of Representation at Appendix 3. This is a formal letter prepared by the External Auditor but signed on behalf of the Council by the Director of Finance. The letter attests to the accuracy of the financial statements, which the Council has submitted to the auditors for their analysis. The Management Letter of Representation enables the Council to declare in writing that the Statement of Accounts and other presentations to the Auditors are sufficient and appropriate and without omission of material facts to the best of management knowledge. The Auditor uses this letter as part of the audit evidence

3 General Fund Revenue Outturn

3.1 The Council's 2019/20 revenue outturn position has been presented in the Portfolio structure that was revised during the 2019/20 financial year. A comparison of the revenue budget and outturn is set out in Table 1 below.

Table 1 – 2019/20 Revenue Outturn Compared to Revised Budget

Portfolio	Budget £000	Actual £000	Variance £000
People and Place	89,810	91,641	1,831
Community Health & Adult Social Care	66,451	68,663	2,212
Children's Services	89,721	91,116	1,395
Communities and Reform	36,996	36,412	(584)
Commissioning	4,199	4,058	(141)
Chief Executive	3,705	3,368	(337)
Capital, Treasury and Technical Accounting	(41,971)	(46,617)	(4,646)
Corporate and Democratic Core	6,960	6,960	-
Parish Precepts	296	296	-
Total net expenditure	256,167	255,897	(270)
Total Funding	(256,167)	(256,167)	-
Current net underspend	-	(270)	(270)

3.2 The Council achieved a surplus of £0.270m at the end of the financial year which is a £0.205m increase on the favourable variance of projected at month 9 and reported to Cabinet on 23 March 2020. The increase in surplus is in part due to the favourable variance for Capital, Treasury and Technical Accounting offsetting the adverse variances elsewhere with the Council, in particular, Community Health & Adult Social Care and Children's Services. The £0.270m has increased the Councils General Fund Balance as discussed at section 4.12. Further details on the variances by Portfolio are provided below.

People and Place

- 3.3 The People and Place Portfolio encompasses the Economic Development, Enterprise and Skills, Environmental Services and Commercial Services Divisions.
- 3.4 The overall objective of the People and Place Portfolio is to grow the economy of Oldham and support the Council's commitment to neighbourhood working by:
- delivering services that maintain and improve the public realm;
 - creating the right environment for growth;
 - focusing on key place making regeneration projects which will act as a catalyst for wider economic activity and investment which will create jobs.
- 3.5 The year-end position for the People and Place Portfolio was a deficit of £1.831m, against a revised budget of £89.810m. The adverse variance is mostly within the Economic Development service and primarily relates to two areas:
- the Catering and Cleaning Service as a result of pressures arising from the introduction of the Oldham Living Wage and current charging levels.
 - the Corporate Landlord/Investment Estate relating to the increased cost of utilities, additional cleaning charges and an under-achievement of income targets relating to the investment estate.
- 3.6 The final outturn of £1.831m was an improvement of £0.326m compared to the projected deficit of £2.157m at month 9. As anticipated, reserves in the sum of £0.750m were applied to fully fund the non-achievement of a budget reduction within Commercial Services, offset by increased overspends totalling £0.426m across a range of services.

Community Health and Adult Social Care

- 3.7 The Community Health and Adult Social Care Portfolio operates around six broad strands:
- Community health and social care;
 - Clusters;
 - Older people and safeguarding;
 - Learning disability and mental health;
 - Community business services; and
 - Commissioning.
- 3.8 The Adult Social Care Service (ASC) carries out statutory functions on behalf of the Council within a changing environment. The Portfolio therefore provides social care support to adults and carers across Oldham with the key aim of integrating and aligning work with health partners to achieve greater efficiency in service delivery and better outcomes for the resident or patient, in relation to both the commissioning and the provision of services.
- 3.9 The outturn for the Community Health and Adult Social Care Portfolio was a deficit of £2.212m. The adverse outturn position relates to significant overspends across all types of community care, linked to both increased demand for services and the complexity of care required by clients. The overspends were offset by unforeseen or better than anticipated grant settlements including the final Better Care Fund allocation and improved income collection through increased client contributions and recoveries.

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- 3.10 The outturn (£2.212m) represents an adverse movement of £1.165m compared to the forecast pressure of £1.047m reported at month 9. This increase was predominantly as a result of a significant amount of back dated charges for Community Care and Direct Payments together with reduced income recovery for Continuing Health Care from the NHS.

Children's Services

- 3.11 The Children's Services Portfolio comprises the Education, Skills and Early Years Directorate, Children's Social Care and Preventative Services.
- 3.12 The Education, Skills and Early Years Directorate ensures that the Council meets its statutory duties in respect of education for 0 to 19 year olds and for High Needs pupils aged 0 to 25 plus the Lifelong Learning Service and Get Oldham Working. These services enable Oldham residents to gain the necessary education and skills to be able to access employment opportunities both within the Borough but also across the wider Greater Manchester conurbation and beyond.
- 3.13 Children's Social Care provides the Council's statutory social work function for the care and protection of children in need and children and young people at risk of significant harm. Preventative Services has strategic responsibility for services including the Early Help service, the Multi Agency Safeguarding Hub (MASH) and Targeted Youth provision.
- 3.14 The Portfolio as a whole, recorded an adverse variance of £1.395m against a revised budget of £89.721m. This was higher than the forecast at month 9. The majority of the adverse variance (£1.259m) was within Education, Skills and Early Years; the main drivers being the cost of home to school transport, the cost of special educational needs and disabilities (SEND) provision (including out of borough placements) and staffing together with income shortfalls in relation to education psychology services. Children's Social Care reported an underspend of £0.079m. On-going pressures in relation to placements were offset by staffing underspends due to delays in recruiting to a new operating model. Preventative services recorded an overspend of £0.215m.

Communities and Reform

- 3.15 The Communities and Reform Portfolio covers a range of services including Public Health, Heritage, Libraries and Arts, Community Safety and Community Development, Districts, Sport, Youth and Leisure as well as corporate functions such as Human Resources and Organisational Development, Policy, Strategy, Communications, Performance and Transformation including Public Service Reform. The Portfolio also leads on key programmes such as Thriving Communities and Northern Roots.
- 3.16 The Portfolio achieved a favourable variance of £0.584m against the revised budget of £36.996m primarily as a result of vacant posts within the People Services, Youth, Leisure and Communities and Strategy and Performance services. This was an increase of £0.400m on the month 9 forecast surplus of £0.184m.

Commissioning

- 3.17 The Commissioning Portfolio consists of the Finance Service and the Procurement Service. The revenue outturn was an underspend of £0.141m, an improvement of £0.261m compared to the forecast adverse variance of £0.120m estimated at month 9.
- 3.18 The favourable outturn variance was due to a combination of staff vacancies in Finance, Audit and Procurement partially offset by the use of external contractors in Procurement together with additional income from Service Level Agreements for

Information Governance services to schools and associated companies, along with increased insurance claims repudiation. The latter two items account for the movement from the month 9 adverse forecast to a favourable outturn.

Chief Executive

- 3.19 This Portfolio includes the budgets for the Council's Chief Executive, Executive and Senior Management Team and Legal Services. It also encompasses payments to external providers of corporate services; the Coroners service and services provided by the Greater Manchester Combined Authority (GMCA) on behalf of the 10 Districts of Greater Manchester.
- 3.20 The favourable outturn position of £0.337m is £0.088m better than the £0.249m forecast at month 9. The underspend is the result of lower than anticipated contributions for functions undertaken on a regional basis by the GMCA and vacant posts within Legal Services and the Executive Office.

Capital, Treasury and Technical Accounting

- 3.21 The Capital, Treasury and Technical Accounting Portfolio includes the revenue budgets associated with the Council's Treasury Management activities including interest payable on loans and interest receivable on investments.
- 3.22 The Portfolio also includes revenue budgets relating to the technical accounting entries required by the Chartered Institute of Public Finance and Accountancy (CIPFA) and International Financial Reporting Standards such as the removal of depreciation and impairment charges from the Council's service budgets to ensure there is no impact on Council Tax and the replacement of this with a Minimum Revenue Provision, ensuring resources are set aside to repay the Council's debt.
- 3.23 The outturn for Capital, Treasury and Technical Accounting is a favourable £4.646m. The surplus, in the main, relates to a reduction in costs associated with financing the capital programme due to planned expenditure being reprofiled during the year. There was also additional dividend income from external investments and the receipt of un-ringfenced grants which had not been anticipated. The increase of £0.624m from the £4.022m forecast at month 9 was in part due to an additional saving associated with the upfront pension payment to the Greater Manchester Pension Fund (GMPF) for the employer contributions payable to the Local Government Pension Scheme (LGPS).

Corporate and Democratic Core

- 3.24 Corporate and Democratic Core incorporates revenue budgets concerned with the executive management of the Council and Elected Member related activities including policy making, representing local interests and democratic representation. As anticipated, the expenditure associated with this Portfolio was in line with budget.

Parish Precepts

- 3.25 Payments of Parish Precepts and top up grant funding to Parish Councils were in line with the 2019/20 budget resulting in a nil variance.

4 Other Revenue Outturn Issues

Schools Balances

- 4.1 The total school balances for 2019/20 were £5.487m (the cumulative balances from 66 schools) which was a decrease of £1.438m compared to the 2018/19 total of £6.925m. Due to a deficit of £4.916m within the Dedicated Schools Grant (DSG) budget, it was necessary to net down the level of school balances to £0.571m.
- 4.2 The Council and Schools Forum have been working together to agree how to bring the DSG deficit back into balance through changes to operational practice. This work will continue in 2020/21.
- 4.3 The Oldham scheme for financing schools allows 'excess balances' that represent more than a certain percentage of a school's budget for the following year to be carried forward. The percentages for Secondary schools are 5% and for Primary and Special Schools is 8%.
- 4.4 Schools may only request excess balances to be carried forward when there is an appropriate plan in place to utilise the funds. At the end of 2019/20 there were 12 schools (primary and secondary) with excess balances.
- 4.5 During 2019/20, two schools converted to academy status and one new special school opened bringing the total number of Academies in Oldham to 39 from a total of 105 schools.

Housing Revenue Account (HRA)

- 4.6 By the end of 2019/20 the HRA had generated an in-year surplus of £3.323m. After adjustment, this resulted in resources of £0.491m being available to increase the level of balances. This compared favourably with the in-year deficit of £1.889m which was approved at Budget Council. Balances have therefore increased to £21.795m which shows a healthy level of resources to support future spending initiatives.
- 4.7 Other variances within the HRA do not have a net effect on the balances as they are all reversed within the account and are considered "below the line". These include items such as depreciation and impairment on capital assets.

Collection Fund

- 4.8 The collection fund position shown below includes a total of £2.550m which has been distributed in year to preceptors (£2.269m allocated to Oldham Council). The remaining surplus balance of £3.295m will be available for distribution to the Council and the other preceptors in the following proportions Oldham Council (£3.239m), GMCA Mayoral Police and Crime Commissioner (£0.019m) and the GM Mayor for General Services (£0.037m). The preceptors are able to use surpluses to support future year's budget requirements (the Council used £1.400m for 2020/21).

	Council Tax £000	Business Rates £000	Total £000
Balance brought forward	(2,883)	(1,264)	(4,147)
Prior year surplus released in year	2,550	-	2,550
(Surplus)/Deficit for the year	149	(1,847)	(1,698)
Balance carried forward	(184)	(3,111)	(3,295)

Reserves and Balances

- 4.9 The level of General Fund reserves at £87.864m contributes to the financial health of the organisation. The Revenue Account earmarked reserves balance has slightly reduced from £80.623m to £79.360m whilst other earmarked reserves have decreased by £4.431m to £8.504m. These include movements in the Schools Reserve (including the deficit on the DSG) and the Revenue Grant Reserve (neither of which are available for general use).
- 4.10 The net position is an overall decrease in reserves from £93.559m to £87.865m. The most significant movement in reserves was as a result of the increase in the deficit on the DSG.
- 4.11 Many of the earmarked reserves have been set aside to provide financing for future expenditure plans.
- 4.12 The Statement of Accounts shows that balances at the end of 2019/20 were £15.110m. This is an increase of £0.270m compared to 2018/19 reflecting the overall revenue underspending. The level of balances provides increased financial resilience for the Council and enables balances to be held at a value sufficient to support 2020/21 budget setting in line with the calculated risk assessment presented to Budget Council in February 2020.

5 Capital Expenditure and Capital Receipts

- 5.1 The Council incurs expenditure on capital projects in accordance with the Local Authorities (Capital Finance and Accounting) Regulations 2003 definition of capital expenditure. Essentially this defines capital expenditure as spend on assets that have a life of more than one year.
- 5.2 The Council spent £54.383m on its Capital Programme in 2019/20 compared to the forecast spending of £52.497m projected at Month 9 (a variance of £1.886m). The Capital Programme was financed through the use of Government Grants and Capital Receipts. The capital expenditure incurred during the year is shown in the table below by Portfolio area. The marginal increase in actual spend when compared to budget required funding allocated to future years to be re-profiled to fully finance the capital programme in 2019/20.

Table 2 – Capital Programme Outturn Compared to the Forecast Outturn

Portfolio	2019/20 Forecast £000	2019/20 Actuals £000	Variance £000
People and Place	27,269	27,317	48
Community Health & Adult Social Care	2,058	2,407	349
Children's Services	16,154	17,548	1,394
Communities and Reform	110	107	(3)
Corporate Services	4,871	4,870	(1)
Housing Revenue Account	2,035	2,134	99
Total Expenditure	52,497	54,383	1,886

- 5.3 The table below shows the detail of the movement in capital receipts in 2019/20. In year receipts totalling £9.914m were received. The most significant disposals of non-current assets for the year were from the sale of the former Breeze Hill Secondary School (£4.586m), and the Byron Street Infant and Nursery School (£0.605m). As part of the year end process the Council has taken a prudent approach to financing the Capital Programme by utilising the capital receipts balance instead of financing through Prudential Borrowing.

Table 3 – Capital Receipts Summary Position 2019/20

	2019/20 £000
Balance as at 1 April 2019	(0,000)
VAT Shelter	(216)
Right to Buy (RTB)	(1,638)
Disposal of non-current assets	(7,777)
Other	(283)
Total receipts available for Capital Financing	(9,914)
Financing requirement in 2019/20	9,914
Balance as at 31 March 2020	-

6. Summary Outturn Position

- 6.1 The Council has performed well during 2019/20 in financial terms. The Council has continued to support the residents and businesses of Oldham and has continued to develop the Borough. The revenue underspend of £0.270m at outturn is above the level projected at month 9, and as previously advised this will be credited to the General Fund Balance to support the Council in future years. This position demonstrates increased financial resilience against the continuing challenges the Council will face in 202/21 and future years.
- 6.2 The Capital outturn has been managed to minimise the level of re-profiling required at year end. The Council has been prudent in financing the Capital Programme in year by utilising capital receipts and government grants and contributions, removing the need to finance any scheme by prudential borrowing. In accordance with Treasury Management practice, in August 2019 the Council externally borrowed £20.000m (see 7.1 below). This new borrowing has been incorporated into the on-going financing cost of the Capital Programme.
- 6.3 The Council faces many risks, challenges and opportunities in the future. Many of these are discussed in the Narrative Report within the Statement of Accounts. Although the impact of COVID-19 on the 2019/20 financial year was limited, the pandemic sets the scene for 2020/21 and future financial years and will place an additional strain on an already challenging 2021/22 budget setting process. The effect on both the local and national economy cannot yet be determined with any accuracy however the pandemic will have a significant impact on the Council's resources especially in terms of lost income from fees, charges and commercial investment. However, the Council has well-established and rigorous risk management processes, together with robust financial management and reporting, which will ensure that the Council is well placed to deal these emerging issues in 2020/21 and future years.

7 Treasury Management

Borrowing

- 7.1 During August 2019, the Council undertook external borrowing of £20.000m. The borrowing was undertaken when market rates reached the Council's internal trigger points. This ensured borrowing was undertaken at the optimum point to minimise future costs. This new borrowing has been incorporated into the on-going financing cost of the Capital Programme. Therefore, as at the 31 March 2020, the Council had total long and short term borrowings (including interest) of £170.080m, this includes Public Works Loan Board (PWLb), Lender Option Borrow Options (LOBO) and other market debt.

Investments

- 7.2 The Council managed all of its short-term investments (surplus cash investments) in house with the institutions listed in the Council's approved lending list. At the end of the financial year the Council had £103.120m of investments.
- 7.3 The Council's investment strategy was to maintain sufficient cash reserves to give it necessary liquidity, whilst trying to attain a benchmark average rate of return compared to the London Interbank Bid Rate (LIBID) on the relevant time deposit, multiplied by 5%, whilst ensuring funds were invested in institutions which were the most secure. The table below shows the returns by the relevant time period:

Table 4 – Actual Performance Against Benchmark

	Benchmark LIBID Return %	Actual Return %
7 Day	0.56%	0.73%
1 Month	0.59%	0.89%
3 Month	0.67%	1.01%
6 Month	0.74%	0.89%
12 months	0.84%	0.97%
Average Return		0.90%
Target Rate		0.68%

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

8 Overview of Core Statements

- 8.1 The four core Statements to the Accounts are the:
- i) Comprehensive Income and Expenditure Statement (CIES)
 - ii) Movement in Reserves Statement (MiRS)
 - iii) Balance Sheet
 - iv) Cash Flow Statement
- 8.2 They are included in the Statement of Accounts on pages 43 to 47. A commentary of the key issues arising in each Statement is set out as follows:

Comprehensive Income and Expenditure Statement (CIES)

- 8.3 The CIES is required under IFRS. It shows the accounting cost of providing services rather than the amount to be funded from taxation or rents. This means that it includes accounting transactions such as depreciation and revaluation gains/losses.

Comprehensive Income and Expenditure Statement	Note	Gross Expenditure £000	2019/20 Gross Income £000	Net Expenditure £000
Chief Executive		5,800	(1,980)	3,820
Commissioning		7,930	(3,966)	3,964
People and Place		79,315	(25,640)	53,675
Children's Services		272,250	(184,777)	87,473
Community Services & Adult Social Care Reform		104,877	(35,850)	69,027
Capital, Treasury and Technical Accounting		45,714	(8,827)	36,887
Corporate and Democratic Core		65,649	(57,790)	7,859
Central Services		6,960	-	6,960
Housing Revenue Account		-	-	-
		15,135	(28,869)	(13,734)
Cost of Services		603,630	(347,699)	255,931
Other Operating Expenditure:				
- Parish Council precepts		278		
- Payments to the Government housing capital receipts pool		-		
- Levies		33,988		
(Gains)/losses on the disposal of non-current assets		(936)		
Total Other Operating Expenditure				33,330
Financing and Investment Income and Expenditure (a)	3			43,869
Taxation and Non-Specific Grant Income (b)	4			(260,186)
Deficit on Provision of Services (c)				72,942
Other Comprehensive Income and Expenditure				
Revaluation gains on non-current assets	16a			(39,392)
Impairment losses on non-current assets	16a			64
Surplus on revaluation of available for sale financial assets				22,287
Remeasurement of net defined benefit liability	30			(127,995)
Total Other Comprehensive Income and Expenditure (d)				(145,036)
Total Comprehensive Income and Expenditure				(72,094)

Key points to note from the CIES are:

(a) Financing and Investment Income and Expenditure

- 8.4 Financing and Investment Income and Expenditure of £43.869m (detailed at Note 3) contains transactions relating interest payable and receivable, dividend income and losses on transfer of schools to Academy Status.

(b) Taxation and Non Specific Grant Income

- 8.5 The sum of £260.186m (detailed at Note 4) contains Council Tax, Business Rates and grants received from Central Government to finance revenue expenditure throughout the year. This income is not attributable to a specific service.

(c) Deficit on the Provision of Services

- 8.6 The Deficit on the Provision of Services of £72.942m represents the Council's accounting deficit position for the year as required under IFRS which allows comparison to be made with other organisations in both the public and private sectors. This deficit includes charges for accounting entries such as depreciation, impairment and pension adjustments which are reversed under statute as they should not impact on the Council's General Fund position and the Council Tax Payer when calculating the Council Tax requirement. These reversals are shown in the MiRS.
- 8.7 As previously highlighted, the Council's outturn position for the year is a £0.270m underspend, which has been credited to the Council's General Fund Balance as shown in the Movement in Reserves Statement presented below.

(d) Other Comprehensive Income and Expenditure

- 8.8. There are a number of elements to Other Comprehensive Income and Expenditure, the sum of which totals a surplus £145.036m mainly due to the remeasurement of the net defined benefit liability movement of £127.995m as mentioned in 8.10 below (note this is a change of £17.379m from the draft Statement of Accounts when the figure was £110.616m due to an updating of the pension valuation).
- 8.9 The Council's non-current assets are revalued on a rolling 5 year programme. Any movement on the value of these are assets which is not chargeable to the cost of service is instead reflected in other comprehensive income and expenditure and the revaluation reserve.
- 8.10 In addition, the remeasurement of the 'net defined benefit liability' represents the Pension Actuary's movement of the Council's pension liability as at the 31 March 2020. This remeasurement is based on a number of financial assumptions made by the Actuary based on market conditions at the 31 March 2020 in order to calculate the movement on the liability in the year. Further detail of the assumptions used are presented in Note 30 of the Statement of Accounts. This adjustment is required by the accounting standards covering pensions.

Movement in Reserves Statement (MiRS)

- 8.11 The MiRS reverses the accounting transactions included within the Deficit on the Provision of Services shown above in the CIES. Once these transactions have been reversed the amount which is statutorily chargeable to taxpayers or rents is arrived at. A summary reconciliation showing the movement between the CIES position and the statutory position is shown below. The General Fund and HRA balances will be adjusted by the net Surplus or Deficit shown above. The subsequent balance will then be available to support expenditure in 2020/21.
- 8.12 A reconciliation of the financial outturn position to both the CIES and MiRS is provided in Note 1 Expenditure and Funding Analysis in the Statement of Accounts and is summarised below.

	General Fund £000	HRA £000	Total £000
(Surplus)/Deficit on the Provision of Services	76,191	(3,249)	72,942
Total Technical Accounting Adjustments	(70,767)	2,758	(68,009)
Transfer to Earmarked General Fund Reserves	(5,694)	-	(5,694)
Net Surplus	(270)	(491)	(761)

Balance Sheet

- 8.13 The Balance Sheet below shows the Council's net assets have increased by £72.094m in 2019/20 from £94.967m to £167.061m a change from the draft Statements entirely due to a £17.379m movement in the pension valuation.

31 March 2019 £000		Note	31 March 2020 £000
727,663	Property Plant and Equipment	17	734,215
19,939	Heritage Assets	18	19,770
17,945	Investment Property	19	20,077
3,784	Intangible Assets		4,060
71,253	Long Term Investments	21	50,095
21,507	Long Term Debtors	22	22,508
862,091	Long Term Assets		850,725
32,235	Short Term Investments	21	40,775
675	Inventories		621
47,577	Short Term Debtors	22	43,225
33,229	Cash and Cash Equivalents	23	59,898
5,604	Assets Held For Sale (less than one year)		310
119,320	Current Assets		144,829
(1,666)	Short Term Borrowing	21	(1,716)
(52,492)	Short Term Creditors	24	(68,456)
(13,335)	Short Term Provisions	25	(12,567)
	Short Term Liabilities		
(9,751)	- Private Finance Initiatives	21,28	(10,216)
(219)	- Finance Leases		(314)
(1,054)	- Transferred Debt		(1,108)
(78,517)	Current Liabilities		(94,377)
(15,916)	Long Term Provisions	25	(15,800)
(148,373)	Long Term Borrowing	21	(168,364)
	Other Long Term Liabilities		
(406,919)	- Pension Liabilities	30	(324,871)
(232,747)	- Private Finance Initiatives	21,28	(222,531)
(507)	- Finance Leases		(474)
(2,332)	- Transferred Debt		(1,224)
(17)	- Deferred Credits		(17)
(1,116)	Capital Grants Receipts In Advance		(835)
(807,927)	Long Term Liabilities		(734,116)
94,967	Net Assets		167,061
(173,342)	Usable Reserves	MiRS MiRS,	(146,515)
78,375	Unusable Reserves	16	(20,546)
(94,967)	Total Reserves		(167,061)

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

- A decrease in the Pension Liability of £82.048m (a movement of £17.379m from the draft Statements) the majority of which relates to a change in the assumptions used by the Council's actuaries (Hymans-Robertson) as part of the Council's actuarial valuation, as described at 8.10. The assumptions are determined by the actuary and represent market conditions at the reporting date.

- An increase in the value of Property, Plant and Equipment (PPE) of £8.791m mainly due to revaluation gains in the Council's portfolio and additions of intangible assets in year.
- Long Term Investments have decreased by £21.158m in year. This primarily relates to the decrease of £22.500m in the value of the shares in Manchester Airport Holding Ltd.
- The increase in Long Term Debtors primarily relates to the interest on a loan to Manchester Airport Group.
- An increase in the value of Short-Term investments held at year end of £8.540m. This variance between years relates to timing differences on the maturity of investments which span fewer than 12 months.

Cash Flow Statement

- 8.15 Cash and cash equivalents have increased by £26.669m, due to borrowing completed during the year in line with the Council's Treasury Management Strategy, additional Government grants received in March 2020 to tackle the COVID-19 crisis together with the upfront payment for Grant in Lieu of Business Rates for 2020/2021 that was also received in March 2020.

	Notes	2018/19 £000	2019/20 £000
Net deficit on the provision of services		(44,317)	(72,942)
Adjustment to surplus or deficit on the provision of services for non-cash movements	31	100,505	130,091
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	31	(6,734)	(29,948)
Net cash flows from operating activities		49,454	27,201
Net Cash flows from Investing Activities	32	(49,239)	(9,835)
Net Cash flows from Financing Activities	33	(9,436)	9,303
Net increase or (decrease) in cash and cash equivalents		(9,221)	26,669
Cash and cash equivalents at the beginning of the reporting period		42,450	33,229
Cash and cash equivalents at the end of the reporting period		33,229	59,898

9 Group Accounts

- 9.1 The Council carries out a complex range of activities, often in conjunction with external organisations. Where those organisations are in partnership with or under the ultimate control of the Council a judgement is made by management as to whether they are within the Council's group boundary. This judgement is made in line with the provisions set out in the Code and relevant accounting standards.
- 9.2 The CIPFA 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.
- 9.3 The assessment of materiality also influences the Council's decision to produce Group Accounts. Each year the Council assesses the entities it exerts control or significant influence over to identify which fall into the group boundary. If the value of transactions for the group as a whole is material, Group Accounts are produced. The aim is that the

statements therefore give an overall picture of all of the Council's financial activities and the resources employed in carrying out those activities.

9.4 The Council has assessed its group boundary for 2019/20 and has identified two subsidiaries that are considered to be material and have therefore been consolidated into its group accounts. They are the two wholly owned companies, the MioCare Group Community Interest Company (CIC) and the Unity Partnership Limited.

9.5 As subsidiary entities, Miocare Group CIC and the Unity Partnership Limited have been consolidated on a line by line basis with all intra-group transactions and balances removed. The Group Accounts therefore consist of a CIES, MiRS, Balance Sheet and Cash Flow Statement and explanatory notes and are presented in Section 5 of the 2019/20 Statement of Accounts. Changes from the draft Statements wholly reflect adjustments to the Councils CIES and Balance Sheet as explained above.

10 **The Performance of the Finance Service**

10.1 The preparation of the accounts represents just one outcome of the range of achievements of the Finance Team during 2019/20 as it continues to enhance and develop its performance. The work of the Finance Team underpins the work of the Council as well as ensuring compliance with statutory requirements, budget management and excellent financial practice.

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

10.3 The national lockdown and the range of new challenges facing the Council and the Finance Team has limited the ability of the Team to progress the work on final accounts to the anticipated timetable. However, it must be noted that by submitting the draft Statement of Accounts to the External Auditor on 31 May 2019, it was still within the original statutory deadline for Local Authority accounts and well ahead of the revised timeline.

10.4 It is important to note that the delivery of the accounts to this timescale has been achieved by the hard work, commitment and dedication of the Finance Team who can all be proud of their contributions. This year-end has been even more challenging due to the current working environment with most colleagues working from home. However, as in previous years, this has been a real team effort.

11 **Options/Alternatives**

11.1 The Audit Committee members can either choose to:

- 1) Consider the Council's Statement of Accounts for 2019/20,
- 2) Note the Management Letter of Representation, and
- 3) Delegate the approval of the Council's Statement of Accounts to the Vice Chair of the Audit Committee and Director of Finance on receipt of advice from the External Auditor.
- 4) Or not to approve any of the above.

12 **Preferred Option**

12.1 The preferred option is that Audit Committee:

- 1) Considers the Council's Statement of Accounts for 2019/20,
- 2) Notes the Management Letter of Representation, and
- 3) Delegates the approval of the Council's Statement of Accounts to the Vice Chair of the Audit Committee and Director of Finance on receipt of advice from the External Auditor.

13 **Consultation**

13.1 Consultation has taken place with the Council's External Auditors, Mazars LLP, in addition members of the public have the opportunity to inspect the Council's Statement of Accounts and supporting documents during the 30-day public inspection period which concluded on 10 July 2020.

13.2 A high-level summary of the provisional outturn position and an update on the preparation of the Council's draft Statement of Accounts for the financial year 2019/20 was presented to the Audit Committee meeting of 4 June 2020. The draft Statement of Accounts was reviewed at the Audit Committee meeting of 23 June 2020 and was a key element of the consultation process. Formal presentation of the accounts to Members of the Audit Committee at this meeting allows the opportunity for further review and scrutiny prior to the approval of the accounts

14 **Financial Implications**

14.1 Dealt with in the body of the report.

15 **Legal Services Comments**

15.1 There are no Legal implications.

16 **Co-operative Agenda**

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

17 **Human Resources Comments**

17.1 There are no Human Resource implications.

18 **Risk Assessments**

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

19 **IT Implications**

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

20 **Property Implications**

20.1 There are no Property implications.

21 **Procurement Implications**

21.1 There are no Procurement implications.

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- 22 **Environmental and Health and Safety Implications**
- 22.1 There are no Environmental and Health & Safety implications as a result of this report.
- 23 **Equality, Community Cohesion and Crime implications**
- 23.1 There are no Equality, community cohesion and crime implications.
- 24 **Equality Impact Assessment Completed?**
- 24.1 Not Applicable
- 25 **Key Decision**
- 25.1 No
- 26 **Key Decision Reference**
- 26.1 Not Applicable.
- 27 **Background Papers**
- 27.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:
- File Ref: Background Papers are provided at Appendix 1.
Officer Name: Lee Walsh
Contact No: 0161 770 6608
- 28 **Appendices**
- 28.1 Appendix 1 – 2019/20 Statement of Accounts
Appendix 2 – Changes to draft Statement of Accounts
Appendix 3 – Management Letter of Representation