



Oldham
Council

Report to Audit Committee

Draft 2020/21 Annual Statement of Accounts

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Reason for Decision

To present to the Audit Committee, the draft Statement of Accounts for 2020/21 for consideration.

Executive Summary

The report presents the Council's draft Statement of Accounts for the financial year 2020/21.

The report highlights:

- The overall revenue outturn position for 2020/21 was a surplus of £2.153m;
- The year-end variances that are attributable to each Portfolio;
- The level of Grants received in relation to the COVID-19 Pandemic;
- Schools balances at 31 March 2020 were £9.306m
- The Dedicated Schools Grant (DSG) deficit was £3.560m which is now held in an unusable reserve rather than being netted off the Schools balances (as presented in the accounts in previous years);
- The final Housing Revenue Account (HRA) balance was £21.370m;
- The balance on the Collection Fund was a deficit of £27.213m;
- The revenue account earmarked reserves at £113.512m, other earmarked reserves at £29.452m (Revenue Grant Reserves of £20.145m plus School Balances as above) and an increase in the General Fund balance of £2.153m to £17.263m, reflective of the revenue outturn position;
- Expenditure on the Council's Capital Programme for 2020/21 was £73.227m which is an increase on the month 9 forecast expenditure of £71.012m. The increase in expenditure required funding allocated to future years to be re-profiled to fully finance the Capital Programme in 2020/21;
- The significant items in each of the primary financial statements;

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- 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 draft Statement of Accounts provides Audit Committee members with the opportunity to review the Council's year-end financial position.

Recommendations

That members of the Audit Committee note the Council's draft Statement of Accounts for 2020/21.

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) 2020/21 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 The deadline for the preparation of the 2019/20 Accounts was extended due to the pandemic and it has again been revised for 2020/21. Recognising the multi-year impact of COVID-19, the deadline for the 2021/22 financial year has also been changed. The Ministry of Housing, Communities and Local Government (MHCLG) introduced the Accounts and Audit (Amendment) Regulations 2021, which changed the statutory audit deadlines for all Local Authorities.
- 1.4 The impact on deadlines and timescales is as follows:
- the publication date for the final, audited, accounts for 2020/21 has moved from 31 July to 30 September 2021 (30 September 2022 for the 2021/22 accounts)
 - To give Local Authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June has been removed. Instead Local Authorities must commence the public inspection period on or before the first working day of August 2021, which requires the draft accounts to be presented for audit by 31 July or earlier wherever possible.
- 1.5 For this year 2020/21, 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 2021. The Council published such a notice. This advises that the public inspection period runs from 17 June 2021.
- 1.6 The legislation requires that following the conclusion of a 30 working 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.

2 Current Position

- 2.1 The Council submitted its draft financial statements to the External Auditors, Mazars LLP, on 6 June 2021 which was a little later than expected due to the impact of the pandemic. The public inspection period began on 17 June and will conclude on 28 July 2021. The audit of the accounts is making good progress with all queries being promptly addressed. In order to facilitate the audit process, the Council made working papers available to the auditors prior to the handover of the Statement of Accounts.

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- 2.2 The draft Statement of Accounts is shown at Appendix 1. The presentation of the draft Statement of Accounts gives members of the Audit Committee the opportunity to review the accounts and ask relevant questions, so they are better informed before being asked to formally approve the audited Accounts at an Audit Committee meeting in July.
- 2.3 As detailed in paragraph 1.2, the Council prepares its Statement of Accounts in line with the CIPFA Code of Practice. For 2020/21 there have been no major changes to the original Code. However, due to COVID-19 and the additional pressure Local Authorities are facing in these unprecedented times, the Financial Reporting Advisory Board (FRAB) announced the deferral of International Financial Reporting Standard 16 (IFRS 16) implementation to 2022/23. The implementation of IFRS 16 by the Council has previously been discussed at Audit Committee.
- 2.4 Other significant events, changes and transactions in 2020/21 include:
- The Council received significant grant funding due to the COVID-19 pandemic. This is discussed further at section 4 and in the Narrative Report. An important feature of these grants is whether the Council is acting as Principal or Agent.
 - The Council has made an upfront payment to the Greater Manchester Pension Fund of its Employer Pension contributions for the triennial period 2020/21 to 2022/23.
 - The Deficit on the Dedicated Schools Grant is now shown as an Unusable Reserve in the Movement in Reserves Statement (MiRS). This is discussed further in Section 4.9.
 - The Council continues to depart from the Code in its treatment of the depreciation charge on Housing Revenue Account (HRA) dwellings. It is a management judgement that the departure from the guidance is required in order for the Statement of Accounts to achieve a true and fair view. Further details are provided in section 3.1 of the Statement of Accounts.
- 2.5 As previously stated, the period for the exercise of public rights has been amended due to the impact of the COVID-19 pandemic. However, the Council commenced its inspection period on 17 June 2021, and it will conclude on 28 July 2021. During this period the Accounts and other related information are available for public inspection. The notice of inspection is accessible on the Council's website. The Statement of Accounts is also accessible on the Council's website.

3 General Fund Revenue Outturn

3.1 The Council's 2020/21 revenue outturn position has been presented in its Portfolio structure. A comparison of the revenue budget and outturn is set out in Table 1 below. The forecast outturn position was presented to Cabinet on a monthly basis from month 3 to month 9 during 2020/21. This reporting was more frequent than normal given the financial challenges the Council faced, certainly in the early part of the financial year.

Table 1 – 2020/21 Revenue Outturn Compared to Revised Budget

| Portfolio | Budget £000 | Actual £000 | Variance £000 |
|--------------------------------------------|------------------|------------------|------------------|
| People and Place | 87,923 | 92,379 | 4,456 |
| Community Health & Adult Social Care | 69,232 | 67,575 | (1,657) |
| Children's Services | 81,706 | 89,765 | 8,059 |
| Communities and Reform | 42,259 | 42,626 | 367 |
| Commissioning | 15,795 | 16,287 | 492 |
| Chief Executive | 3,771 | 3,515 | (256) |
| Capital, Treasury and Technical Accounting | (2,441) | 12,803 | 15,244 |
| Corporate and Democratic Core | 6,731 | 6,731 | - |
| Parish Precepts | 310 | 310 | - |
| COVID-19 Funding | 18,010 | (7,641) | (25,651) |
| Resources Returned from GMCA | - | (3,248) | (3,248) |
| Net Service Expenditure | 323,295 | 321,102 | (2,193) |
| Collection Fund | - | (29,692) | (29,692) |
| Total Net Service Expenditure | 323,295 | 291,410 | (31,885) |
| Financing | (321,895) | (321,852) | 43 |
| Collection Fund (Surplus)/Deficit | (1,400) | 28,291 | 29,691 |
| Total Financing | (323,295) | (293,561) | 29,734 |
| Net Underspend | - | (2,153) | (2,153) |

3.2 As mentioned elsewhere in this report and throughout the Statement of Accounts, this year has been unlike any other due to the impacts of the COVID-19 pandemic which has made expenditure trends and income losses more volatile. Unsurprisingly there were a number of variances from the month 9 projected position (based on forecasts as at 31 December 2021) for a number of reasons including:

- A year end exercise to maximise the use of time limited revenue grants received;
- The use of £16.823m of Oldham Clinical Commissioning Group (CCG) resources to underpin the provision of adult social care using the facility of the S75 Agreement (of which only £5.9m had been anticipated);
- Late income being received from partner organisations including investment income, funding in relation to after care services provided under Section 117 of the Mental Health Act 1983 and other adults social care related payments from Oldham CCG and increased refunds from the GMCA to top up resources already anticipated;
- Late notification from Central Government of grant allocations;
- Displaced activity which will be completed in 2021/22 resulting in anticipated expenditure and reserve usage not taking place.

The overall outturn position for the Council is a surplus of £2.153m which has increased the Council's General Fund Balance as discussed at section 4.15. More detailed information on the Council's outturn position can be found in the Narrative Report from

page 27 in the Statement of Accounts. Further details on the variances are provided below.

- 3.3 It is important to note that the forecast outturn presented in financial monitoring reports all year (and in the table above) showed the COVID-19 funding in the form of unringfenced grant received from Central Government offsetting overspending in Council Portfolio areas. This approach was chosen so the actual service impact could be seen compared to the original budget. In total three tranches of unringfenced grant totalling £15.055m was received and three tranches of unringfenced Sales, Fees and Charges compensation grant totalling £2.955m. In addition, £7.641m of unringfenced grant was received in 2019/20 and this was transferred from earmarked reserves to support the overall financial position. A total of £25.651m of unringfenced grant supported the outturn.

People and Place

- 3.4 The year-end position for the People and Place Portfolio was a deficit of £4.456m, against a revised budget of £87.923m. The adverse variance is mostly within the Economic Development service and primarily relates to the loss of income as a result of the COVID-19 pandemic in the following services:

- the Catering and Cleaning Service as a result of limited opening of schools during lockdowns and the impacts of self-isolation when schools reopened;
- the Corporate Landlord/Investment Estate and Markets Service relating to the recoverability of rental income from tenants impacted by lockdowns and the pandemic;
- the Parking Service as a result of a drop in demand for Town Centre Parking.

- 3.5 The final outturn of £4.456m was an improvement of £0.472m compared to the projected deficit of £4.928m at month 9 (31 December 2020). The reduced variance was due to the economic impact of the third lockdown being less severe than had been anticipated.

Community Health and Adult Social Care

- 3.6 The favourable outturn of £1.657m represents an improvement of £3.245m compared to the forecast pressure of £1.588m reported at month 9 and includes income received from Oldham Clinical Commissioning Group (CCG), both to support the COVID-19 related Hospital Discharge Scheme and to underpin the provision of adult social care (£16.823m in total and £10.923m more than had been envisaged when the month 9 report was prepared). Leaving aside the CCG income (£10.923m), the movement in the variance is attributable to;

- the cost of care provision in the last quarter being below expectations, partly as more financial support was received via the NHS funded Hospital Discharge Scheme;
- Additional contributions by the CCG to the cost of care, being mainly S.117 contributions for after-care services;
- Delayed recruitment to vacant posts and grant income to support staffing costs.

Children's Services

- 3.7 The Portfolio as a whole recorded an overspend of £8.059m against a revised budget of £81.706m. This is £0.348m less than the forecast at month 9. The majority of the adverse variance (£7.784m) was within Children's Social Care, primarily due to the cost of placements; out of borough in particular, and also additional staffing costs, mainly agency to address demand pressures arising from the pandemic. The adverse variance within Education, Skills and Early Years was £0.345m; the main drivers being the cost of SEND provision (including out of borough placements) and staffing costs. Preventative services recorded an underspend of £0.070m.

Communities and Reform

- 3.8 The revenue outturn was an adverse variance of £0.367m, an improvement of £1.663m compared to the forecast adverse variance of £2.030m estimated at month 9. The overall adverse variance for Communities and Reform Portfolio is due to a number of COVID-19 pressures; the reduction of income for the Music Service, Outdoor Education, Sports Development and pressures within the Leisure services contract. These pressures have been partially mitigated by the reduction in service provision by the Heritage, Libraries and Arts and Public Health teams for expenditure such as GP referrals and also by vacancies across the Portfolio.
- 3.9 The main reason for improved performance at the year-end was in relation to the final COVID-19 related compensation payments to the Leisure Services provider, further service underspends and the maximum utilisation of Government Grants to fund COVID-19 related expenditure.

Commissioning

- 3.10 The adverse variance is a result of the use of external contractors by the Procurement Service, the reduction of income generated against the Council's early payment discount scheme which in part is due to Government guidance (Procurement Policy Notice 2) in response to COVID-19 which encouraged immediate payment terms for all contracted services thus removing any benefit from an early payment scheme. There was also a reduction in summons cost recovery compared to expected levels, again due to the Government guidance on limiting debt recovery activity during the first half of 2020/21. The pressures were partially offset by vacancies within the Finance Division and reductions in non-pay costs.

Chief Executive

- 3.11 The favourable outturn position of £0.256m represents a £0.030m reduction compared with the forecast favourable variance at month 9 of £0.286m. The Chief Executive directorate has been impacted by COVID-19 in respect of income generation for the Registrars Service, land charges and the recovery of court costs in 2020/21. However, these pressures were mitigated by a reduction in costs such as the postponement of the local election in May 2020, fewer civic functions, reduced costs for the Coroners Services and vacancies within Legal Services.

Capital, Treasury and Technical Accounting

- 3.12 The outturn for Capital, Treasury and Technical Accounting was a deficit of £15.244m in the main due the impact of the pandemic on anticipated interest, dividend income and capital financing transactions.

Corporate and Democratic Core

- 3.13 This represents the revenue budgets concerned with the executive management of the Council and Elected Member related activities including policy making, representing local interests and democratic representation. Total expenditure was £6.731m with no variance to budget.

Parish Precepts

- 3.14 This consists of the payments totalling £0.310m made to the two Parish Councils, Saddleworth Parish Council and Shaw and Crompton Parish Council. There was no variance to the 2020/21 budget.

4 Other Revenue Outturn Issues

COVID-19 Grants

- 4.1 The Council received a range of grants from Central Government in 2020/21 to support the overall response to the COVID-19 pandemic. The financial impact of these grants is included within the outturn and Statement of Accounts. These grants together with Business Rates reliefs were administered by the Council in line within the guidance received from Central Government.
- 4.2 Following the receipt of a Government grant the Council had to determine whether in administering the grant it was acting as an agent of Government or a principal as follows:
- As an agent the Council acted as an intermediary between the recipient and the Government and had no control of the grant conditions – with no flexibility in determining the level of grant payable
 - Where the Council acted as principal, it was able to use its own discretion when allocating the amount of grant payable.
- 4.3 A full and detailed breakdown of the Grants Received in year is provided in the Narrative Report to the Statement of Accounts from page 32. A summary of grants is provided below.

Table 2 – COVID-19 Grant Summary

| | Total Grant Allocation £000 | The Council acting as Agent £000 | The Council acting as Principal £000 | Expenditure as at 31 March 2021 £000 | Grant Remaining as at 31 March 2021 £000 |
|-----------------------|--------------------------------|-------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------------|
| Total COVID-19 Grants | 107,727 | 78,859 | 28,868 | 86,865 | 20,862 |

- 4.4 In addition to the business grant funding and COVID-19 specific grants, the Council also received unringfenced general grants to support its COVID-19 response totalling £28.106m. These were:
- Three tranches of general grant totalling £15.055m;
 - One tranche of general grant funding received in 2019/20 but carried forward in reserves to support the 2020/21 financial position at £7.641m;
 - Three tranches of Sales, Fees and Charges grant compensation at £2.955m;

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- Local Tax Income Guarantee grant of £2.169m which has been carried forward to support the 2021/22 budget;
 - New Burdens funding of £0.286m to support the introduction of business grants payment arrangements, and the management of Council Tax and Business rate reliefs.

4.5 The Council also received compensation for Business Rate reliefs awarded at £25.182m

4.6 When taking into account the grants and additional funding discussed in this section, the Council received £161.015m of additional grant in 2020/21. This shows the extent of Government financial support for the Council from a large range of initiatives. The accounting treatment of the grants is varied. Some are included within Notes 4, 5 and 15 to the Statement of Accounts and others are included in the Balance Sheet.

Schools and the Dedicated Schools Grant (DSG)

4.7 The total school balances for 2020/21 were £9.306m which was an increase of £3.819m compared to the 2019/20 total of £5.487m.

4.8 As advised at Note 6 to the Statement of Accounts, the DSG remains in deficit, a trend that first started in 2016/17. The Council has made efforts to reduce the DSG deficit and it has fallen from £4.916m in 2019/20 to £3.560m at the end of 2020/21. There is a clear Recovery Plan in place, agreed with Schools Forum, to bring the DSG to a surplus by the end of 2023/24.

4.9 For the first time, the DSG deficit is presented on the Movement in Reserves Statement as an unusable reserve. This is the result of the introduction on 29 November 2020 of a new Statutory Instrument to amend the Local Authorities (Capital Finance and Accounting) Regulations 2003 by establishing new accounting practices in relation to the treatment of schools' budget deficits. The aim is to ensure that DSG deficits are ringfenced and held separately from General Fund resources so that specific measures can be put in place to address the deficits without placing pressure on resources required for other essential services.

Housing Revenue Account (HRA)

4.10 By 31 March 2021, the HRA generated an in-year surplus of £2.263m, after the required technical accounting adjustments, this resulted in a decrease of £0.425m to the level of balances. This compared favourably with the original budgeted deficit of £3.520m which was approved at the Budget Council meeting of 26 February 2020. Overall balances have decreased from £21.795m to £21.370m but this still shows a healthy level of resources to support future spending initiatives. There are plans in place to utilise HRA resources to support the delivery of the Council's Housing Strategy up to 2024/25. Details of the HRA are provided in the Statement of Accounts at Section 4.1.

Collection Fund

4.11 The year-end Collection Fund position shown below includes a release of the Collection Fund Surplus totalling £1.470m. Of that amount, £1.400m was allocated to Oldham Council to support the 2020/21 budget and the remaining amount was distributed to the preceptors.

4.12 The year-end deficit balance of £27.213m is largely due to the additional reliefs which were awarded to business ratepayers in 2020/21 due to the COVID-19 pandemic,

primarily the Extended Retail Discount and Nursery Relief. The Council has received a compensating grant of £25.182m to offset in full the business rates which it could not collect given the awarding of the business rates reliefs to businesses.

- 4.13 The table below summarises the movements in the Collection Fund during 2020/21:

Table 3 – Collection Fund Position

| Collection Fund | Council Tax £000 | Business Rates £000 | Total £000 |
|-----------------------------------------------|---------------------|------------------------|---------------|
| Balance brought forward | (184) | (3,111) | (3,295) |
| Prior year estimated surplus released in year | 410 | 1,060 | 1,470 |
| Deficit for the year | 3,220 | 25,818 | 29,038 |
| Balance carried forward | 3,446 | 23,767 | 27,213 |

- 4.14 Due to the impact on the Council's ability to collect both Council Tax and Business Rates, an important change to Collection Fund accounting was introduced for 2020/21, which (with the exception of the £25.182m Government grant funded Business Rate reliefs) gives the ability to smooth the impact of COVID-19 related deficits over three financial years, thus reducing the impact on the revenue budget. The Council's 2021/22 budget and future years budget estimates have been prepared using this new facility.

Reserves and Balances – Financial Resilience

- 4.15 The level of General Fund reserves included in the Balance Sheet at £142.964m underpin the financial resilience of the organisation. These reserves are held to manage future risks and expenditure priorities. These are split into Revenue Account Earmarked Reserves of £113.512m and Other Earmarked Reserves of £29.452m. The latter are comprised of Revenue Grant Reserves of £20.145m and Schools Reserves at a sum of £9.306m. As previously explained, in 2019/20 Schools Reserves were netted down due to the deficit on the DSG, however, in 2020/21 the accounting treatment for this deficit changed and the deficit is now held separately as an unusable reserve. The Revenue Grants reserve increased by £11.999m due to the impact of COVID-19 grants being held in reserve at year end.
- 4.16 The most significant movement in earmarked reserves was due to the receipt of compensation for lost Collection Fund income at a value of £25.182m. As outlined previously, these funds are to be used to offset the loss of Collection Fund revenue due to the Government introducing Business Rate reliefs after the 2020/21 budget had been set.
- 4.17 Given how difficult it was to manage the financial position of the Council in 2020/21, given all the unprecedented events, it was encouraging that there was the flexibility to replenish some existing earmarked reserves and also to create additional reserves to improve financial resilience. Information on the reserves is presented at Note 15 in the Statement of Accounts.
- 4.18 The Statement of Accounts shows balances at the end of 2020/21 of £17.263m. This is an increase of £2.153m which is broadly in line with the originally calculated risk assessment for the following two financial years approved at the Council meeting of 4 March 2021. This movement has enhanced the Council's financial resilience going into 2021/22 and over the period of the Medium Term Financial Strategy.

- 4.19 The level of reserves and balances are a key element in the CIPFA Financial Resilience Index that was published for the first time in December 2019 with a new Index based on 2019/20 data released in February 2021. Reserves sustainability and change in reserves when compared to other Authorities was around the mid-point on the risk scale with a positive movement in the overall financial stress of the Council when compared with the previous year. The Index provided some useful information and confirmed the position that, leading into 2020/21, the Council was financially resilient. The Index will be issued again during 2021/22 to reflect the position at the end of 2020/21.

5 Capital Expenditure

- 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 £73.227m on its Capital Programme in 2020/21 compared to the forecast spending of £71.012m projected at Month 9 (a variance of £2.215m). The Capital Programme was financed using Government Grants, Capital Receipts and Prudential Borrowing (although there was no long term borrowing in 2020/21, the Council maintained the use of its cash balances to finance expenditure). 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 2020/21. There were no adverse variances to project spending merely the acceleration of expenditure compared to forecasts.

Table 4 – Capital Programme Outturn Compared to the Forecast Outturn

| Portfolio | 2020/21 Forecast £000 | 2020/21 Actuals £000 | Variance £000 |
|--------------------------------------|-----------------------------|----------------------------|------------------|
| Corporate Services | 16,302 | 16,806 | 504 |
| Children's Services | 9,099 | 11,176 | 2,077 |
| Communities and Reform | 121 | 57 | (64) |
| Community Health & Adult Social Care | 2,059 | 2,433 | 374 |
| Housing Revenue Account | 4,767 | 4,397 | (370) |
| People and Place | 38,664 | 38,358 | (306) |
| Total Expenditure | 71,012 | 73,227 | 2,215 |

6 Treasury Management

Investments

- 6.1 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 £68.540m of investments.
- 6.2 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 5 – Actual Performance Against Benchmark

| | Benchmark LIBID Return % | Actual Return % |
|-----------------------|-----------------------------------------|--------------------------------|
| 7 Day | (0.07%) | 0.13% |
| 1 Month | (0.06%) | 0.27% |
| 3 Month | 0.02% | 0.46% |
| 6 Month | 0.08% | 0.63% |
| Average Return | | 0.30% |
| Target Rate | | (0.01%) |

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

7 Overview of Core Statements

7.1 The four core Statements to the Accounts are the:

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

7.2 They are included in the Statement of Accounts on pages 52 to 56. A commentary of the key issues arising in each Statement is set out as follows:

Comprehensive Income and Expenditure Statement (CIES)

7.3 The CIES 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.

Table 6 – Comprehensive Income and Expenditure Statement (CIES)

| | 2020/21 | | |
|--------------------------------------------------------------------------|---------------------------|----------------------|-------------------------|
| | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| Chief Executive | 4,709 | (1,356) | 3,353 |
| Commissioning | 21,634 | (7,428) | 14,206 |
| People and Place | 76,464 | (23,808) | 52,656 |
| Children's Services | 267,569 | (192,255) | 75,314 |
| Community Services & Adult Social Care Reform | 118,414 | (63,156) | 55,258 |
| Capital, Treasury and Technical Accounting | 52,470 | (17,906) | 34,564 |
| Corporate and Democratic Core | 48,106 | (50,956) | (2,850) |
| Housing Revenue Account | 6,731 | - | 6,731 |
| Cost of Services | 611,734 | (385,501) | 226,233 |
| Other Operating Expenditure | | | |
| Parish Council precepts | | | 291 |
| Levies | | | 33,591 |
| (Gains)/losses on the disposal of non-current assets | | | (1,352) |
| Total Other Operating Expenditure | | | 32,530 |
| Financing and Investment Income and Expenditure (a) | | | 29,327 |
| Taxation and Non-Specific Grant Income (b) | | | (286,567) |
| Deficit on Provision of Services (c) | | | 1,523 |
| Other Comprehensive Income and Expenditure | | | |
| Revaluation (gains)/losses non current assets | | | (21,818) |
| Impairment losses on non current assets | | | 190 |
| Surplus or deficit on revaluation of available for sale financial assets | | | (1,893) |
| Remeasurement of net defined benefit liability | | | 134,528 |
| Total Other Comprehensive Income and Expenditure (d) | | | 111,007 |
| Total Comprehensive Income and Expenditure | | | 112,530 |

Key points to note from the CIES are:

(a) Financing and Investment Income and Expenditure

7.4 Financing and Investment Income and Expenditure of £29.327m (detailed at Note 3) contains transactions relating interest payable and receivable and dividend income.

(b) Taxation and Non Specific Grant Income

7.5 The sum of £286.567m (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. There has been a rise in Grant income in 2020/21 of £26.382m, this is largely attributable to COVID-19 support grants received in year.

(c) Deficit on the Provision of Services

- 7.6 The Deficit on the Provision of Services of £1.523m 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.
- 7.7 As previously highlighted, the Council's outturn position for the year is a £2.153m 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

- 7.8 There are a number of elements to Other Comprehensive Income and Expenditure, the sum of which totals a surplus £111.007m mainly due to the remeasurement of the net defined benefit liability movement of £134.528m as mentioned in 7.10 below.
- 7.9 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.
- 7.10 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 2021. This remeasurement is based on the financial assumptions made by the Actuary based on market conditions at the 31 March 2021 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)

- 7.11 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 are adjusted by the net Surplus or Deficit shown above. The subsequent balance will then be available to support expenditure in 2021/22.
- 7.12 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.

Table 7 – Movement in Reserves Statement Summary

| | General Fund £000 | HRA £000 | Total £000 |
|------------------------------------------------|----------------------|-------------|----------------|
| (Surplus)/Deficit on the Provision of Services | 3,785 | (2,263) | 1,522 |
| Total Technical Accounting Adjustments | (56,121) | 2,688 | (53,433) |
| Transfer to Earmarked General Fund Reserves | 50,183 | - | 50,183 |
| Net (Surplus)/Deficit | (2,153) | 425 | (1,728) |

Balance Sheet

7.13 The Balance Sheet below shows the Council's net assets have decreased by £112.530m in 2020/21 from £167.061m to £54.531m.

Table 8 – Balance Sheet

| 31 March 2020 £000 | | Note | 31 March 2021 £000 |
|--------------------------|-----------------------------------------|---------|--------------------------|
| 734,215 | Property Plant & Equipment | 17 | 754,458 |
| 19,770 | Heritage Assets | 18 | 19,770 |
| 20,077 | Investment Property | 19 | 18,817 |
| 4,060 | Intangible Assets | | 4,271 |
| 50,095 | Long Term Investments | 21 | 55,615 |
| 22,508 | Long Term Debtors | 22 | 35,034 |
| 850,725 | Long Term Assets | | 887,965 |
| 40,775 | Short Term Investments | 21 | 40,671 |
| 621 | Inventories | | 517 |
| 43,225 | Short Term Debtors | 22 | 49,662 |
| 59,898 | Cash & Cash Equivalents | 23 | 21,597 |
| 310 | Assets Held For Sale (less than 1 year) | | 568 |
| 144,829 | Current Assets | | 113,015 |
| (1,716) | Short Term Borrowing | 21 | (6,697) |
| (68,456) | Short Term Creditors | 24 | (76,164) |
| (12,567) | Short Term Provisions | 25 | (9,761) |
| | Short Term Liabilities | | |
| (10,216) | - Private Finance Initiatives | 21,28 | (9,746) |
| (314) | - Finance Leases | | (302) |
| (1,108) | - Transferred Debt | | (1,180) |
| (94,377) | Current Liabilities | | (103,850) |
| (15,800) | Long Term Provisions | 25 | (15,666) |
| (168,364) | Long Term Borrowing | 21 | (168,355) |
| | Other Long Term Liabilities | | |
| (324,871) | - Pension Liabilities | 30 | (444,288) |
| (222,531) | - Private Finance Initiatives | 21,28 | (212,785) |
| (474) | - Finance Leases | | (349) |
| (1,224) | - Transferred Debt | | (44) |
| (17) | - Deferred Credits | | (17) |
| (835) | Capital Grants Receipts In Advance | | (1,095) |
| (734,116) | Long Term Liabilities | | (842,599) |
| 167,061 | Net Assets | | 54,531 |
| (146,515) | Usable Reserves | MiRS | (203,055) |
| (20,546) | Unusable Reserves | MiRS,16 | 148,524 |
| (167,061) | Total Reserves | | (54,531) |

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

- An increase in the Pension Liability of £119.417m 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 7.10.

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 £20.243m mainly due to Non Current Assets additions in year.
- Long Term Debtors have increased by £12.526m in year. This primarily relates to Shareholder loans to a strategic investment partner in year.
- A decrease in Cash and Cash Equivalents of £38.301m which is discussed further at paragraph 7.15.

Cash Flow Statement

- 7.15 Cash and cash equivalents have decreased by £38.301m, this is largely due to a decrease in short term cash equivalent investment balances following the upfront pension payment to the Greater Manchester Pension Fund (GMPF) in 2020/21.

Table 9 – Cash Flow Statement

| | 2019/20 £000 | 2020/21 £000 |
|----------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Net deficit on the provision of services | (72,942) | (1,522) |
| Adjustment to surplus or deficit on the provision of services for non-cash movements | 130,091 | 32,125 |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (29,948) | (23,533) |
| Net cash flows from operating activities | 27,201 | 7,070 |
| Net Cash flows from Investing Activities | (9,835) | (35,274) |
| Net Cash flows from Financing Activities | 9,303 | (10,097) |
| Net increase or (decrease) in cash and cash equivalents | 26,669 | (38,301) |
| Cash and cash equivalents at the beginning of the reporting period | 33,229 | 59,898 |
| Cash and cash equivalents at the end of the reporting period | 59,898 | 21,597 |

8 Group Accounts

- 8.1 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.
- 8.2 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.
- 8.3 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.

8.4 The Council has assessed its group boundary for 2020/21 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.

8.5 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 2020/21 Statement of Accounts.

9 The Performance of the Finance Service

9.1 The preparation of the accounts represents just one outcome of the range of achievements of the Finance Team during 2020/21 as it continues to enhance and develop its performance. The work of the Finance Team underpins the work of the Council as well as ensuring compliance with statutory requirements, budget management and excellent financial practice.

9.2 The early closure of accounts 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.

9.3 The continuing challenges and restrictions facing the Council and the Finance Team as a result of the ongoing pandemic has made the completion of the final accounts a more demanding exercise. However, the Council handed over its accounts to the External auditors on 6 June, well within the revised timelines.

9.4 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 was made more difficult due to the current working environment with most colleagues working from home. However, as in previous years, this has been a real team effort.

10 Options/Alternatives

10.1 The Audit Committee members can either choose to note the draft 2020/21 Statement of Accounts or not to do so. There are no other alternatives.

11 Preferred Option

11.1 The preferred option is that Audit Committee members note the draft 2020/21 Statement of Accounts.

12 Consultation

12.1 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 working day public inspection period which will conclude on 28 July 2021.

13 Financial Implications

13.1 Dealt with in the body of the report.

14 Legal Services Comments

14.1 There are no Legal implications.

15 Co-operative Agenda

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

16 Human Resources Comments

16.1 There are no Human Resource implications.

17 Risk Assessments

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

18 IT Implications

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

19 Property Implications

19.1 There are no Property implications.

20 Procurement Implications

20.1 There are no Procurement implications.

21 Environmental and Health and Safety Implications

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

22 Equality, Community Cohesion and Crime implications

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

23 Equality Impact Assessment Completed?

23.1 Not Applicable

24 Key Decision

24.1 No

25 Key Decision Reference

25.1 Not Applicable.

26 Background Papers

26.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background Papers are provided at Appendix 1.
Officer Name: Lee Walsh
Contact No: 0161 770 6608

27 Appendices

27.1 Appendix 1 –Draft Statement of Accounts 2020/21