



Oldham
Council

Report to Cabinet

2020/21 Annual Statement of Accounts

Portfolio Holder: Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member - Finance and Low Carbon

Officer Contact: Anne Ryans – Director of Finance

Report Author: Lee Walsh – Finance Manager (Capital and Treasury)
Ext. 6608

15 November 2021

Reason for Decision

To advise Cabinet of the approved 2020/21 audited Statement of Accounts and External Auditor (Mazars LLP) Audit Completion Report (ACR).

Executive Summary

The report presents the Council's Statement of Accounts for the financial year 2020/21 as considered by the Audit Committee on 29 July 2020. Delegated authority was given to the Vice Chair of the Audit Committee after consultation with Director of Finance to approve the accounts, pending the completion of the outstanding work on the Council's group accounts, IT audit and the receipt, by the External Auditor, of assurances with regard to the audit of the Greater Manchester Pension Fund (GMPF).

The accounts were subsequently approved on 30 September 2021 within the statutory deadline. There were no changes to the Statement of Accounts presented and accepted at the Audit Committee on 29 July 2020.

The report highlights:

- The overall revenue outturn position for 2020/21 was a surplus of £2.153m;
- The year-end variances that were attributable to each Portfolio;
- The level of grants received in relation to the COVID-19 Pandemic;
- Schools balances at 31 March 2021 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;
 - The preparation of Group Accounts incorporating the Councils two wholly owned companies – the Unity Partnership Ltd. and MioCare Community Interest Company;
 - The Annual Governance Statement;
 - The performance of the Finance Team in closing the accounts.

The presentation of the audited Statement of Accounts provides Cabinet Members with the opportunity to review the Council's year-end financial position (following completion of the audit by the Council's External Auditors, Mazars LLP), prior to consideration of the accounts by Council.

Recommendations

That Cabinet:

- 1) Notes the Council's final accounts position for 2020/21, the audited Statement of Accounts, the draft Audit Completion Report and subsequent letter entitled Completion of Pending Matters – Audit Completion Report.
- 2) Notes that the audit of the accounts for 2020/21 by the External Auditors Mazars LLP can only be finalised once the Value for Money (VFM) opinion is provided and Whole of Government Accounts (WGA) audit is completed and that a further report outlining the VFM and WGA final positions will be presented.
- 3) Commends this report and Statement of Accounts to Council.

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 was again revised for 2020/21, recognising the multi-year impact of COVID-19. 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 was as follows:
- The publication date for the final, audited, accounts for 2020/21 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 was removed. Instead, Local Authorities had to commence the public inspection period on or before the first working day of August 2021, which required the draft accounts to be presented for audit by 31 July or earlier wherever possible.
- 1.5 For the year 2020/21, Authorities had to 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 departed from normal practice for 2021. The Council published such a notice. This advised that the public inspection period ran from 17 June 2021 to 28 July 2021. The Council received no objections to the Statement of Accounts within the inspection period.
- 1.6 The legislation requires that following the conclusion of a 30 working day period of public inspection, the Council had to 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. 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.
- 2.2 In line with good practice, the draft Statement of Accounts was issued to Audit Committee members. The Statement of Accounts was presented, with a covering report outlining key issues, to the Audit Committee at its meeting of 29 June 2021. 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. The Statement of Accounts was subsequently considered at the Audit Committee on 29 July 2021.

- 2.3 At the Audit Committee meeting on 29 July 2021, the audit of the Accounts was substantially complete, but there were a few outstanding items:
- a) Audit work on the consolidation of the Council's Group Accounts
 - b) The completion of work on the IT audit
 - c) The requirement for Mazars LLP to receive on assurance with regard to the audit of the Greater Manchester Pension Fund (GMPF).
- 2.4 As the outstanding matters were still not resolved by the meeting of 29 July, the Audit Committee approved the delegation of the final approval of the Council's Statement of Accounts (once there had been a resolution of the outstanding items) to the Vice Chair of the Audit Committee having regard to the advice of the Director of Finance and the External Auditor. It had been anticipated that it would only take the External Auditor a short period of time to conclude the outstanding matters, however this did not prove the case and an update the audit was provided to the Audit Committee at its meeting on 9 September 2021, advising Members that the audit was still not complete.
- 2.5 The Statement of Accounts had been updated during the audit process. The changes can be found at Appendix 2 and all were included in the version considered at the 29 July Audit Committee. The accounts were subsequently approved on 30 September 2021 within the statutory deadline. The full amended Statements are shown in Appendix 1.
- 2.6 Due to a change in the external audit requirement with regard to the Value for Money review, Mazars LLP is yet to complete work on the Value for Money (VFM) opinion in respect of the Council's arrangements for the year ended 31 March 2021. This work is still ongoing at the time of preparing this report. To date the auditors have not identified any significant weaknesses in arrangements that require them to make a recommendation.
- 2.7 The final element of the 2020/21 audit is the Whole of Government Accounts (WGA) return. The audit of the WGA is always undertaken after the Statement of Accounts has been approved. It is important to note that the audit process cannot be fully finalised until WGA audit is complete. This is not expected to be problematic, and the WGA audit is likely to commence early in 2022.
- 2.8 At the Audit Committee meeting on 29 July 2021, Mazars LLP provided the Council with a draft Annual Audit Completion Report (ACR). The draft ACR gave an unqualified opinion on the financial statements and provided assurance that no material errors had been identified for the twelfth successive year. The draft ACR is presented at Appendix 3.
- 2.9 The draft ACR resulted in only one low priority ranking recommendation with regards to Housing Benefit reconciliations and progress has been made to fully address the issue highlighted.
- 2.10 Following the completion of the final elements of audit work, a letter entitled 'Conclusion of Pending Matters – Audit Completion Report' was issued. This is presented at Appendix 4. This highlighted three further low priority recommendations as follows:
- a) A revision to the consolidation of the Council's Group Accounts with regard to the Group's Debtors and Creditors. Whilst accepting the recommendation, it was

considered that the impact on the 2020/21 Statement of Accounts was not material therefore the accounts were not adjusted. However, the Council will incorporate the recommended action into the 2021/22 close down process.

- b) The IT element of the audit was completed with two low priority recommendations for improvement, one relating to single sign on to IT systems and one relating to IT system recovery. Again, action has been taken to address the issues.

2.11 Reports outlining the contents of the letter entitled 'Conclusion of Pending Matters - Audit Completion Report' and the full response of the Council to the four low priority recommendations were presented to the Audit Committee on 2 November 2021.

2.12 It is important to note that this was the third 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 was conducted, including the examination of samples and more in-depth review of processes. In view of the limited comments and recommendations, the overall audit process was very positive.

3 General Fund Revenue Outturn

3.1 The Council's 2020/21 revenue outturn position has been presented in the Portfolio structure, with a comparison to the revenue budget 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 and Grants	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, the financial year 2020/21 was unlike any other due to the impact of the COVID-19 pandemic which 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);
 - Income being received late in the financial year 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 adult social care related payments from Oldham CCG and increased refunds from the Greater Manchester Combined Authority (GMCA) to top up resources already anticipated;
 - Notifications from Central Government of grant allocations late in the financial year;
 - Displaced activity which will be undertaken and completed in 2021/22 resulting in anticipated expenditure and reserve usage not taking place in 2020/21.

3.3 The overall outturn position for the Council was 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 in the following paragraphs.

3.4 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. 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 general grant supported the outturn.

People and Place

3.5 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 was 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.

3.6 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

3.7 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 Section 117 contributions for after-care services;
- Delayed recruitment to vacant posts and grant income to support staffing costs.

Children's Services

- 3.8 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

- 3.9 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 was 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 were partially mitigated by the reduction in service provision by the Heritage, Libraries and Arts and Public Health teams for expenditure such delivery of services in primary care and also by vacancies across the Portfolio.
- 3.10 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

- 3.11 The adverse variance was a result of the use of external contractors by the Procurement Service and 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

- 3.12 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

- 3.13 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

- 3.14 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

- 3.15 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 unringfenced and ringfenced 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 a 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 grant position is provided below with table 2 highlighting a total of £107.727m of grant received for business grant funding and COVID specific initiatives.

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 eighteen COVID-19 specific grants summarised in table 2, the Council also received unringfenced general grants to support its COVID-19 response totalling £28.106m (with £25.651m being used in year as a general offset for the additional expenditure incurred as a result of COVID). 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;
- 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 which was used 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 grant 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 COVID related grant in 2020/21. This shows the extent of Government COVID financial support for the Council and Oldham from a wide range of grant 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. Where possible, grants not used in full in 2020/21 were carried forward for use in 2021/22.

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 had 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 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. This grant received in 2020/21 was carried forward as a reserve and used to offset the Collection Fund deficit reflected in the budget for 2021/22
- 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 (surplus)	(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
Deficit 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 £11.929m 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 in 2021/22 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	4,776	(1,423)	3,353
Commissioning	21,123	(7,572)	13,551
People and Place	77,688	(26,034)	51,654
Children's Services	267,569	(192,255)	75,314
Community Health & Adult Social Care Reform	118,885	(63,627)	55,258
Capital, Treasury and Technical Accounting	52,714	(18,150)	34,564
Corporate and Democratic Core	46,149	(50,956)	(4,807)
Housing Revenue Account	6,731	-	6,731
Cost of Services	611,272	(388,653)	222,619
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)			32,941
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 £32.941m (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/ Annual Governance Statement (AGS)

- 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.

8.6 The Annual Governance Statement (AGS) is incorporated within the Statement of Accounts. There were no changes between the draft and final version of the AGS.

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 and the audited set of accounts was completed within the statutory deadline.

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 challenges of the COVID-19 pandemic. However, as in previous years, this has been a real team effort.

10 Options/Alternatives

10.1 No alternatives are presented other than Cabinet notes the final accounts position for 2020/21 and commends this report and Statement of Accounts to Council.

11 Preferred Option

11.1 The preferred option is that Cabinet notes the final accounts position for 2020/21 and commends this report and Statement of Accounts to Council.

12 Consultation

12.1 Consultation has taken place with the Council's External Auditors, Mazars LLP and the Council's Audit Committee at the meetings on 29 June, 29 July, 9 September and 2 November 2021. In addition, members of the public had the opportunity to inspect the Council's Statement of Accounts and supporting documents during the 30-day public inspection period which concluded on 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 Appendices 1 to 4.
Officer Name: Lee Walsh
Contact No: 0161 770 6608

27 **Appendices**

- 27.1 Appendix 1 – Statement of Accounts 2020/21
- Appendix 2 – Changes to the draft Statement of Accounts
- Appendix 3 - Draft Annual Audit Completion Report
- Appendix 4 – Letter entitled 'Conclusion of Pending Matters – Audit Completion Report'