



**Oldham**  
Council

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## Report to Performance Overview and Scrutiny Committee

# Draft 2021/22 Annual Statement of Accounts

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**1 September 2022**

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### Reason for Decision

To present to the Performance Overview and Scrutiny Committee, the draft Statement of Accounts for 2021/22 for consideration.

### Executive Summary

The report presents the Council's draft Statement of Accounts for the financial year 2021/22.

The report highlights:

- The timeline for the preparation of the accounts and recent changes to the timetable for the audit of the accounts;
- The uncertainty regarding the timeline for the conclusion of the audit process given the on-going consideration of technical accounting arrangements regarding the valuation of infrastructure assets;
- The current position with regard to the audit of the accounts;
- The overall revenue outturn position for 2021/22 was a surplus of £2.749m;
- The year-end variances that are attributable to each Portfolio;
- The level of Government grants received in relation to the COVID-19 brought forward into and received during 2021/22;
- Schools balances at 31 March 2022 were £10.192m;
- The Dedicated Schools Grant (DSG) deficit was £2.773m and is held in an unusable reserve rather than being netted off the Schools balances (as was the accounting practice prior to 2020/21);
- The final Housing Revenue Account (HRA) balance was £21.719m;
- The balance on the Collection Fund was a deficit of £9.133m;
- The revenue account earmarked reserves at £99.228m, other earmarked reserves at £20.992m (Revenue Grant Reserves of £10.731m plus School

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Balances as above) and an increase in the General Fund balance of £2.749m to £20.012m, reflective of the revenue outturn position;

- Expenditure on the Council's Capital Programme for 2021/22 was £76.989m against the revised Capital Programme in 2021/22, resulting in a variance of £38.280m compared to the projected outturn of £38.709m at month 9. Of the variance £32.333m was due to the required inclusion in the Council's asset register of the new Saddleworth School which was built and mostly funded by the Department of Education. The remaining variance of £5.948m was due to projects moving forward more quickly than anticipated towards the end of the year. The increase in expenditure required funding allocated to future years to be re-profiled to fully finance the Capital Programme in 2021/22;
- The significant items in each of the primary financial statements;
- The preparation of Group Accounts incorporating the Council's three wholly owned companies – the Unity Partnership Ltd, MioCare Community Interest Company and the Meridian Group. The Meridian Group has been incorporated into the Council's Group Accounts for 2021/22, as the Council became the only shareholder during 2021/22; and
- The performance of the Finance Team in closing the accounts.

The presentation of the draft Statement of Accounts to the Audit Committee on 21 June in line with good practice, provided Audit Committee members with the opportunity to review the Council's year-end financial position before they are required to formally approve the accounts. The presentation of the draft Statement of Accounts to the Performance Overview and Scrutiny Committee provides Members with an additional opportunity to consider the outturn for 2021/22.

### **Recommendations**

That members of the Performance Overview and Scrutiny Committee note the Council's draft Statement of Accounts for 2021/22.

**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) 2021/22 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 Council completed and issued its 2021/22 accounts to the External Auditor (Mazars LLP) on 31 May 2022. For this year 2021/22, and as in previous years, Authorities have to publish the dates of their public inspection period, providing a public notice on their websites when the public inspection period commences. The Council published such a notice and advised that the public inspection period ran from 1 June 2022 to 14 July 2022. The inspection period has now closed and no formal comments or questions were received.
- 1.4 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. As explained later in the report, the timeline for the approval of the accounts remains uncertain.
- 1.5 In line with good practice and in accordance with the final accounts processes and procedures adopted in Oldham, the draft Statement of Accounts was presented to the Audit Committee on 21 June 2022 and this provided Audit Committee Members with the opportunity to review the Council's year-end financial position before they were required to formally approve the accounts. The presentation to this Scrutiny Committee also allows further review and consideration.
- 1.6 The deadline for the audit of the 2021/22 Statement of Accounts has recently been revised. The Accounts and Audit (Amendment) Regulations 2022 came into force on 22 July 2022. The 2022 (Amendment) Regulations change the deadline for publishing audited Local Authority accounts and were made in response to the Redmond Review's findings about the fragility of the local audit market which has led to significant delays in the audit process for many Local Authorities (but not for Oldham).
- 1.7 For 2021/22, the deadline for the publication of Local Authority audited accounts is extended from 30 September to 30 November 2022. Following this, and to provide certainty for the next contract period under the procurement arrangements being managed by Public Sector Audit Appointments (PSAA), the deadline will revert to 30 September for 6 years, until the end of the next appointing period. The change will take effect for the 2022/23 accounts and will end once the 2027/28 accounts have been completed. The deadline will then be reviewed, with the hope being that the backlog of audits will be completed, and the capacity issues within the external audit sector will be fully addressed.

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## 2 Current Position

- 2.1 As advised above, the Council submitted its draft financial statements to the External Auditors, Mazars LLP, on 31 May 2022 which is within the statutory deadline and was the Council's internal deadline as agreed with the External Auditor. The public inspection period began on 1 June 2022 and concluded on 14 July 2022. The audit of the accounts commenced on 6 June 2022 and 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 at an early stage. An update on the progress of the audit will be presented to the Audit Committee on 8 September 2022.
- 2.2 The draft Statement of Accounts is shown at Appendix 1. The presentation of the draft Statement of Accounts to the Audit Committee on 21 June 2022 gave members of the Committee the opportunity to review the accounts and ask relevant questions, so they were better informed before being asked to formally approve the audited Accounts at an Audit Committee meeting later in the year. The consideration of the accounts by the Performance Overview and Scrutiny Committee provides a further opportunity for Members to examine the key issues highlighted by the outturn for 2021/22.
- 2.3 The approval of the accounts will not take place until after the notification of the outcome of the consultation on changes to the Accounting Code of Practice with regard to issues relating to the reporting of Infrastructure Assets as detailed in paragraph 2.5.
- 2.4 As detailed in paragraph 1.2, the Council prepares its Statement of Accounts in line with the CIPFA Code of Practice. For 2021/22 there were no major changes to the original Code. However, within the consultation on emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the UK and the 2022/23 Code, the Financial Reporting Advisory Board (FRAB) announced the deferral of International Financial Reporting Standard 16 (IFRS 16) Leases for a further year to 2022/23 and reversed the planned changes to the 2022/23 Code of Practice to implement the standard.
- 2.5 Another important matter which could impact on the accounts is the outcome of a consultation (which closed on 14 June 2022) on a change in accounting practice for Infrastructure Assets. Until the outcome of the consultation exercise has been announced, the precise impact cannot be assessed. However, any changes required are likely to impact on both the 2020/21 and 2021/22 accounts which will then need to be restated. The restatement will be technical in nature. However, given the impact there is the potential for a technical qualification of the accounts.
- 2.6 On 27 July 2022, CIPFA LASAAC (a partnership between CIPFA and the Local Authority (Scotland) Accounts Advisory Committee) issued an update statement on the outcomes of the consultation on Infrastructure Asset reporting issues. In the document it stated that CIPFA LASAAC had considered ways in which an adaptation could be developed but it was not able to agree an approach that addressed the concerns of all stakeholders while also supporting high quality financial reporting. A key concern for CIPFA LASAAC was to ensure the best available information or evidence was being used to update the carrying value of infrastructure assets when elements are derecognised.
- 2.7 CIPFA LASAAC concluded that it will not take forward Code amendments that are not consistent with high quality financial reporting. A further consultation may take place but no documentation has yet been released. It must again, be noted that any delays on the Infrastructure Asset reporting issues may delay the conclusion of the audit of the Council's Statement of Accounts for 2021/22.

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- 2.8 In addition, Mazars LLP is still working to complete work on the Value for Money (VFM) opinion in respect of the Council's arrangements for the year ended 31 March 2022. This work is scheduled to be completed later in the audit process aligned to the extended audit deadline of 30 November 2022.
- 2.9 It is important to note that the audit process cannot be fully finalised until all the VFM work is finalised and the Whole of Government Accounts (WGA) are completed.
- 2.10 Impacting on the conclusion of the 2021/22 accounts is the issue that the accounts for 2020/21 have still not been fully finalised as the WGA exercise is not yet complete. A delay by HM Treasury in issuing the WGA Toolkit for 2020/21 meant that work in this area could not commence in line with expected timelines however, the Council has now been able to finalise and submit the WGA for the financial year 2020/21. Until the review of the WGA is completed, the 2020/21 audit remains open. Once the 2020/21 process is completed, the Council will advertise the conclusion of the 2020/21 audit process.
- 2.11 Following the conclusion of the audit of the 2021/22 Statement of Accounts, the production of the VFM opinion and WGA work, the Council will advertise the completion of the 2021/22 audit process on its website and update Members of the Performance Overview and Scrutiny Committee.
- 2.12 Given that the 2020/21 audit has not yet been completely finalised and that the accounting arrangements for Infrastructure Assets issue are still uncertain, then the finalisation of the 2021/22 audit may take some time.
- 2.13 Other significant events, changes and transactions impacting on the 2021/22 accounts are:
- The Council received significant grant funding due to the COVID-19 pandemic. This is discussed further at section 4 and in the Narrative Report of the Statement of Accounts. An important feature of these grants is whether the Council is acting as Principal or Agent.
  - 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 4.1 of the Statement of Accounts.
  - The deficit on the Dedicated Schools Grant continues to be shown as an Unusable Reserve in the Movement in Reserves Statement as discussed at paragraph 4.16.
  - During the 2021/22 financial year there was a management buy-out of the equity shareholders of Meridian, facilitated by a grant from the Council. This left the Council as the only shareholder in the Group and, therefore, the company became wholly controlled by the Council. As a result, the Meridian Group became a subsidiary of the Council rather than an associate. The Meridian Group's principal activity is property management and development and primarily relating to the Meridian Centre on Ashton Road within the Borough. The members of the Meridian Group are the Meridian Developments Company Ltd and Interurban Ltd. The Meridian Group has therefore been incorporated into the Council's Group Accounts.
- 2.14 As previously stated, the Council commenced its accounts inspection period on 1 June 2022, and it concluded on 14 July 2022. During this period the Accounts and other related information were available for public inspection. The notice of inspection was accessible on the Council's website. The Statement of Accounts is also accessible on the Council's website.
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### 3 General Fund Revenue Outturn

3.1 The Council's 2021/22 revenue outturn position has been presented in its Portfolio structure applicable during the financial year. A comparison of the revenue budget and outturn is set out in Table 1 below. The forecast outturn position was presented to Cabinet during 2021/22 at months 3, 6, 8 and 9.

**Table 1 – 2021/22 Revenue Outturn Compared to Revised Budget**

Portfolio	Budget £000	Actual £000	Variance £000
People and Place	92,402	93,012	610
Community Health & Adult Social Care	72,203	79,760	7,557
Children's Services	91,985	97,010	5,025
Communities and Reform	41,560	39,439	(2,121)
Commissioning	112	341	229
Chief Executive	10,766	9,408	(1,358)
Capital, Treasury and Technical Accounting	12,071	8,681	(3,390)
Corporate and Democratic Core	6,815	6,815	-
Parish Precepts	319	319	-
COVID-19 Budget	8,088	-	(8,088)
<b>Net Service Expenditure</b>	<b>336,321</b>	<b>334,785</b>	<b>(1,536)</b>
Collection Fund	-	17,830	17,830
<b>Total Net Service Expenditure</b>	<b>336,321</b>	<b>352,615</b>	<b>16,294</b>
<b>Financed By:</b>			
- COVID-19 General Unringfenced Grant	(8,088)	(8,088)	-
- COVID-19 Other Unringfenced Grant	(1,591)	(1,591)	-
- COVID-19 Local Council Tax Support Grant	(3,185)	(3,185)	-
Other Financing	(323,810)	(348,992)	(25,182)
Collection Fund (Surplus)/Deficit	353	6,492	6,139
<b>Total Financing</b>	<b>(336,321)</b>	<b>(355,364)</b>	<b>(19,043)</b>
<b>Net Underspend</b>	<b>-</b>	<b>(2,749)</b>	<b>(2,749)</b>

3.2 As mentioned in the Statement of Accounts, this year, like 2020/21 has been impacted by the COVID-19 pandemic which has continued the trend in volatility in both income and expenditure. This resulted in some variances from the month 9 projected position (based on forecasts as at 31 December 2021) including the ability to create reserves. The variances were due to a number of reasons including:

- It had been expected that some projects would have been further advanced at the year end, but the creation of an earmarked reserve was required to ensure completion in 2022/23;
- There was a year-end exercise to maximise the benefit to Oldham of time limited revenue grants;
- The receipt of additional funds from Oldham Clinical Commissioning Group (CCG) through Section 75 funding arrangements to support Adult Social Care using the flexibilities approved by the Commissioning Partnership Board;
- Late income being received from partner organisations including investment income, funding in relation to after care services provided under Section 117 (S.117) of the Mental Health Act 1983 and other adult social care related payments from Oldham CCG; and
- Late notification from Central Government of grant allocations.

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3.3 The overall outturn position for the Council is a surplus of £2.749m which has increased the Council's General Fund Balance as discussed at section 4.25. More detailed information on the Council's outturn position can be found in the Narrative Report from page 28 in the Statement of Accounts. Further details on the variances are provided from paragraphs 3.5 to 3.15 below.

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. The Council received £8.088m of general COVID-19 unringfenced grant during the year as well as a COVID-19 Local Council Tax Support Grant of £3.185m and other COVID-19 unringfenced grants totalling £1.591m as can be seen in Table 1 above.

### **People and Place**

3.5 The year-end position for the People and Place Portfolio was a deficit of £0.610m, against a revised budget of £92.402m. The adverse variance was mostly within the Economic Development with a £2.287m unfavourable variance. This relates to:

- the Catering Service as a result of increasing food costs; and
- the Corporate Landlord/Investment Estate and Markets Service relating to the recoverability of rental income from tenants impacted by the pandemic and an increased requirement for maintenance of the Council's property estate.

3.6 This adverse position for Economic Development was partially offset by favourable variances in Environmental Services of £1.043m due to overachievement of S38/S278 and Traffic Regulation order income and savings in the Highways Operations budget and Customer Services of £0.694m due to staff vacancies and maximisation of grants. The final outturn of £0.610m was an adverse movement of £0.484m compared to the forecast of £0.126m which was reported to Cabinet at Month 9 (Quarter 3 to 31 December 2021).

### **Community Health and Adult Social Care**

3.7 The final outturn variance of £7.557m was an adverse movement of £0.277m compared to the forecast of £7.280m which was reported to Cabinet at Month 9 (Quarter 3 to 31 December 2021). The variance of £7.557m, was mainly comprised of a £7.542m overspend on costs relating to COVID-19. Included within this net expenditure position is a non-recurrent contribution of £0.897m from the Contain Outbreak Management Fund which reduced the overall pressure derived from the pandemic.

3.8 The main element of the pressure is for care costs for individuals previously funded via the arrangements set-out in the Hospital Discharge Programme (HDP) paid through Oldham CCG which for the first part of the year attracted funding for a period of six weeks (reduced from that available in 2020/21). This then reduced to a period of four weeks from 1 July 2021 to 31 March 2022. The Hospital Discharge Programme funding then ceased on 31 March 2022. After this period, the legacy costs are borne by the Council and are an on-going impact of the pandemic. Other income from the CCG and HDP has reduced other unfavourable variances within the Portfolio alongside the maximisation of grants.

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- 3.9 Elsewhere on the agenda of the Select Committee is the 2022/23 Quarter 1 monitoring report, and the impact of the COVID legacy for Adult Social Care (and Children's Social Care) can clearly be seen continuing into 2022/23.

### **Children's Services**

- 3.10 The Portfolio as a whole recorded an overspend of £5.025m against a revised budget of £91.985m. This was a favourable movement of £0.244m compared to the forecast at month 9. The majority of the adverse variance (£4.985m) 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 £0.130m; the main drivers being the cost of Special Education Needs (SEND) provision (including out of borough placements), loss of income for the Community/ Adult Learning Service due to the pandemic and staffing costs. Preventative services recorded an underspend of £0.117m due to savings on contracts and the maximisation of grant income.

### **Communities and Reform**

- 3.11 The revenue outturn for this Portfolio was a favourable variance of £2.121m. The overall underspend for Communities and Reform Portfolio is in the main due to vacancies across the Directorate and the offsetting of costs by COVID-19 grants. These offsets have reduced the impact of the reduction of income received for the Music Service, Outdoor Education, Sports Development and Human Resources (HR) Advisory services. The final outturn variance of £2.121m was a favourable movement of £0.467m compared to the forecast of £1.654m which was reported to Cabinet at Month 9.

### **Commissioning**

- 3.12 It must be noted, that during the financial year, the Finance Directorate was transferred to the Chief Executive Portfolio leaving only the Procurement Service within the Commissioning Portfolio. The Comprehensive Income and Expenditure Statement for 2020/21 has been restated to reflect this change for comparative purposes. The final outturn variance of £0.229m was a favourable movement of £0.150m compared to the forecast of £0.379m which was reported to Cabinet at Month 9. The variance is mainly the result of the use of external contractors covering hard to fill roles and the reduction of income generated against the Council's early payment discount scheme. The pressure was partially offset by a reduction in payments to contractor costs and additional income generated in relation to the implementation of the North West Contractor Framework which the Council is hosting (as approved by Cabinet on 22 March 2021).

### **Chief Executive**

- 3.13 The favourable outturn position of £1.358m represents a favourable movement of £0.759m compared to the forecast of £0.599m at month 9. The underspend for the Chief Executive Directorate is due to vacancies across the Directorate, the maximisation of COVID-19 grants and reduced levels of non-pay costs including GM wide corporate budgets including the Coroners Service. The Registrars Service income increased in quarters 3 and 4 to pre-pandemic levels. These offsets have reduced the impact of the reduction in schools traded income in Legal Services and reduced levels of summons cost recoveries income which is still impacted by COVID-19.



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## **Capital, Treasury and Technical Accounting**

- 3.14 The Portfolio includes the revenue budgets associated with the Council's Treasury Management activities together with technical accounting entries to comply with accounting requirements. The outturn for Capital, Treasury and Technical Accounting was a favourable variance of £3.390m in the main due to higher than budgeted returns on investments and the Council's pension pre-payment, lower costs incurred as a result of capital financing transactions and other smaller non-pay variances.

## **Corporate and Democratic Core**

- 3.15 This Service area 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 £6.815m with no variance to budget.

## **Parish Precepts**

- 3.16 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 2021/22 budget.

## **4 Other Revenue Outturn Issues**

### **COVID-19 Grants**

- 4.1 As in 2020/21, the Council received a range of grants from Central Government 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. The Council also administered Business Rates Reliefs and both the reliefs and grants 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:
- a) 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
  - b) 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 34 to 40. A summary of the grants section is provided below.

### **Business Grants**

- 4.4 Several Business Grant schemes operated across 2020/21 and 2021/22 of which, as shown in Table 2, grants brought forward totalled of £12.911m. A total of £4.571m was spent in 2021/22 leaving £8.340m to be returned to Government.

**Table 2 – Grant Support for Business Brought forward from 2020/21**

	Total Grant Allocation Brought Forward £000	Grants received 2021/22 £000	The Council acting as Agent £000	The Council acting as Principal £000	Expenditure as at 31 March 2022 £000	Grant Remaining as at 31 March 2022 £000
Total COVID-19 Business Grants	12,911	0	8,827	4,084	4,571	8,340

- 4.5 The Business Grants received and administered in 2021/22 are set out in Table 3 below and show receipts of £13.461m, expenditure of £12.586m leaving £0.875m to be returned to Government. Every effort was made to maximise the payment of grant support to businesses.

**Table 3 – Grant Support for Business 2021/22**

	Grants received 2021/22 £000	The Council acting as Agent £000	The Council acting as Principal £000	Expenditure as at 31 March 2022 £000	Grant Remaining as at 31 March 2022 £000
Total COVID-19 Business Grants	13,461	11,941	1,520	12,586	875

**COVID-19 Ringfenced Grants**

- 4.6 As in 2020/21 the Council received from Government a range of specific ringfenced grant which it had to administer, including grants to support schools. Each of these grants had its own terms, conditions and eligibility criteria and some had detailed reporting requirements. The following tables show total grants received and the activity against them and the balance that will be carried forward into the 2022/23 financial year.

**Table 4 – COVID-19 Ringfenced Grants**

	Total Grant Allocation Brought Forward £000	Grants received 2021/22 £000	The Council acting as Agent £000	The Council acting as Principal £000	Expenditure as at 31 March 2022 £000	Grant Remaining as at 31 March 2022 £000
Total COVID-19 Ringfenced Grants	8,155	15,113	3,634	19,634	19,466	3,802

**Table 5 – Schools COVID-19 Ringfenced Grants**

	Total Grant Allocation Brought Forward £000	Grants received 2021/22 £000	The Council acting as Agent £000	The Council acting as Principal £000	Expenditure as at 31 March 2022 £000	Grant Remaining as at 31 March 2022 £000
Total COVID-19 Ringfenced Grants	0	4,086	0	4,086	2,012	2,074

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- 4.7 There were eleven non-schools grants received in 2020/21 for which funds were brought forward into 2021/22. Five of these received top up funding in year. Eleven new grants were awarded (although some had several individual rounds of grant). There were also nine grants specifically for schools.
- 4.8 In total, £8.155m of grants were brought forward and £19.199m of specific grants were received in 2021/22. There was, therefore, a total of £27.354m available for distribution. The Council acted as an agent of Government for £3.634m of grants and principal for £23.720m.
- 4.9 At the year-end £21.478m had been spent and of the £5.876m remaining:
- £3.138m had been transferred to the Revenue Grants Reserve
  - (£0.076m) was due to be recovered from Government
  - £0.740m was due to be repaid to Government
  - £2.074m was taken forward as a Receipt in Advance as this income applied to 2021/22 Academic year

### **COVID-19 Unringfenced Grant**

- 4.10 In addition to the business grant funding (of which £1.520m was classed as unringfenced) and COVID-19 specific grants, the Council also received other unringfenced general grants to support its COVID-19 response totalling £11.345m. These were:
- General unringfenced grant totalling £7.737m and Sales, Fees and Charges unringfenced grant compensation of £0.351m (a total of £8.088m);
  - Omicron and Additional Restrictions Grant (ARG) New Burdens funding of £0.039m;
  - Wellbeing for Education Recovery totalling £0.033m; and
  - Local Council Tax Support Grant of £3.185m (an unringfenced grant used to support the 2021/22 budget).

### **Other COVID-19 Grants**

- 4.11 The Government also announced grant funding support (Grant in Lieu of Business Rates) to compensate for the loss of Business Rates income due to the continuation of Business Rate Reliefs for Retail, Hospitality, Leisure and Nursery businesses. In total £8.807m of General Fund grant has been accounted for in 2021/22 which will offset the Collection Fund deficit caused by the reduction in collectable Business Rates. The grant will be applied to the deficit in 2022/23 as outlined in the 2022/23 Revenue Budget report.
- 4.12 A further scheme to support Business Ratepayers was introduced during 2021/22, the COVID-19 Additional Relief Fund (CARF) to enable Local Authorities to provide Business Rate Relief to businesses other than those already receiving COVID-19 related reliefs. The Council adopted a local discretionary Business Rates scheme in order to administer the £4.204m funding for the scheme and this was approved by Cabinet at its meeting on 24 January 2022. No grants had been paid by the end of 2021/22, and £4.204m was transferred to 2022/23 by way of receipt in advance as per CIPFA guidance issued on 28 April 2022.
- 4.13 At the end of the financial year, the Council also received £14.013m to facilitate the payment of the Council Tax Energy Rebate to qualifying households in the Borough. As this scheme is a 2022/23 scheme, at the year end the Council held the £14.013m in the Balance Sheet as a receipt in advance.

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## Summary Grants Position

- 4.14 Taking all the ringfenced and unringfenced funding including that in the tables above, in 2021/22 the Council administered £21.066m of brought forward COVID-19 grant funding. It also received a cash allocation of £57.016m of new COVID-19 related grants (excluding the Council Tax Energy Rebate which is not specifically COVID-19 related). Of these £12.865m were unringfenced with the remainder ringfenced for specific purposes. This shows the extent of the continued Government financial support for the Council during 2021/22 from a large range of initiatives. Almost all this grant support ceased on 31 March 2022. The accounting treatment of the grants is varied. Some are included within Notes 4, 5 and 15 of the Statement of Accounts and others are included in the Balance Sheet.

## Schools and the Dedicated Schools Grant (DSG)

- 4.15 The total school balances for 2021/22 were £10.192m which was an increase of £0.886m compared to the 2020/21 total of £9.306m.
- 4.16 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 £2.814m in 2020/21 to £2.773m at the end of 2021/22. 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.
- 4.17 The DSG deficit is included within the Movement in Reserves Statement within 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)

- 4.18 By 31 March 2022, the HRA produced an in-year deficit of £1.429m. After the required technical accounting adjustments, this resulted in an increase of £0.350m to the level of balances. This compared favourably with the original budgeted deficit of £2.151m which was approved at the Budget Council meeting of 4 March 2021. Overall balances have increased from £21.370m to £21.719m and the HRA continues to show 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 2026/27. Details of the HRA are provided in Section 4.1 of the Statement of Accounts.

## Collection Fund

- 4.19 The year-end Collection Fund position shown below includes a payment towards the Collection Fund Deficit brought forward from 2020/21 totalling £24.755m. The Council's element of that deficit was repaid to the Collection Fund, utilising the Government grants received in 2020/21 and carried forward to help offset this deficit position.
- 4.20 The year-end deficit balance of £9.133m is largely due to the additional reliefs which were awarded to Business Ratepayers in 2021/22 due to the COVID-19 pandemic, primarily the Extended Retail Discount and Nursery Relief, with compensating grant of £8.807m being received by the Council. The Business Rate Relief related deficit will be applied to the General Fund in 2022/23 and matched by carried forward reserves.

4.21 The table below summarises the movements in the Collection Fund during 2021/22:

**Table 6 – Collection Fund Position**

<b>Collection Fund</b>	<b>Council Tax £000</b>	<b>Business Rates £000</b>	<b>Total £000</b>
Balance brought forward	3,446	23,766	<b>27,212</b>
Prior year estimated surplus released in year	(1,318)	(23,437)	<b>(24,755)</b>
Deficit for the year	830	5,846	<b>6,676</b>
<b>Balance carried forward</b>	<b>2,958</b>	<b>6,175</b>	<b>9,133</b>

4.22 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 in 2020/21 giving the ability to smooth the impact of COVID-19 related deficits from 2020/21 over three financial years, thus reducing the impact on the revenue budget. The Council's 2021/22 and 2022/23 budget were prepared using this facility. Further details in relation to the Collection Fund can be found in Section 4.2 of the Statement of Accounts.

### **Reserves and Balances – Financial Resilience**

4.23 The level of General Fund reserves included in the Balance Sheet at £120.150m 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 £99.228m and Other Earmarked Reserves of £20.922m. The latter are comprised of Revenue Grant Reserves of £10.731m and Schools Reserves at a sum of £10.192m. The Revenue Grants Reserve decreased by £9.415m due to COVID-19 related grants received in 2020/21 being used during 2021/22.

4.24 The most significant movement in Earmarked Reserves was due to the receipt of compensation for lost Collection Fund income at a value of £8.807m (£25.182m in 2020/21). These funds are to be used to offset the loss of Collection Fund revenue due to the Government introducing Business Rate reliefs after the 2021/22 budget had been set.

4.25 The Statement of Accounts shows a General Fund balance at the end of 2021/22 of £20.012m. This is an increase of £2.749m which is in line with the originally calculated risk assessment of balances required at the end of 2021/22 as presented to Budget Council on 2 March 2022. This movement has enhanced the Council's financial resilience going into 2022/23 and over the period of the Medium-Term Financial Strategy.

4.26 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 2020/21 data released 28 January 2022. The January 2022 Index (in a similar manner to the two previous publications) highlighted that none of the Oldham indicators were considered to be extremely high risk or a cause for immediate concern. Compared to the February 2021 Index, a number of indicators increased in risk, however, when compared to the nearest neighbour Local Authority comparator group, the Council's level of risk was quite low. As the data for 2020/21 includes the distorting impact of COVID-19, it is difficult to make a like for like comparison with the previous year.

4.27 The Index provided some useful information and confirmed the position that, leading into 2021/22, the Council was financially resilient. The Index will be issued again during 2022/23 to reflect the position at the end of 2021/22.

4.28 Information on the reserves is presented at Note 15 in the Statement of Accounts.

## 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 £76.989m on its Capital Programme in 2021/22 compared to the forecast spending of £38.709m forecast at Month 9 (a variance of £38.280m). Of the variance, £32.333m was due to the required inclusion in the Council's asset register of the new Saddleworth School which was built and mostly funded by the Department of Education. The remaining variance of £5.948m was mostly due to projects moving forward more quickly than anticipated. This required the advancing into 2021/22 of funding that was initially profiled in 2022/23 and future years.

5.3 The Capital expenditure for 2021/22 (excluding the donation of Saddleworth School) was financed by Government Grants and Contributions, Capital Receipts, Revenue Contributions (of which £0.912m was from the HRA and £0.054m from the General Fund). The capital expenditure incurred during the year is shown in the table below by Portfolio area.

**Table 7 – Capital Programme Outturn Compared to the Forecast Outturn**

Portfolio	2021/22 Forecast £000	2021/22 Actuals £000	Variance £000
Corporate Services	2,196	2,003	(193)
Children's Services	12,828	13,104	276
Communities and Reform	15	179	164
Community Health & Adult Social Care	1,933	2,439	506
Housing Revenue Account	290	680	390
People and Place	21,447	26,252	4,805
<b>Council's Total Capital Expenditure</b>	<b>38,709</b>	<b>44,657</b>	<b>5,948</b>
Children's Services – Donated Asset	-	32,333	32,333
<b>Total Expenditure</b>	<b>38,709</b>	<b>76,989</b>	<b>38,280</b>

## 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 £90.300m 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 8 – Actual Performance Against Benchmark**

	<b>Benchmark LIBID Return %</b>	<b>Actual Return %</b>
7 Day	(0.080%)	0.043%
1 Month	(0.062%)	0.199%
3 Month	(0.025%)	0.378%
6 Month	0.058%	0.237%
<b>Average Return</b>		0.214%
<b>Target Rate</b>		(0.027%)

6.3 As can be seen in some durations, the LIBID rate was actually negative, but the Council's Treasury Management team has managed to keep a positive investment rate for all maturity durations.

## **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 57 to 61. 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 9 – Comprehensive Income and Expenditure Statement (CIES)**

	2021/22		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Chief Executive	23,616	(8,490)	15,127
Commissioning	741	(400)	341
People and Place	88,034	(33,662)	54,372
Children's Services	291,605	(205,099)	86,506
Community Health & Adult Social Care	122,542	(49,055)	73,487
Communities & Reform	55,644	(14,039)	41,605
Capital, Treasury and Technical Accounting	37,705	(44,550)	(6,845)
Corporate and Democratic Core	6,815	-	6,815
Housing Revenue Account	19,820	(28,738)	(8,918)
<b>Cost of Services</b>	<b>646,522</b>	<b>(384,032)</b>	<b>262,490</b>
Other Operating Expenditure			
Parish Council precepts			300
Payments of Housing Capital Receipts to Government Pool			392
Levies			33,089
(Gains)/losses on the disposal of non-current assets			(2,013)
<b>Total Other Operating Expenditure</b>			<b>31,768</b>
Financing and Investment Income and Expenditure (a)			27,354
Taxation and Non-Specific Grant Income (b)			(313,352)
<b>Deficit on Provision of Services (c)</b>			<b>8,259</b>
Other Comprehensive Income and Expenditure			
Revaluation (gains)/losses non current assets			(49,920)
Impairment losses on non current assets			1,260
Surplus or deficit on revaluation of available for sale financial assets			(500)
Remeasurement of net defined benefit liability			(198,460)
<b>Total Other Comprehensive Income and Expenditure (d)</b>			<b>(247,620)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(239,361)</b>

Key points to note from the CIES are:

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

7.4 Financing and Investment Income and Expenditure of £27.354m (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 £313.352m (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. The increase from the prior year (£26.785m) is due to the use of capital grants when financing the Council's Capital Programme for 2021/22.



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

- 7.6 The Deficit on the Provision of Services of £8.259m 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 £2.749m underspend, which has been credited to the Council's General Fund Balance as shown in the MiRS 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 £247.620m mainly due to the remeasurement of the net defined benefit liability movement of £148.146m 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 2022. This remeasurement is based on the financial assumptions made by the Actuary based on market conditions at the 31 March 2022 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 2022/23.
- 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 10 – Movement in Reserves Statement Summary**

	<b>General Fund £000</b>	<b>HRA £000</b>	<b>Total £000</b>
(Surplus)/Deficit on the Provision of Services	6,830	1,429	8,259
Total Technical Accounting Adjustments	13,235	(1,779)	11,456
Transfer to Earmarked General Fund Reserves	(22,814)	-	(22,814)
<b>Net (Surplus)/Deficit</b>	<b>(2,749)</b>	<b>(350)</b>	<b>(3,099)</b>

## Balance Sheet

7.13 The Balance Sheet below shows the Council's net assets have increased by £239.361m in 2021/22 from £54.531m to £293.892m.

**Table 11 – Balance Sheet**

31 March 2021 £000		Note	31 March 2022 £000
754,458	Property Plant & Equipment	17	805,871
19,770	Heritage Assets	18	19,770
18,817	Investment Property	19	19,801
4,271	Intangible Assets		5,780
55,615	Long Term Investments	21	57,884
35,034	Long Term Debtors	22	38,235
<b>887,965</b>	<b>Long Term Assets</b>		<b>947,341</b>
40,671	Short Term Investments	21	27,676
517	Inventories		533
49,662	Short Term Debtors	22	50,262
21,597	Cash & Cash Equivalents	23	57,854
568	Assets Held For Sale (less than 1 year)		1,745
<b>113,015</b>	<b>Current Assets</b>		<b>138,070</b>
(6,697)	Short Term Borrowing	21	(8,293)
(76,164)	Short Term Creditors	24	(91,314)
(9,761)	Short Term Provisions	25	(10,155)
	Short Term Liabilities		
(9,746)	- Private Finance Initiatives	21,28	(8,959)
(302)	- Finance Leases		(315)
(1,180)	- Transferred Debt		(6)
<b>(103,850)</b>	<b>Current Liabilities</b>		<b>(119,042)</b>
(15,666)	Long Term Provisions	25	(9,543)
(168,355)	Long Term Borrowing	21	(161,504)
	Other Long Term Liabilities		
(444,288)	- Pension Liabilities	30	(296,142)
(212,785)	- Private Finance Initiatives	21,28	(203,826)
(349)	- Finance Leases		(303)
(44)	- Transferred Debt		(38)
(17)	- Deferred Credits		(17)
(1,095)	Capital Grants Receipts In Advance		(1,104)
<b>(842,599)</b>	<b>Long Term Liabilities</b>		<b>(672,477)</b>
<b>54,531</b>	<b>Net Assets</b>		<b>293,892</b>
(203,055)	<b>Usable Reserves</b>	<b>MiRS</b>	(178,714)
148,524	<b>Unusable Reserves</b>	<b>MiRS,16</b>	(115,178)
<b>(54,531)</b>	<b>Total Reserves</b>		<b>(293,892)</b>

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

- A decrease in the Pension Liability of £148.146m 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 £59.376m mainly due to Non-Current Assets revaluations in year.
- An increase in Cash and Cash Equivalents of £36.257m which is discussed further at paragraph 7.15.

### Cash Flow Statement

- 7.15 Cash and cash equivalents have increased by £36.257m, this is largely due to the Council receiving the Council Tax Energy Rebate in March 2022, no requirement to make pension payments on a monthly basis to the Greater Manchester Pension Fund (GMPF) following the upfront pension payment in 2020/21 and the reprofiling of the Capital Programme into future years.

**Table 12 – Cash Flow Statement**

	2020/21 £000	2021/22 £000
Net deficit on the provision of services	(1,522)	(8,259)
Adjustment to surplus or deficit on the provision of services for non-cash movements	32,125	108,400
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(23,533)	(70,906)
<b>Net cash flows from operating activities</b>	<b>7,070</b>	<b>29,235</b>
Net Cash flows from Investing Activities	(35,274)	20,125
Net Cash flows from Financing Activities	(10,097)	(13,103)
<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(38,301)</b>	<b>36,257</b>
Cash and cash equivalents at the beginning of the reporting period	59,898	21,597
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>21,597</b>	<b>57,854</b>

## 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.

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8.4 The Council has assessed its group boundary for 2021/22 and has identified three subsidiaries that are considered to be material and have therefore been consolidated into its Group Accounts. As in previous years, two wholly owned companies, the MioCare Group Community Interest Company (CIC) and the Unity Partnership Limited have been included in the group. However, during 2021/22 financial year there was a management buy-out of the equity shareholders of Meridian, facilitated by a grant from the Council. This left the Council as the only shareholder in the Group and, therefore, the company became wholly controlled by the Council. As a result, the Meridian Group became a subsidiary rather than an associate and therefore has been included in the Council's Group Accounts.

8.5 As subsidiary entities, Miocare Group CIC, the Unity Partnership Limited and the Meridian Group 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 2021/22 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 2021/22 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 prompt closure of accounts has been standard practice for the Finance Team for a number of years and 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 It is important to note however, that the prompt closure of accounts has only been achieved by the hard work, commitment and dedication of the Finance Team who can all be proud of their contributions. The Council handed over its accounts to the External Auditor on 31 May, which is within the statutory deadline and was in line with the Council's internal deadline as agreed with the External Auditor. As in previous years, this has been a real team effort.

## **10 Options/Alternatives**

10.1 The Members of the Committee can either choose to note the draft 2021/22 Statement of Accounts or not to do so. There are no other alternatives.

## **11 Preferred Option**

11.1 The preferred option is that the Members of the Performance Overview and Scrutiny Committee members note the draft 2021/22 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 concluded on 14 July 2022. The draft Statement of Accounts was presented for review to the Audit Committee at its meeting on 21 June 2022.

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**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.

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## **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: lee.walsh@oldham.gov.uk

## **27 Appendices**

27.1 Appendix 1 – Draft Statement of Accounts 2021/22