



Oldham
Council

Report to Council

Annual Statement of Accounts 2015/16

Portfolio Holder: Councillor Abdul Jabbar – Deputy Leader and Cabinet Member for Finance and Human Resources

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Reason for Decision

To advise Council of the recently approved 2015/16 audited Statement of Accounts and the External Audit (Grant Thornton) Audit Findings report.

The Statement of Accounts was considered by Cabinet at its meeting on 25 July 2016. The accounts were noted and commended to Council.

Executive Summary

The report presents the Council's audited Statement of Accounts for the financial year 2015/16.

The report highlights the:

- Excellent Audit Findings report with an unqualified audit opinion and no material misstatements.
- Audit judgements, all of which have a green rating and a very positive Value for Money (VFM) opinion.
- Overall financial position for 2015/16 which is a surplus of £0.425m when comparing the revenue budget to the outturn. This is a slight increase in the forecast surplus reported in the last financial monitoring report approved by Cabinet on 21 March 2016.
- Speed of the preparation of the accounts to the high standard set by the Finance Service in previous years.
- Performance of the Finance Team in closing the Council's accounts and its focus on the continuous improvement of its processes.

The presentation of the audited Statement of Accounts provides all Members with the opportunity to review the Council's year-end financial position (following completion of the audit by the Council's External Auditors, Grant Thornton).

Recommendations

That Council notes the Council's Statement of Accounts for 2015/16, the Audit Findings report and the comments in that report.

Statement of Accounts 2015/16**1 Background**

- 1.1 The Council prepared and submitted for audit its draft 2015/16 Statement of Accounts to the External Auditors, Grant Thornton, on 14 April 2016.
- 1.2 The draft 2015/16 Statement of Accounts was presented to the Audit Committee at its meeting on 21 April 2016. This allowed members of the Committee the opportunity to review the Council's financial statements in detail before being presented with the audited accounts.
- 1.3 The requirements and timeline for the approval of a Local Authority's Statement of Accounts has changed since 2014/15 and is set out in the Accounts and Audit Regulations 2015. The legislation now requires all Local Authorities to have a common thirty day public inspection period which includes the first ten working days in July. The aim of this is to ensure greater transparency and give stakeholders sufficient notice of the period in which they can inspect a Local Authority's accounts. As a result, the Council's 2015/16 accounts could not be formally approved by Members until after the close of the public inspection period on 14 July. The External Auditor was then able to issue the Audit Certificate on 15 July.
- 1.4 However, in line with the Council's established early closedown processes and best practice, the Audit Committee, at its meeting on 16 May 2016, approved the 2015/16 audited Statement of Accounts (subject to public inspection) and noted the changes that were required during the audit process. There were no significant changes between 16 May and the formal approval of the accounts by the Audit Committee after the closure of the public inspection period on 14 July. A copy of the Statement of Accounts can be found at Appendix 1.
- 1.5 The changes made as part of the audit process are as shown in Appendix 2 and as can be seen these changes are minor in nature and quantum.

2. Current Position**2.1 Audit Findings and Value for Money Opinion**

- 2.1.1 The audit of the 2015/16 Statement of Accounts has been completed by the Council's external auditors, Grant Thornton. The Council submitted its draft financial statements and working papers to the auditors on 14 April 2016 maintaining the early closedown timelines achieved in 2014/15. Throughout the audit process Council Officers responded promptly to audit queries. This positively contributed to the completion of the audit.
- 2.1.2 Grant Thornton is required to provide the Council with an annual Audit Findings and Value for Money (VFM) opinion. Both are shown in the Audit Findings Report at Appendix 3.
- 2.1.3 The Audit Findings report is very positive and gives an unqualified opinion on the accounts. There are no material errors for the seventh successive year with only minor amendments required to disclosure notes.
- 2.1.4 The changes identified during the audit are restricted to an amendment due to additional pension information being made available after the draft accounts had been submitted to the Auditor, an additional disclosure around Investment Property, an additional accounting

policy and a small number of presentational changes which were included to aid the readers understanding of the accounts.

- 2.1.5 There are four audit judgements and for the second year running all of the judgements have a green rating indicating that there are no areas for concern.
- 2.1.6 There were no changes to the Council's outturn or the balances position as a result of the audit.
- 2.1.7 The Auditor was only able to make one recommendation as to how the Council could improve its financial statements. This was simply that the Council should continue to declutter the accounts to aid the readers' understanding. The Auditor highlighted several areas for review which will be taken into consideration in 2016/17 as officers continue the decluttering process and build on the substantial improvements already made.
- 2.1.8 The Value for Money opinion provided by the Auditor is also positive. It states that for 2015/16 in all significant respects the Council had proper arrangements in place to ensure it delivered value for money in its use of resources. One significant risk was identified around Health and Social Care Integration, however the Auditor concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place.

2.2 Revenue Outturn

- 2.2.1 A comparison of the revised revenue budget and outturn is set out in Table 1 with the actual expenditure as reported against the budget for each Portfolio for 2015/16.
- 2.2.2 In overall terms the Council achieved a surplus of £0.425m at the end of the financial year. This is a marginal increase on the forecast outturn position of a £0.295m surplus based on the month 9 position, approved by Cabinet on 21 March 2016.

Table 1 – 2015/16 Revenue Outturn Compared to Revised Budget

	Revised Budget £000	Actual £000	Variance £000
Net Revenue Expenditure			
Chief Executive, Policy and Governance	2,790	2,723	(67)
Corporate and Commercial Services	5,343	4,974	(369)
Cooperatives and Neighbourhoods	88,112	88,070	(42)
Health and Wellbeing	84,492	85,691	1,199
Economy and Skills	37,288	37,866	578
Capital Treasury and Technical Accounting	9,086	7,363	(1,723)
Corporate and Democratic Core	5,200	5,200	-
Parish Precepts	298	298	-
Total Net Expenditure	232,609	232,184	(425)
Financed By:			
Council Tax Payers	(74,128)	(74,128)	-
Revenue Support Grant	(50,879)	(50,879)	-
Private Finance Initiative Contributions	(9,983)	(9,983)	-
Capital Grants	(24,111)	(24,111)	-
Council Tax Freeze Grant	(898)	(898)	-
Other Non Ringfenced Government Grants	(1,906)	(1,906)	-
Housing and Council Tax Benefit Administration Grant	(1,529)	(1,529)	-
New Homes Bonus Grant	(2,275)	(2,275)	-
Council Tax New Burdens Grant	(66)	(66)	-
Education Services Grant	(3,096)	(3,096)	-
Collection Fund Surplus	(60)	(60)	-
Multiplier Cap Grant	(854)	(854)	-
Empty Property Relief Grant	(9)	(9)	-
Retail Relief Grant	(562)	(562)	-
Small Business Rate Relief Grant	(1,425)	(1,425)	-
Independent Living Fund Grant	(2,244)	(2,244)	-
Retained Business Rates	(28,599)	(28,599)	-
Business Rates Top Up Grant	(29,987)	(29,987)	-
Total Financing	(232,609)	(232,609)	
Net Underspend	-	(425)	(425)

2.2.3 Whilst there are some variances compared to budget, these are in line with expectations and key issues impacting on future years have been addressed through the budget setting process for 2016/17. The surplus of £0.425m has been added to the General Fund Balance to address future years risk requirements.

2.3 Capital Outturn

2.3.1 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.

2.3.2 The Council spent £65.788m on its Capital Programme in 2015/16 compared to the forecast spending of £69.467m. The Capital Programme was financed through a number of sources including prudential borrowing, Government grants, revenue contributions and capital receipts. The capital expenditure incurred during the year and financing of this expenditure is shown in the table below by Portfolio area.

2.3.3 It should be noted that although prudential borrowing is listed as a funding source, the Council has considerable cash balances and it has used these balances to finance the capital expenditure rather than undertake borrowing. No new loan arrangements have therefore been undertaken in 2015/16. However, as cash levels are reduced, a decision to borrow to support the capital expenditure will be made. The position will be monitored throughout 2016/17.

Table 2 - Capital Programme Outturn Compared to the Forecast Outturn

Portfolio and Resources	2015/16 Forecast Outturn £000	2015/16 Outturn £000	Variance £000
Expenditure			
Cooperatives and Neighbourhoods	10,541	9,142	(1,399)
Corporate and Commercial Services	2,508	793	(1,715)
Health and Wellbeing	1,450	1,450	-
Economy and Skills	54,563	54,007	(555)
Housing Revenue Account	405	396	(9)
Total Expenditure	69,467	65,788	(3,679)
Resources			
Grant & Other Resources	(28,387)	(26,271)	2,116
Prudential Borrowing	(32,276)	(32,157)	119
Revenue Contributions	(6,082)	(6,082)	-
Capital Receipts	(2,722)	(1,278)	1,444
Total Resources	(69,467)	(65,788)	3,679

2.3.4 The variance between the forecast capital expenditure and the final outturn for the year was £3.679m. This was mainly due to slippage on the planned expenditure profiles of a number of capital projects. This will be re-profiled into 2016/17 together with the associated financing. This, therefore, does not present any financial concerns for the Council. The level of slippage was much reduced compared to previous financial years and reflects the positive outcome of the initiative instigated to improve the monitoring of planned expenditure.

2.4 Timetable for Closure

2.4.1 Council will be aware that since 2009/10, the Finance Team has been both accelerating the timeline for the closure of accounts and improving the quality of the accounts. Set out below is the progress that has been made since the initiative began:

- The 2009/10 accounts were prepared by 27 May and an audit opinion obtained, and the accounts published, on 31 August placing the Council sixth on the list and the first Metropolitan Authority to close its accounts for the year.

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- The 2010/11 accounts were prepared and submitted for audit on 19 May and an audit opinion received and the accounts published on 29 July. This made the Council the first Council to close its accounts that year.
 - The 2011/12 accounts were prepared and passed to the external auditors on 3 May. The accounts were published on 25 June, making the Council the first Council and Local Government Body to close and publish its accounts. The Council was also the first to publish its accounts in June since the Audit Commission began reporting on accounts closure and publication completion dates.
 - The 2012/13 accounts were handed over for audit on 26 April and published on 31 May. This confirmed the Council as the first Local Government Body to publish its accounts for 2012/13 and the first to do so in May.
 - The 2013/14 accounts were handed over for audit on 17 April and published on 28 May making the Council the quickest Local Government Body to produce its accounts in fifty years.
 - The 2014/15 accounts were handed over for audit on 14 April and published on 18 May improving again on the success of earlier years. The External Auditor was only able to make one recommendation as to how the Council could improve its financial statements. This was simply that the Council should continue to declutter the accounts to aid the readers understanding. The Auditor's VFM opinion was also extremely positive with, for the first time, all VFM audit judgments rated Green.

2.4.2 As detailed in paragraph 1.3, the requirement and timelines on the approval of a Local Authority's Statement of Accounts has changed. This means the earliest opportunity for a Local Authority to have its accounts approved is after the end of the working day of 14 July 2016 following the completion of the thirty day public inspection period, with the formal audit opinion issued on 15 July.

2.4.3 Nevertheless the Council has continued its early closure of Accounts initiative by presenting to the Audit Committee its draft Statement of Accounts on 21 April and its audited Statement of Accounts (subject to public inspection) at the earliest opportunity of 16 May.

2.5 The Performance of the Finance Service

2.5.1 The preparation of the accounts represents just one outcome of the range of achievements of the Finance Team 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.

2.5.2 The early closure of accounts is 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 quick accounts closedown process is complete.

2.5.3 The accelerated and improved timescale and quality has been achieved by the hard work, commitment and dedication of the Finance Team who can all be proud of their contributions to the early closure of the accounts and also in the other significant improvements in financial management that have been made. As in previous years this represents a real team effort.

3 Options/Alternatives

3.1 No alternatives are presented other than that Council notes the final accounts, the Auditor's report and the items outlined in the report.

4 Preferred Option

4.1 The preferred option is that Council notes the final accounts, the Auditor's report and the items outlined in the report.

5 Consultation

5.1 Consultation has taken place with the External Auditor (Grant Thornton) and the Audit Committee.

6 Financial Implications

6.1 Dealt with in the body of the report.

7 Legal Services Comments

7.1 There are no Legal implications.

8 Co-operative Agenda

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

9 Human Resources Comments

9.1 There are no Human Resource implications.

10 Risk Assessments

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

11 IT Implications

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

12 Property Implications

12.1 There are no Property implications.

13 Procurement Implications

13.1 There are no Procurement implications.

14 Environmental and Health & Safety Implications

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

15 Equality, community cohesion and crime implications

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

16 Equality Impact Assessment Completed?

16.1 Not Applicable

17 Key Decision

17.1 No

18 Key Decision Reference

18.1 Not Applicable.

19 Background Papers

19.1 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 in Appendix 1, 2 and 3.
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20 Appendices

20.1 Appendix 1 – Statement of Accounts 2015/16
Appendix 2 – Changes to the Draft Statement of Accounts
Appendix 3 – Audit Findings Report