Statement of Accounts 2016/17

Old Town Hall Cinema

Oldham Council

Illuminate Festival, Parliament Square

1.0 Preface

1.1 Introduction to the 2016/17 Statement of Accounts by Councillor Abdul Jabbar (MBE), Deputy Leader and Cabinet Member for Finance and Human Resources

I am very pleased to welcome you to Oldham Council's Statement of Accounts for 2016/17 which gives me the opportunity to highlight the excellent management of the Councils' resources and to set this in the context of the financial challenges being faced by the Council.

The Government has continued with its austerity programme and as expected reduced the level of grant funding for the Council in 2016/17. This, combined with the Council's commitment to the co-operative agenda, shaped and influenced the budget process for 2016/17 and also more recently the 2017/18 budget.

In accordance with the co-operative ethos we consulted widely on the 2016/17 budget challenge. We sought the input of our District Partnerships, residents, partners and employees in looking at how resources could be prioritised and how services could be delivered differently but effectively and to help us reduce the impact of any reduction in services. We updated the short video that was so successful in 2015/16 and included it within the 2016/17 campaign. Promoted on social media and the Councils website, it had a big impact with over 284,318 views.

In line with established practice, the Councils approach to budget setting was to consider the financial challenge over a two year timeframe. The financial year 2016/17 was the first year of the 2016/17 and 2017/18 financial planning period. In September 2015, the 2016/17 budget reduction requirement was established as £18.194m. By the time the budget was finally agreed on 24 February 2016, the total savings required had reduced to £16.044m and a full range of proposals were agreed to deliver a balanced budget.

Although Government grants have reduced drastically, the low income base of the Council means that proportionately we still receive substantial Central Government funding to underpin our service delivery. As these grants are cut, savings are needed to balance the budget as we cannot make good the reduction by the local generation of income. To highlight the impact of funding cuts, grant income supporting the net revenue budget has reduced year on year, with Revenue Support Grant (RSG), the main general grant received falling by £18.655m between 2014/15 and 2015/16, £10.336m between 2015/16 and 2016/17 and a further £10.115m between 2016/17 and 2017/18 (although with effect from 2017/18 RSG has been incorporated within a revised funding regime).

During 2016/17, Oldham and many other Councils, experienced considerable pressures in year in maintaining expenditure on adults and children's social care within available resources. This was reported to Cabinet via the financial monitoring reports and is reflected in the adverse outturn variance for the Health and Wellbeing Directorate. Underspending, particularly on capital financing costs, enabled the overall financial position to be managed. Recognising the pressures in this area, the 2017/18 budget was set with additional resources allocated to both adults and children's social care, thus adding to the level of savings required. To acknowledge the issue, the Government provided some additional support for adult social care (£9.9m over 2017/18 to 2019/20 with £5.1m for 2017/18) but only after the Council had set its 2017/18 budget.

Whilst the 2017/18 final budget reduction requirement of £14.984m was lower than initially estimated, the Council has used (for the first time) a significant level of reserves (£6.525m) in order to balance the budget. This will allow time for the Council to take forward its transformational change agenda and to protect front line services.

The co-operative agenda is creating the operational framework to facilitate the transformational change that is essential, so that we get citizens to do more for themselves, for example, using online services following the principles of the Councils Resident First initiative. The devolution agenda, especially with regard to Health and Social Care is also driving change in service delivery, with increasing integrated working projects. Improving income generation is also a priority in the financial strategy of the Council as a means of stabilising the funding base.

Support for the regeneration of the borough continues to be a key Council priority. In 2016/17 one of the highlights of the year was the opening of the Old Town Hall cinema and restaurant complex. This flagship scheme has been hugely successful in revitalising the town centre and is the first of a number of projects that will transform Oldham.

The Capital Strategy and Capital Programme Report 2016/17 to 2020/21 included approved capital investment of £173m by 2020/21. In addition to the finalisation of the Old Town Hall, this capital investment included;

- The Princes Gate development, a mixed retail and housing development.
- Improvements to the highways infrastructure.
- The refurbishment and extension of existing schools as well as the building of new schools (the Northmoor Academy was completed on time and to budget and opened in September 2016).
- The development of the Oldham Heritage and Arts Centre and a new Coliseum theatre.

Our success in the early closure of the accounts has continued. The 2015/16 Statement of Accounts was approved by the Audit Committee (subject to the conclusion of public consultation) on 18 May 2016. In accordance with the statutory framework, the accounts were formally approved after the conclusion of the public inspection period, with the External Audit opinion being issued on 15 July 2016, which was the earliest possible date. The audit findings report was very complimentary. It made specific reference to the high standard of our working papers, the responsiveness of the finance team to audit queries and the speed in which we had prepared the accounts. The assessment applied to the Accounting Policies, Assessments and Judgements made and included in the financial statements was the highest possible.

This year, we have adjusted the timetable for the production of the accounts so that we handed over our accounts for audit on 28 April 2017. We presented the draft accounts to the Audit Committee on 11 May 2017 with final approval on 17 July in accordance with the new statutory requirements. Our working practices are such that we are able to work to an early closure timetable at the same time as enhancing the quality of the documentation.

I want to thank all of our finance and internal audit staff who have once again worked hard to close the accounts to a very high standard.

I also want to acknowledge the excellent work done to balance the 2016/17 budget, and to monitor and manage the financial position of the Council throughout the year. This is demonstrated by the overall outturn position reflecting the in-year projections. Careful financial administration allows fully informed decision making when determining the best use of Council resources so that services of the best possible quality can be delivered.

Councillor Abdul Jabbar (MBE)
Deputy Leader and Cabinet Member for Finance and Human Resources

1.2 Narrative Report

Message from the Director of Finance – Anne Ryans

The Statement of Accounts has once again been prepared to a high standard, being submitted to the External Auditor on 28 April in accordance with the planned timeline. The Council received the formal approval of its accounts on 17 July, which is at the conclusion of the common thirty day public inspection period that is required under the statutory framework for the production of the Statement of Accounts (the Accounts and Audit Regulations 2015). This is the earliest possible working day on which the approval can be given.

Whilst there is also no longer a requirement for the Audit Committee to review the draft accounts, it is good practice and the Council will continue in this regard. In line with the Council's established early closedown processes. The draft accounts were presented for review to the Audit Committee at its meeting on 11 May 2017. The preparation of the 2016/17 accounts in a timely manner provides the Council with the opportunity to conclude its consideration of the 2016/17 financial position and then move on to address the many challenges of 2017/18.

During 2016/17, the Finance Service has worked closely with Finance Officers from the Oldham Clinical Commissioning Group and other colleagues from the National Health Service in order to drive forward the financial benefits of integrated working in Health and Social Care in Oldham. The Service has also contributed to initiatives with other Local Authorities and regional bodies. This joint working is providing a major opportunity to improve health and social care service provision and to operate more efficiently and drive out savings.

In line with previous years, 2016/17 has seen further change both within the management structure of the Council but also the Finance Service. In addition to the delivery in year of a budget reduction of £0.300m following a restructure in 2015/16, a further change to the design of the Finance Service took place to facilitate a £0.250m budget reduction to support the 2017/18 budget process. Whilst the number of posts in the Service has reduced, this has in no way impacted on the standard of work produced and we continue to strive for excellence and to maintain our deservedly good reputation.

As the financial statements demonstrate, the financial standing of the Council continues to be robust. Good financial management disciplines, processes and procedures are evident. It is recognised that the Finance Service operates in an environment of continuous change, so we are not complacent and are adapting when change is required, whether that be through organisational redesign, partnership working or advances in technology.

It is important to acknowledge that working to the final accounts deadlines and the achievement of such high standards is only possible because of the hard work and dedication of the staff in the Finance Service. The team ethos is strong and all members of staff work together to deliver the best possible outcomes.

During 2016/17 the Finance Service contributed significantly to leading and supporting transformational change within the Council including the implementation of the Human Resources/Payroll system that went live on 10 April 2017 and integrates with the Councils financial system. This will influence the future operation of the Service and help shape the move to a Business Partnering approach that will be developed during 2017/18.

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore aims to provide information so that members of the public, including electors and residents of Oldham, Council Members, partners, stakeholders and other interested parties are able to have:

- A full and understandable explanation of the overarching financial position of the Council and the outturn for 2016/17.
- Confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- Assurance that the financial position of the Council is sound and secure.

The style and format of the accounts, complies with CIPFA standards and is similar to that of previous years. In accordance with the Auditors' 2015/16 recommendation, the content has been reviewed and the de-cluttering exercise has continued with, for example, several Collection Fund and Housing Revenue Account notes having been removed. The information in other notes has been streamlined and there has been the continued enhancement of the qualitative detail within the narrative content of the notes.

This Narrative Report provides information about Oldham, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2017 and is structured as below:

- An Introduction to Oldham
- Key Facts about Oldham
- Key Information about Oldham Council Governance
- The 2016/17 Revenue Budget Process
- Revenue Outturn 2016/17
- Capital Strategy and Capital Programme 2016/17 to 2020/21
- Capital Outturn 2016/17
- Non-Financial Performance of the Council 2016/17
- Corporate Risks
- Summary Overview
- Receipt of Further Information
- Acknowledgements

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2016/17.

An Introduction to Oldham

Oldham Council is one of ten Local Authorities in Greater Manchester. It lies in the North East of the region and covers an area of approximately 55 square miles (142.365km sq.). The borough shares its borders with the City of Manchester, the Metropolitan Boroughs of Tameside and Rochdale and to the east, Kirklees and Calderdale. Oldham occupies a key position between Greater Manchester and the Leeds City Region and provides a gateway to the North West and to Yorkshire and Humberside. It is located within the foothills of the Pennines and stretches from the Northern edge of the Peak District National Park (indeed almost a quarter of the borough is within the National Park) to the outskirts of the City of Manchester. No residential location in the borough is more than two miles away from open countryside.

Oldham has a proud industrial heritage but, along with many towns and cities, the industries on which the wealth of the area was built have now declined. Regeneration, both in terms of employment opportunities and physical redevelopment, is recognised as being very important to the future prosperity of the borough and is a key priority of the Administration. The Council has to provide services such that it meets the needs of its citizens, serving both an urban and rural environment and this is influenced by the makeup of the population, education, economy, health and housing.

Key Facts about Oldham

In considering Oldham it is important to have regard to the following information:

A strong labour market with a growing, youthful population

- Oldham is home to a growing, young population with a continuing upward trend in educational achievement
- The borough's population is predicted to grow to 241,100 by 2022
- Within a 30 minute drive from Oldham town centre the total population is 2.7 million
- The age profile population within this 30 minute catchment area is younger than the UK average, providing a long-term sustainable pool of labour
- Over a third (37.7%) of the borough's population are classified as 'Wealthy Achievers', 'Urban Prosperity' or 'Comfortably Off' by CACI's Acorn consumer classification system
- The borough's working age population is over 157,000 with 34.2% profiled in the 25 - 44 year old age group (both of the percentages are higher than the national average)

A strong business base

- There are over 6,000 businesses in Oldham, spanning key sectors including: advanced manufacturing, health, construction, digital and creative and financial and professional services
- With 101,555 registered businesses within a 30 minute drive, Oldham is well placed to support and benefit from the wider business community
- Oldham is home to a number of national and international brands and companies including the Trinity Mirror Group, Diodes Incorporated, Ferranti Technologies, Seton Healthcare Ltd, Park Cake Bakeries, Innovative Technologies, Ambassador Textiles, and Nov Mono Pumps
- The borough is also home to a number of local and national public organisations including Guinness Northern Counties, First Choice Homes Oldham, Action Together (Oldham), Pennine Acute Hospitals NHS Trust and Greater Manchester Waste Disposal Authority.

State of the art education

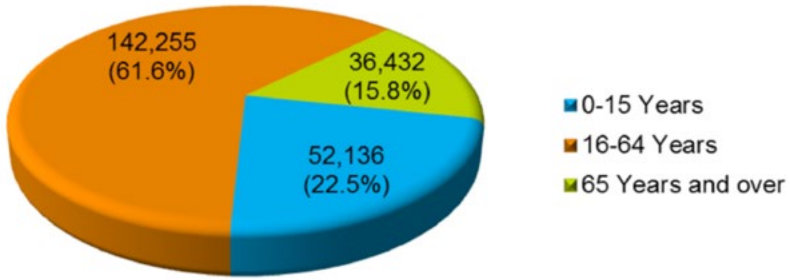
- Oldham has an improving pattern of educational attainment, with GCSE's results improving for the 13th successive year and an A-Level pass rate of over 98%
- Over 43% of the population have a degree, diploma, A/AS level or apprenticeship qualifications
- There are around 10,000 full and part-time students in Oldham
- Oldham is home to a number of high quality Higher and Further educational facilities including University Campus Oldham, Oldham College, Oldham Sixth Form College and the Regional Science Centre Oldham.

A superb, family friendly, quality of life

- Oldham offers a fantastic quality of life, centered on its strong cultural, heritage, leisure and independent retail offers
- Oldham is home to many historic buildings, such as the beautiful Parish Church and Grade II listed Old Town Hall, and offers high quality cultural attractions such as Gallery Oldham, Oldham Coliseum, Shaw Playhouse, and Saddleworth Museum
- The cultural and leisure facilities in Oldham town centre are undergoing substantial regeneration. This has included the opening of a new ODEON cinema and restaurant complex and a new leisure centre. Funding is also in place to deliver a new Arts and Heritage Centre and a new Oldham Coliseum Theatre in the Cultural Quarter
- Residents enjoy a wide variety of shopping experiences on their doorstep, from high street chains in the Spindles and Town Square Shopping Centres, to independent shops, boutiques and a range of traditional and specialist markets
- Working with a range of private sector partners, Oldham Council is helping to deliver plans for a number of high quality new homes across the borough
- Household sizes in the borough are generally in line with the national average, but with slightly more single person households (17.9% of Oldham's population, against 15.5% nationally).

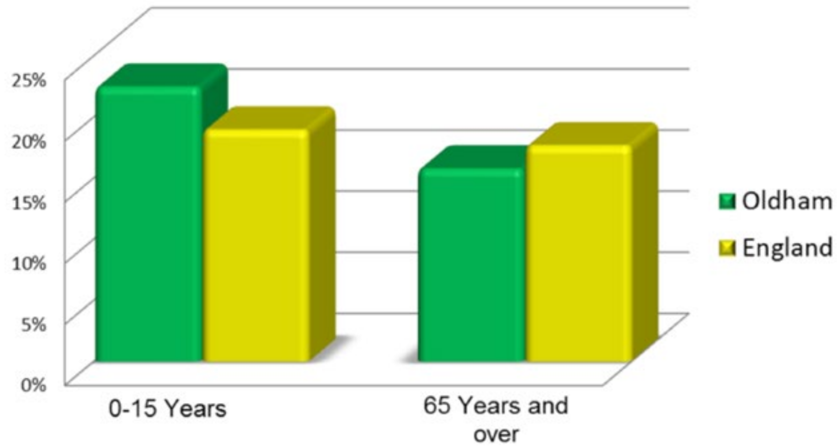
Population

Office for National Statistics Mid-Year Estimates for 2015 (most up to date figures available) reported that Oldham's estimated population was 230,823 with the age profile as presented below:



Oldham has a relatively young age profile, with proportionally more people aged 0-15 years compared to aged 65 or over. This trend goes against national averages as demonstrated below:

Comparison of Oldham's age profile to England-wide



Economy

Economic data tells us that:

- The median household income in Oldham is £23,870 per annum which is less than the national average of £30,000.
- The unemployment rate in Oldham as at March 2017 stands at 2.9%, the third highest rate across Greater Manchester (GM) and higher than the national average (1.9%). Over the last 12 months, unemployment in Oldham has fallen more significantly than the GM average. However, this contrasts to the England average which has increased. Within Oldham, Coldhurst ward has the highest level of unemployment (6.1%).
- Over 10,000 residents are likely to be impacted by JSA (Jobseeker's Allowance), Universal Credit (UC) and ESA (Employment and Support Allowance) freezes.
- More than 31,000 households will be impacted by child benefit freezes.
- Approximately 23,000 households will be impacted by tax credit changes.
- Approximately 93,000 residents will be affected by changes to Income Tax and National Insurance.
- Over 2,800 residents will be affected by changes to the minimum wage.
- Approximately 8,700 residents will be affected by changes to housing benefit.

Key Information about Oldham Council Governance

Oldham Council is a multifunctional and complex organisation. Its policies are directed by the Political Leadership and implemented by the Executive Management Team (EMT) and Officers of the Council. The following section describes the political and management structures of the Council, the political ethos driving the policy agenda and the means by which these are implemented and managed.

Political Structure in the 2016/17 Municipal Year

Oldham has 20 wards and the Council consists of 60 Councillors, following the local election on 5 May 2016 the political make-up of the Council was:

Labour Party	46 Councillors (1 vacant)
Liberal Democrat Party	9 Councillors
Conservative Party	2 Councillors
UK Independence Party	1 Councillors
Independent	2 Councillor

The result of the local election did not change the overall membership of the Council, with seats being held by representatives from the Labour, Liberal Democrat, Conservative and UKIP parties alongside Independent Councillors. The Labour Party remained in control, continuing with driving the ethos of a Co-operative Council.

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions. Cabinet Members are held to account by a system of scrutiny which is also set out in the Constitution. Scrutiny of Executive decisions for 2016/17, including the setting of a balanced budget for 2017/18, has been undertaken by either the:

- Overview and Scrutiny Management Board; or the
- Overview and Scrutiny Performance and Value for Money Select Committee.

The Council Leader (Councillor Jean Stretton) continues to promote current local political ambitions and priorities, including physical and social regeneration.

Management Structure

Supporting the work of Councillors is the organisational structure of the Council headed by the Executive Management Team, led by the Chief Executive Dr Carolyn Wilkins OBE.

During 2016/17 the Executive Management Team (EMT) comprised the Chief Executive and three Executive Directors, and included the statutory responsibility for Adults, Children's and Education Services.

EMT Members are:

- Chief Executive
- Executive Director Corporate and Commercial Services
- Executive Director Economy, Skills and Neighbourhoods
- Executive Director Health and Wellbeing with statutory responsibility for Adults, Children's and Education Services

The post of Executive Director for Corporate and Commercial Services was vacant from May to November 2016 following the resignation of the previous post holder. During this time, transitional management arrangements were put in place with the four Directors within Corporate and Commercial Services reporting directly to other members of EMT.

The Director of Finance attends Executive Management Team meetings in her role as the Council's Chief Finance Officer (the officer responsible under statute for the administration of the Council's financial affairs) together with the Director of Legal Services as the Monitoring Officer, the Director of Public Health and other Directors as required. This ensures that the key statutory officers are represented at the most senior level of the Council.

EMT provides managerial leadership of the Council and supports Elected Members of the Council in:

- Developing strategies
- Identifying and planning resources
- Delivering plans
- Reviewing the Authority's effectiveness with the overall objective of delivering a co-operative future where everyone does their bit to create a confident and ambitious borough

The team works together to achieve the most effective services possible for the Borough's diverse communities. It also ensures that Oldham plays a full part in national, regional and sub-regional activities.

Council Employees

At the start of April 2016 the Council employed 2,666 people (excluding school-based employees). By March 2017 this had increased by 38 (1.42%) to 2,704. The Council is currently developing its People Strategy which recognises the value and importance of Council staff in every aspect of the Council's work, sets out processes and procedures for staff engagement and development and ensures that human resources are managed as efficiently and effectively as financial and physical resources.

Fit for Oldham Strategy

As part of the Council's Health and Wellbeing Strategy, the Fit for Oldham initiative was launched in 2016/17. It is a programme of activity designed to help staff make healthy lifestyle choices that includes healthy eating, physical activity and mental wellbeing. In launching the initiative the Council committed to provide a healthy workplace, and encourage a culture where staff feel equipped to flourish and take personal responsibility for healthy lifestyle choices.

The objectives of Oldham's Employee Health and Wellbeing Strategy are to:

- Improve health and wellbeing across the organisation
- Reduce sickness absence by identifying and addressing issues in their early stages
- Create a workplace with no stigma associated with mental illness
- Encourage staff to 'do their bit' – take responsibility for their own health and wellbeing

The Oldham Plan and the Corporate Plan

The Oldham Plan was last refreshed in January 2015. It's a plan that sits above the individual public, private, voluntary and community organisations that come together to form the Oldham Partnership. It sets out clearly how local organisations will work together to tackle the challenges that Oldham faces and improve outcomes for residents.

The Councils Corporate Plan 2015 – 2020 was shaped by the Oldham Plan and was approved by Council in May 2015. The overarching ambition is to deliver a co-operative future, where everyone does their bit to create a confident and ambitious borough. This is underpinned by three corporate objectives that contain measureable outcomes, each delivered through seven corporate values and five corporate behaviours.

The three corporate objectives for 2015 - 2020 are highlighted opposite:

Both the Oldham Plan and the Corporate Plan are due to be updated and revised in early 2017/18 to reflect the evolving local and regional developments.

A productive place where business and enterprise thrive

Open for business: We'll make Oldham a place to invest and do business

A regenerated borough: We'll bring forward key regeneration projects to grow the business base, create jobs and transform Oldham into a vibrant borough

A working borough: We'll work with partners to create job opportunities for local people ranging from training opportunities and apprenticeships to quality jobs that pay a decent wage. Through the Education and Skills Commission we will work with partners to improve educations and skills outcomes for all our young people, giving them the best possible preparation for adulthood and the world of work.

Confident communities where everyone does their bit

Confident and involved communities: We'll work with residents and partners to create a co-operative borough where everyone does their bit and understand the issues affecting people in Oldham and campaign to get a fairer deal for residents.

Healthy communities: We'll work proactively with residents and partners to promote healthy, independent lifestyles.

Safe, strong and sustainable communities: We'll work with residents and partners to create cohesive communities which are well cared for, safe and which have decent homes.

A co-operative council delivering good services to support a co-operative borough

Getting the basics right: We'll deliver the services we are responsible for efficiently and ethically and listen to resident feedback to ensure their satisfaction with services

Responsible with resources: We have a capable, motivated and healthy workforce and use all our resources responsibly to deliver services in-house or, when needed commission services, which have public service, quality outcomes and value for money at their heart.

Reforming and empowering public services: We'll work with communities, partners and Districts across the borough and Greater Manchester to reform public services and encourage innovation, leading to even better outcomes and service delivery.

Devolution

Oldham continues to influence and shape its role within Greater Manchester to support the Greater Manchester Combined Authority (GMCA) to exercise its powers of devolution following the devolving of functions from central control in line with the Cities and Local Government Devolution Act in April 2016. Since then a further devolution agreement was signed that included working with Greater Manchester to devolve criminal justice powers, devolving control over the adult education budget and supporting the development of a Life Chances Investment Fund.

The key issues that are shaping the devolution agenda that will affect the operational and financial environment of the Council as well as its approach to addressing financial challenges are:

- Health and Social Care Integration and the establishment of an Integrated Commissioning Organisation with Oldham Clinical Commissioning Group (CCG) and local health and social care providers
- Greater Manchester Spatial Framework which will manage the supply of land for jobs and new homes across Greater Manchester along with identifying the infrastructure (such as roads, rail, Metrolink and utility networks) required to achieve this
- 100% Business Rates Retention with Greater Manchester operating a pilot scheme from 2017/18 to provide a stable funding stream while incentivising economic growth

Brexit

Following the referendum result on 23 June 2016 which meant that the United Kingdom was to leave the European Union (EU), the Prime Minister triggered Article 50 on 29 March 2017 which formally began this process. The implications of leaving the EU are not fully known but there could be a potential impact for the Borough due to reductions in EU funding, a change in interest rates, an increase in expenditure and an increase in the cost of basic goods which could impact on residents.

The Council has already seen a reduction in investment income as a result of interest rate uncertainty. As there is still a degree of doubt, the risk associated with leaving the EU is not measurable. The impact will be closely monitored and any adverse effect considered and reported through the appropriate channels within the Council's governance structure.

The 2016/17 Revenue Budget Process

When preparing the Council's Medium Term Financial Strategy (MTFS) the Council makes provisional spending plans for future financial years ensuring these are balanced against the expected funding from Government, Council Tax payers and Business Rate payers. The MTFS is a four year incremental process that builds on the work and achievements of previous years, taking into account demographic, legislative and other pressures; mitigated by a series of savings proposals to ensure a balanced budget can be achieved in the coming year, and that there is financial sustainability for future years.

To take a more strategic view, a two year budget setting process was undertaken for 2016/17 and 2017/18. The budget setting process was led by EMT who, informed by the Council's available funding and potential forthcoming pressures, requested a series of savings proposals to be put forward to address the budget gap which was initially estimated for 2016/17 at £29.485m but eventually reduced to £16.044m. Proposals were reviewed by EMT to ensure they were robust and viable and in line with the Council's corporate priorities.

Following EMT approval, proposals were presented to the Leadership budget review forum which is chaired by the Leader of the Council and is comprised of Cabinet Members and EMT members. This allowed Members to undertake a detailed review and examination of budget options before their submission for consultation with the public, staff and Trades Unions and then formal scrutiny by the Overview and Scrutiny Performance and Value for Money Select Committee.

After Select Committee scrutiny, the Medium Term Financial Strategy and Revenue Budget for 2016/17 were presented to the Cabinet in three phases; the first in November 2015, then in December 2015 and finally in February 2016. At each phase, the reports were updated to reflect and advise of any developments both at a local level or nationally. Following recommendation by Cabinet, the Council approved the budget proposals at all of the three phases with the final stage on 24 February 2016 also agreeing the revenue budget for 2016/17 at £190.653m. At that meeting the Council also approved the level of fees and charges, the Capital Strategy and Capital Programme for 2016 to 2021, the Treasury Management Strategy for 2016/17 and the Housing Revenue Account Estimates for 2015/16 to 2020/21.

Council Tax

In 2016/17, in addition to an increase in Council Tax for general purposes, Councils were given the ability to raise Council Tax by up to a further 2% as a precept to fund Adult Social Care expenditure without the need for a referendum. This was in response to the concerns about the growing funding gap for Adult Social Care caused by an increase in demand and the introduction of the National Living Wage, which impacted directly on the cost of care provision.

The Council increased the general rate of Council Tax by 1.7% and agreed to levy the 2% Adult Social Care precept resulting in an overall 3.7% increase in 2016/17.

The comparison of Council Tax Band D levels from 2015/16 to 2016/17 for Oldham is shown in the following table, together with that for the precepting bodies of the Police and Crime Commissioner for Greater Manchester (PCCGM), the Greater Manchester Fire and Rescue Authority (GMFRA) and the two Parish Councils.

Band D Council Tax by Tax Raising Body	2015/16 (£)	2016/17 (£)	Change (%)
Oldham Council	1,392.95	1,444.48	3.70
PCCGM	152.30	157.30	3.28
GMFRA	57.64	58.78	1.98
Total Band D Council Tax	**1,602.89**	**1,660.56**	**3.60**
Saddleworth Parish Council	19.35	19.35	-
Shaw and Crompton Parish Council	15.11	15.70	3.90

The anticipated tax base for 2016/17 was an increase of 1,005 properties from 53,401 to 54,406. This higher tax base in part reflects the Councils support for local house building and the regeneration of the borough.

With the 3.70% increase in Council Tax and the increase in tax base, Council Tax income generated for Oldham Council was £78.588m, of this £1.515m was as a result of the Adult Social Care Precept.

Projected Level of Balances

One significant issue, both in relation to the MTFS and also the 2016/17 budget, was the assumption about the level of balances that the Council would require to address any unexpected spending pressures. These balances need to reflect spending experience and risks to which the Council might be exposed. At the 24 February 2016 Council meeting the recommended balances for 2016/17 of £18.557m and for 2017/18 of £18.393m, reducing to £18.143m in 2018/19 were approved.

On 1 March 2017 Council approved the revision of the recommended balances for 2017/18 to £14.739m, for 2018/19 to £13.290m and for 2019/20 to £12.832m. This Statement of Accounts revises the level of balances at the end of 2016/17 to ensure sufficient levels are available to support the 2017/18 budget.

Budget Monitoring

The Council has well established and robust financial management procedures in place to monitor budgets and mitigate any forecast over spending. This has been very successful in acting as an early warning that any approved budget savings are at risk of not being delivered. However, during 2016/17 more rigorous management and monitoring of budgets and savings were implemented to ensure the sustainability of the Council's financial position over the longer term.

Revenue and capital budget monitoring information is reported to Cabinet throughout the year with any specific areas of concern being presented to the Overview and Scrutiny Performance and Value for Money Select Committee for review. This process facilitates a good level of challenge, including reviewing any potential impacts on service performance. During 2016/17 the Select Committee considered, amongst other things, reports on the Public Health Transformation Fund and Income Generation Budgets.

In addition, and in readiness for the potential for further pooled funding as a result of integrated working, 2016/17 saw the introduction of reporting progress against the Oldham Locality Plan headings within the budget monitoring reports.

Throughout 2016/17, the Health and Wellbeing Directorate and in particular Adult Social Care remained the subject of close operational and financial scrutiny, both locally and nationally. Significant media attention was focused on Adult Social Care spending.

The monitoring reports presented to Cabinet in 2016/17 indicated that there would be a year-end adverse variance on Adults and Children's Social Care. In order to examine the key elements of financial performance within the Health and Wellbeing Directorate, the Financial Planning and Recovery Group was established under the Chairmanship of the Executive Director of Health and Wellbeing, with membership drawn from across all the Health and Wellbeing Services and the Finance Team. In addition there were meetings chaired by the Leader of the Council to consider the pressures faced in these areas together with the availability and allocation of resources in future years.

The announcement made by Government just after the Council had set its 2017/18 Budget, that additional funds were being made available for Adult Social Care in 2017/18 to 2019/20 was a welcome one. The Council is currently working with Health Service partners to agree where this additional funding will be focused.

Revenue Outturn for 2016/17

The Council's 2016/17 revenue outturn position is shown in the following table. The original budget set at the Council meeting on 24 February 2016 was £190.653m. The budget report set out how the Council planned to allocate its funding during the year in order to deliver services to the people and communities of Oldham.

As the year progressed, various amendments to the Council's funding allocations were announced by the Government and amendments were made to ensure that the Council complied with accounting standards and practices. This resulted in total changes to the budget of £33.435m, primarily related to the receipt of Capital Grants of £23.905m and grant of £9.870m to support Private Finance Initiative (PFI) schemes.

The Council achieved a surplus of £0.130m for the financial year when comparing budgeted and actual expenditure before the transfer from General Fund Balances to the earmarked reserve created specifically to support the 2017/18 budget (Budget Reserve 2017/18 as presented in Note 15). The net general fund movement was therefore £3.803m.

The year end Directorate outturn is largely as reported to Members at month 9, with an adverse variance for Economy, Skills and Neighbourhoods and favourable variances for Corporate and Commercial Services and the Chief Executive's Directorates. The two main net expenditure variances are:

- An adverse variance of £5.053m within the Health and Wellbeing Directorate mainly as a result of the increase in demand and high cost placements within Adult Social care. This has been addressed for 2017/18 following the allocation of additional Council resources when setting the 2017/18 budget and also with the allocation of extra funding from Government announced in March 2017.
- A favourable variance of £1.585m within Capital, Treasury and Technical Accounting largely as a result of a reduction in the cost of borrowing following the re-profiling of capital projects into future years.

	Budget £000	Actual £000	Variance after reserve adjustments £000
Net revenue expenditure			
Economy, Skills and Neighbourhoods	134,912	135,796	884
Health and Wellbeing	92,019	97,072	5,053
Corporate and Commercial Services	3,724	3,227	(497)
Chief Executive	3,770	3,718	(52)
Capital Treasury and Technical Accounting	(15,918)	(17,503)	(1,585)
Corporate and Democratic Core	5,277	5,277	-
Parish Precepts	304	304	-
Total net expenditure	**224,088**	**227,891**	**3,803**
Financed by:			
Council Tax Payers	(77,318)	(77,318)	-
Adult Social Care Precept - Council Tax Payers	(1,515)	(1,515)	-
Revenue Support Grant	(40,543)	(40,543)	-
Retained Business Rates	(28,360)	(28,360)	-
Business Rates Top Up Grant	(30,237)	(30,237)	-
Private Finance Initiative Grants	(9,870)	(9,870)	-
Capital Grants	(23,905)	(23,905)	-
Other Non Ringfenced Government Grants	(668)	(668)	-
Housing and Council Tax Benefit Administration Grant	(1,490)	(1,490)	-
New Homes Bonus Grant	(2,902)	(2,902)	-
Education Services Grant	(2,776)	(2,776)	-
Multiplier Cap Grant	(857)	(857)	-

Small Business Rate Relief Grant	(1,542)	(1,542)	-
Independent Living Fund Grant	(2,841)	(2,841)	-
Collection Fund Deficit	1,067	1,067	-
Use of Reserves	(330)	(330)	-
Total financing	**(224,088)**	**(224,088)**	**-**
Transfer to earmarked reserve to support Council expenditure	-	(3,933)	(3,933)
Current net underspend	**-**	**(130)**	**(130)**

Schools

Schools may carry forward any (surplus)/deficit in net expenditure from one financial year to the next.

At the end of 2016/17 there were 76 schools (5 secondary, 70 primary, and 1 special) for which the year-end balances were included within the Council's balance sheet. One of the Council's schools finished the year with a deficit.

The total school balances for 2016/17 were £6.222m which was a decrease compared to 2015/16 of £1.253m. Due to a deficit of £1.702m within the Dedicated Schools Budget, it has been necessary to reduce the level of school balances to £4.520m.

The Oldham scheme for financing schools allows 'excess balances' that represent more than a certain percentage of a school's budget for the following year to be carried forward. The percentages for Secondary schools is 5% and for Primary and Special Schools is 8%.

Schools may only request excess balances to be carried forward when there is an appropriate plan in place to utilise the funds. At the end of 2016/17 there were five schools (all primary schools) with excess balances totalling £0.024m.

During 2016/17, four schools converted to academy status bringing the total in Oldham to 26.

Treasury Management

On 24 February 2016 the Council approved the Treasury Management Strategy for 2016/17. Treasury management performance is reported to Cabinet and Council with further detailed reviews undertaken by the Audit Committee.

The Department for Communities and Local Government (DCLG) requires Councils to set aside 'prudent' provision for the repayment of debt where they have used borrowing arrangements to finance capital expenditure (historic and current) but allows certain flexibility as to how this is calculated. In order to utilise the flexibility, a change was made to the Minimum Revenue Provision (MRP) policy during 2016/17 to produce future savings and allow a base budget reduction in the amount set aside for the repayment of debt. This revised MRP policy was approved by Council at its meeting on 7 September 2016.

However, by revising the policy in 2016/17, it allowed a saving of £2.743m in year which, as reported in the financial monitoring reports, was transferred to reserves.

Capital Strategy and Capital Programme 2016/17 to 2020/21

The Capital Strategy and five year Capital Programme report was approved at the Council meeting of 24 February 2016 and provided the framework within which the Council's capital investments plans were to be delivered. The following table shows the proposed capital spending plan for 2016/17 to 2020/21 in the revised reporting structure that was agreed for 2016/17.

Proposed Capital Spending	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Economy, Skills and Neighbourhoods	69,347	76,910	5,995	3,258	2,473
Health and Wellbeing	4,627	850	900	600	600
Corporate and Commercial Services	1,055	249	249	249	249
Housing Revenue Account	114	-	-	-	-
Funds Yet to be Allocated	5,402	-	-	-	-
Total Expenditure	**80,545**	**78,009**	**7,144**	**4,107**	**3,322**
Total Funding	**(79,321)**	**(79,233)**	**(7,144)**	**(4,107)**	**(3,322)**
Balance of Resources available by year - over/(under) programming	1,224	(1,224)	-	-	-
Cumulative Balance of Resources - over/(under) programming	1,224	-	-	-	-

The funding available for the Capital Programme in 2016/17 was £79.321m, slightly less than the planned expenditure, however, this was managed with under/over programming between 2016/17 and 2017/18. The capital financing sources anticipated were prudential borrowing, capital receipts, grants and other contributions.

As 2016/17 progressed, the initial spending and financing plans were revised to incorporate expenditure re-profiled from the previous year, new assumptions, approvals and scheme updates.

Investment in the regeneration of the borough continued to be a high priority. This included the opening in October 2016, of the flagship Old Town Hall development, a seven-screen cinema complex with restaurant spaces and a branded café franchise. A spectacular gala launch event was held to mark the opening which was in time for the autumn half term school break.

Northmoor Academy, a three form entry (3FE) Primary School close to the town centre also opened during the year. Investment continued in ICT systems, highways, schools and the corporate estate, however the next major project, the construction of a new Heritage and Arts Centre linked to the provision of a new Coliseum theatre is now planned to start in 2017/18.

Capital Outturn 2016/17

The capital expenditure incurred during the year is shown in the table below:

	2016/17 Forecast £000	2016/17 Actuals £000	Variance £000
Capital Expenditure			
Economy, Skills and Neighbourhoods	41,121	37,622	(3,499)
Health and Wellbeing	1,968	2,056	88
Corporate and Commercial Services	2,401	1,947	(454)
Housing Revenue Account	1,603	1,248	(355)
Total Expenditure	**47,093**	**42,873**	**(4,220)**
Total Funding	**(47,093)**	**(42,873)**	**4,220**

The Council spent £42.873m on its Capital Programme in 2016/17 compared to the revised forecast spend of £47.093m. The variance between the forecast and the outturn was £4.219m (8.9%). This has required the reprofiling of £4.220m of planned expenditure into 2017/18 together with the associated financing.

Capital expenditure for 2016/17 was financed by Government grants, revenue contributions and capital receipts. It was anticipated during the year that a significant element of the programme would be funded from prudential borrowing. However as a result of the re-phasing of schemes in year, the Council has taken a prudent approach to financing the Capital Programme by deploying revenue reserves and cash balances instead of using external borrowing. The change in funding will therefore reduce the on-going financing cost of the Capital Programme.

Non-Financial Performance of the Council 2016/17

Achievements

Although times are challenging for Oldham Council and the Local Government sector as a whole it is important to consider significant positive outcomes in the Borough and the Council's key achievements during 2016/17. A number of these achievements are set out below:

- Since September 2016, the percentage of Primary schools that are rated 'Good' or 'Outstanding' by Ofsted has increased by 9.7% and now stands at 95.1%
- The same trend is seen in Secondary schools, those rated 'Good' or 'Outstanding' has nearly doubled going from 33.3% to 61.5%
- The Catering team received a number of awards, starting with winning the Corporate and Public Sector Catering Soil Association 2016 Boom Awards. They were also recognised as being the only Council in the North West to hold the prestigious accolade for the Gold Food for Life standard
- For the seventh year running Oldham was crowned winner of Best City at the North West in Bloom competition and were awarded Gold standard in the Britain in Bloom 2016
- The Grade-II listed Old Town Hall building was transformed into a family entertainment venue based around a cinema with 800 seats which will bring in an estimated extra 214,000 visits to the town centre annually. This facility opened on Friday 21 October 2016 with a spectacular gala evening attended by thousands of Oldhamers
- In November 2016, the Warm Homes Oldham scheme was named the winner of the Guardian Public Service Award 2016 in the sustainability category
- In November 2016 the Council held a campaign for local primary school children to name a new gritter. The winning name was 'Nicole Saltslinger' and the publicity led to a feature on the X Factor which reached 5.8 million people

- There was a continued emphasis on the flagship "Get Oldham Working" campaign which has seen local employers provide a total of 5,243 jobs, apprenticeship and trainee opportunities to local people since its launch in March 2013
- The Council has also invested in its workforce by committing to pay Council employees in line with the higher National Living Wage as championed by the Living Wage Foundation
- The Council supported the creation of an Independent Quarter in the town centre, approving 100 grant applications to assist businesses and attracted 24 new businesses to locate there resulting in an additional 150 jobs.

Performance against Corporate Objectives

As the Council's main strategy document, the Corporate Plan plays a key role in shaping the performance management framework for the Council. Performance against priorities within the Corporate Plan is monitored throughout the year by Cabinet.

For each objective, the performance report provides a range of detailed measures with performance presented for the previous and current month together with the direction of travel and supporting explanatory notes. Also presented is information which highlights the performance against Directorate Business Plan objectives. In order to provide effective scrutiny and challenge should there be any specific areas of underperformance, these can be called in for review by members of the Overview and Scrutiny Performance and Value for Money (PVFM) Select Committee.

The Council Performance report as at 31 March 2017 was presented to Cabinet on 19 June 2017 and highlighted that:

- 66% of the performance measures had been met
- 89% of the corporate action plans were either on track or had been completed
- Of the 137 Business Plan actions 41% were complete and 35% were progressing on target at the end of 2016/17

Further details on the Quarter four performance results are available in the March 2017 Council Performance report to Cabinet at:

http://decisionrecording.oldham.gov.uk/documents/s81870/Corporate_Performance_Report_March_2017_Cabinet.pdf

Corporate Risks

The Council has an embedded process to manage risks and assist the achievement of its objectives, alongside national and local performance targets. The Corporate Risk Register plays an integral role in supporting production of the Corporate Plan and is subject to annual review by the Audit Committee when it approves the final accounts.

Key corporate risks are detailed in the Annual Governance Statement. They include:

- Implementation of new financial and other systems;
- Responding to on-going and future changes to the Council's financial framework;
- Delivery of key regeneration projects;
- Improving the internal control environment for the operation of payroll;
- Financial challenges faced by key service providers;
- Third party challenges based upon past practice;
- Avoiding fraud exposure as a consequence of the transparency agenda; and
- Delays to future reforms to health integration.

The Council currently has a number of significant projects covering a wide range of services, which can involve working in partnership with others, many of which require considerable levels of one-off and recurrent funding from the Council. Specific risks relating to partnerships and projects have been incorporated into the Annual Governance statement where appropriate.

Summary Position

It is clear that the Council's financial and non-financial performance in 2016/17 continues to be good. The overall revenue outturn underspend of £0.130m is in line with expectations, capital outturn has been managed to minimise the level of re-profiling required at the year end and the Council has sufficient reserves and balances to provide financial resilience for 2017/18 and future years.

In 2016/17, the Council has faced and dealt successfully with significant change. This trend will continue and indeed accelerate as the devolution agenda takes shape but the Council is well placed to adapt to the challenges and to take advantage of the opportunities offered. There are risks as highlighted previously, but there are well established and robust risk management processes in place and, together with robust financial management and reporting, the Council is in a strong position as it moves into 2017/18.

Receipt of Further Information

If you would like to receive further information about these accounts, please do not hesitate to contact me at the Finance Department, Corporate and Commercial Services, Oldham Council, West Street, Oldham, OL1 1UG.

Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptionally hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues, from the Finance team and other services, who have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.

A.T. Ryans

A T Ryans BA (Hons) FCPFA
Director of Finance

Explanation of the Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These statements contain a number of different elements which are explained below:

Statements to the Accounts

Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the Council and the Chief Finance Officer (Director of Finance).

Auditor's Report gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Core Financial Statements

Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. This includes Capital Grants Unapplied Account which are grants received but not yet utilised; Useable Capital Receipts Reserve which holds the balance of receipts from disposals of assets; Major Repairs Reserve holds the balance of funding to support capital spending in the Housing Revenue Account. The 'Surplus or (Deficit) on the 'provision of services' line shows the true economic cost of providing the Council's services, which is shown in more detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net Increase / Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount funded from Council Tax, and other Government grants. The amount funded from Council Tax and Government grants differ from this by a series of adjustments made in accordance with regulations. These adjustments are made in the Movement in Reserves Statement.

Balance Sheet shows the value of the Council's assets and liabilities at the Balance Sheet date. These are matched by reserves which are split into two categories, Usable and Unusable reserves. Unusable reserves are not available to support services and are in the main used to hold unrealised gains and losses, where the actual gain or loss will only become available once another event has occurred. For example, the Revaluation Reserve for Non-Current Assets will only become available if the asset is sold and the full value of the asset realised.

Cash Flow Statement shows the changes in the Council's cash and cash equivalents during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income, or by the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful when predicting claims on future cash flows to the Council by providers of capital, i.e. borrowing.

Supplementary Statements

Housing Revenue Account (HRA) shows the in-year economic cost of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and Government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Business Rates and its distribution to precepting bodies. For Oldham, the Council Tax precepting bodies are the Police and Crime Commissioner for Greater Manchester and the Greater Manchester Fire and Rescue Authority.

A glossary of terms can be found on the Council's website:

http://www.oldham.gov.uk/downloads/file/4484/financial_publications_-_glossary_of_terms

Main Changes to the Core Statements and Significant Transactions in 2016/17

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the Balance Sheet have increased by £32.704m during the year, mainly as a result of changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). The main change relates to the increase in the discount rate used by the Actuary to discount the future cash flows of the fund. These assumptions are determined by the Actuary and represent the market conditions at the reporting date. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation. Further details are given in Note 30.

Following the "Telling the Story" changes to the CIPFA Code of Practice on Local Authority Accounting 2016/17 a number of amendments have been made to the Council's core financial statements and supporting disclosure notes. This includes a simplified Movement in Reserves Statement and a Comprehensive Income and Expenditure Statement presented in the Council's reporting format where previously the Net Cost of Services has been reported by SeRCOP classification. In line with International Financial Reporting Standards a full retrospective restatement of the 2015/16 Comprehensive Income and Expenditure Statement has been included within the 2016/17 Statement of Accounts. Further details of the restatement between SeRCOP and local reporting formats can be found in Note 35, Prior Period Adjustments.

Following completion of the Old Town Hall project, the asset was revalued resulting in a loss of £32.891m. This has been charged to the Economy, Skills and Neighbourhoods Directorate in the Comprehensive Income and Expenditure Statement (CIES).

During 2016/17 four schools have transferred to Academy status. This has resulted in a significant loss on disposal as the associated assets are removed from the Council's Balance Sheet and the full amount is recognised as a loss in the Financing and Investment Income and Expenditure line of the CIES. Further details can be found in Note 7.

In addition to the above, the Council has produced Group Accounts for 2016/17, (with comparator figures provided for 2015/16). Please see Section 5 for the core group statements and relevant disclosure notes.

2.0 Statements to the Accounts

Union Street, Metrolink

2.0 Statements to the Accounts

2.1 Statement of Responsibilities for the Statement of Accounts

2.1.1 The Council's Responsibilities

The Council is required to:

i. Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Oldham Council, that officer is the Director of Finance;

ii. Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

iii. Approve the Statement of Accounts.

2.1.2 The Director of Finance Responsibilities

The Director of Finance is responsible for the preparation of Oldham Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

i. Selected suitable accounting policies and then applied them consistently;

ii. Made judgements and estimates that were reasonable and prudent;

iii. Complied with the Code of Practice on Local Authority Accounting;

iv. Kept proper accounting records which were up to date; and

v. Taken reasonable steps for the prevention and detection of fraud and other irregularities.

2.1.3 Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Oldham Council at 31 March 2017 and its income and expenditure for the year then ended.

Signed A. T. Ryans

Anne Ryans
Director of Finance, Section 151 Officer.

Dated 28 April 2017

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on 17 July 2017.

Signed

Councillor Javid Iqbal
Vice Chair of Audit Committee.

Dated 17 July 2017

2.2 Auditors Report

Independent auditor's report to the members of oldham metropolitan borough council

We have audited the financial statements of Oldham Metropolitan Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement in the Housing Revenue Account, the Collection Fund Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Preface, the Narrative Report, the Group Accounts Introduction and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority and Group as at 31 March 2017 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Preface, the Narrative Report, the Group Accounts Introduction and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1) (c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until:

- We have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.
- We have completed our consideration of objections brought to our attention by local authority electors under Section 27 of the Act. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Karen Murray

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
4 Hardman Square Spinningfields, Manchester M3 3EB

17 July 2017

3.0 Core Financial Statements

Failsworth Pole

3.0 Core Financial Statements and Explanatory Notes

3.1 Comprehensive Income and Expenditure Statement

Restated 2015/16				Note	2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
268,057	(207,819)	60,238	Economy, Skills and Neighbourhoods		303,021	(209,444)	93,577
163,106	(57,162)	105,944	Health and Wellbeing		163,717	(61,481)	102,236
98,968	(92,627)	6,341	Corporate and Commercial Services		91,832	(86,631)	5,201
3,295	(998)	2,297	Chief Executive		3,624	(837)	2,787
2,136	(208)	1,928	Capital, Treasury and Technical Accounting		3,835	(919)	2,916
5,200	-	5,200	Corporate and Democratic Core		5,277	-	5,277
59	-	59	Central Services		59	-	59
13,424	(27,712)	(14,288)	Housing Revenue Account		12,564	(28,221)	(15,657)
554,245	**(386,526)**	**167,719**	**Cost of Services**		**583,929**	**(387,533)**	**196,396**
			Other Operating Expenditure				
238			Parish Council precepts		246		
33,368			Levies		33,556		
481			(Gains)/losses on the disposal of non-current assets		1,703		
		34,087	Total Other Operating Expenditure				**35,505**
		49,010	Financing and Investment Income and Expenditure	**3**			59,543
		(232,608)	Taxation and Non-Specific Grant Income	**4**			(223,758)
		18,208	**Deficit on Provision of Services**				**67,686**
			Other Comprehensive Income and Expenditure				
		(25,300)	Revaluation (gains)/losses non-current assets	**17**			(78,116)
		189	Impairment losses on non-current assets	**17**			1,321
		1,373	Surplus or deficit on revaluation of available for sale financial assets	**16**			(3,833)
		(96,791)	Remeasurement of net defined benefit liability	**30**			19,121
		(120,529)	**Total Other Comprehensive Income and Expenditure**				**(61,507)**
		(102,321)	**Total Comprehensive Income and Expenditure**				**6,179**

3.2 Movement in Reserves Statement

2016/17	Note	Usable Reserves									
		General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Usable Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April Brought Forward		**(18,548)**	**(107,481)**	**(126,029)**	**(17,284)**	**(6,643)**	**(481)**	**(9,454)**	**(159,891)**	**83,266**	**(76,625)**
Movement in reserves during 2016/17											
Total Comprehensive Income and Expenditure		71,560	-	**71,560**	(3,873)	-	-	-	**67,686**	(61,507)	**6,179**
Adjustments between accounting basis and funding basis under regulations	14	(55,113)	-	**(55,113)**	2,791	2,479	(41)	(6,602)	**(56,486)**	56,486	-
Net (increase)/decrease before transfers to Earmarked Reserves		**16,446**	**-**	**16,446**	**(1,082)**	**2,479**	**(41)**	**(6,602)**	**11,200**	**(5,021)**	**6,179**
Transfers to/(from) Earmarked Reserves	15	(12,643)	12,643	-	-	-	-	-	-	-	-
(Increase)/Decrease in Year		**3,803**	**12,643**	**16,446**	**(1,082)**	**2,479**	**(41)**	**(6,602)**	**11,200**	**(5,021)**	**6,179**
Balance at 31 March carried forward		**(14,744)**	**(94,838)**	**(109,582)**	**(18,366)**	**(4,164)**	**(522)**	**(16,056)**	**(148,690)**	**78,244**	**(70,446)**

Restated 2015/16	Usable Reserves									
	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Usable Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April Brought Forward	**(18,123)**	**(98,695)**	**(116,818)**	**(16,373)**	**(4,087)**	**(449)**	**(11,614)**	**(149,341)**	**175,037**	**25,696**
Movement in reserves during 2015/16										
Total Comprehensive Income and Expenditure	20,705	-	**20,705**	(2,497)	-	-	-	**18,208**	(120,529)	**(102,321)**
Adjustments between accounting basis and funding basis under regulations	(29,916)	-	**(29,916)**	1,586	(2,556)	(32)	2,160	**(28,758)**	28,758	**-**
Net (increase)/decrease before transfers to Earmarked Reserves	**(9,211)**	**-**	**(9,211)**	**(911)**	**(2,556)**	**(32)**	**2,160**	**(10,550)**	**(91,771)**	**(102,321)**
Transfers to/from Earmarked Reserves	8,786	(8,786)	**-**	-	-	-	-	**-**	-	**-**
(Increase)/Decrease in Year	**(425)**	**(8,786)**	**(9,211)**	**(911)**	**(2,556)**	**(32)**	**2,160**	**(10,550)**	**(91,771)**	**(102,321)**
Balance at 31 March carried forward	**(18,548)**	**(107,481)**	**(126,029)**	**(17,284)**	**(6,643)**	**(481)**	**(9,454)**	**(159,891)**	**83,266**	**(76,625)**

3.3 Balance Sheet

31 March 2016 £000		Note	31 March 2017 £000
698,544	Property Plant and Equipment	**17**	708,661
19,783	Heritage Assets	**18**	19,783
16,006	Investment Property	**19**	16,138
3,735	Intangible Assets		4,362
46,805	Long Term Investments	**21**	50,644
11,362	Long Term Debtors	**21**	10,917
796,235	**Long Term Assets**		**810,505**
42,217	Short Term Investments	21	19,613
633	Inventories		680
30,830	Short Term Debtors	**22**	38,236
27,927	Cash and Cash Equivalents	**23**	43,603
1,255	Assets Held For Sale (less than one year)		4,799
102,862	**Current Assets**		**106,931**
(1,701)	Short Term Borrowing	**21**	(1,685)
(56,150)	Short Term Creditors	**24**	(56,101)
(11,707)	Short Term Provisions	**25**	(14,672)
	Short Term Liabilities		
(8,118)	- Private Finance Initiatives	**21,28**	(6,849)
(260)	- Finance Leases		(254)
(914)	- Transferred Debt		(961)
(78,850)	**Current Liabilities**		**(80,522)**

31 March 2016 £000		Note	31 March 2017 £000
(15,869)	Long Term Provisions	**25**	(14,336)
(148,638)	Long Term Borrowing	**21**	(148,389)
	Other Long Term Liabilities		
(314,044)	- Pension Liabilities	**30**	(346,748)
(258,022)	- Private Finance Initiatives	**21,28**	(251,173)
(335)	- Finance Leases		(311)
(5,360)	- Transferred Debt		(4,400)
(19)	- Deferred Credits		(17)
(1,335)	Capital Grants Receipts In Advance		(1,094)
(743,622)	**Long Term Liabilities**		**(766,468)**
76,625	**Net Assets**		**70,446**
(159,891)	**Usable Reserves**	**MiRS**	(148,690)
83,266	**Unusable Reserves**	**MiRS,16**	78,244
(76,625)	**Total Reserves**		**(70,446)**

These financial statements replace the unaudited financial statements approved at Audit Committee on 11 May 2017.

A.T. Ryans

A T Ryans
Director of Finance BA (Hons) FCPFA

3.4 Cash Flow Statement

	Notes	2015/16 £000	2016/17 £000
Net deficit on the provision of services		(18,208)	(67,686)
Adjustment to surplus or deficit on the provision of services for non-cash movements		86,649	115,653
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(18,259)	(27,759)
Net cash flows from operating activities	**31**	**50,182**	**20,208**
Net Cash flows from Investing Activities	**32**	(56,774)	7,642
Net Cash flows from Financing Activities	**33**	(21,234)	(12,174)
Net increase or (decrease) in cash and cash equivalents		**(27,826)**	**15,676**
Cash and cash equivalents at the beginning of the reporting period		55,753	27,927
Cash and cash equivalents at the end of the reporting period	**23**	**27,927**	**43,603**

3.5 Index of Explanatory Notes to the Accounts

3.6 Explanatory Notes to the Core Financial Statements

Introduction

The financial statements have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) and the accounting policies set out in Note 34. The Notes that follow (1 to 38) set out supplementary information for readers of the accounts.

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year 2016/17 (i.e. government grants, rents, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement.

1a. Expenditure and Funding Analysis

2016/17	As reported for resource management (including HRA) £000	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Economy, Skills and Neighbourhoods	134,542	(100,123)	34,419	59,158	93,577
Health and Wellbeing	98,326	(3,867)	94,459	7,778	102,237
Corporate and Commercial Services	3,227	1,190	4,417	784	5,201
Chief Executive	3,718	(994)	2,724	64	2,787
Capital, Treasury and Technical Accounting	(17,503)	(21,096)	(38,599)	41,515	2,916
Corporate and Democratic Core	5,277	-	5,277	-	5,277
Central Services	(26)	84	59	-	59
Housing Revenue Account	-	(18,803)	(18,803)	3,146	(15,657)
Net cost of services	**227,561**	**(143,609)**	**83,953**	**112,445**	**196,397**
Other income and expenditure	(223,758)	155,170	(68,588)	(60,123)	(128,711)
Surplus or Deficit	**3,803**	**11,561**	**15,365**	**52,322**	**67,686**

The table below shows the comparative information for 2015/16 restated in the new required format.

2015/16	As reported for resource management (including HRA) £000	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Economy, Skills and Neighbourhoods	107,254	(76,690)	30,565	29,674	60,239
Health and Wellbeing	104,599	(16,671)	87,928	18,016	105,944
Corporate and Commercial Services	5,060	(152)	4,908	1,432	6,341
Chief Executive	2,396	(330)	2,066	230	2,297
Capital, Treasury and Technical Accounting	7,377	(32,436)	(25,059)	26,987	1,928
Corporate and Democratic Core	5,200	-	5,200	-	5,200
Central Services	298	(240)	58	-	58
Housing Revenue Account	-	(17,958)	(17,958)	3,670	(14,288)
Net cost of services	**232,184**	**(144,477)**	**87,708**	**80,009**	**167,719**
Other income and expenditure	(232,609)	134,779	(97,830)	(51,680)	(149,511)
Surplus or Deficit	**(425)**	**(9,698)**	**(10,122)**	**28,329**	**18,208**

The table below reconciles between the opening and closing balances of the General Fund (including earmarked reserves) and Housing Revenue Account (HRA) balances. Additional information on the movements in General Fund and HRA balances can be found on the Movement in Reserves Statement.

Movement in General Fund and HRA Balance	2015/16 £000	2016/17 £000
Opening General Fund and HRA Balance as at 1 April	(133,192)	(143,313)
(Surplus)/Deficit on General Fund and HRA Balance in Year	(10,121)	15,365
Closing General Fund and HRA Balance as at 31 March	**(143,313)**	**(127,948)**

1b. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund and HRA balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement				Adjustments between Accounting Basis and Funding Basis 2016/17			
	Movements in reserves £000	Other adjustments £000	Total to arrive at amount charged to the General Fund & HRA £000	Adjustment for capital purposes (i & ii) £000	Net change for pension adjustment (iii) £000	Other Differences (iv) £000	Total Adjustments £000
Economy, Skills and Neighbourhoods	6,990	(107,113)	**(100,123)**	58,990	169	-	**59,158**
Health and Wellbeing	4,256	(8,123)	**(3,867)**	7,408	370	-	**7,778**
Corporate and Commercial Services	1,406	(216)	**1,190**	755	29	-	**784**
Chief Executive	(915)	(79)	**(994)**	64	-	-	**64**
Capital Treasury and Technical Accounting	576	(21,672)	**(21,096)**	28,835	12,681	-	**41,516**
Corporate and Democratic Core	-	-	**-**	-	-	-	**-**
Central Services	330	(246)	**84**	-	-	-	**-**
Housing Revenue Account	(1,082)	(17,721)	**(18,803)**	2,812	334	-	**3,146**
Net cost of services	**11,561**	**(155,170)**	**(143,609)**	**98,863**	**13,583**	**-**	**112,446**
Other income and expenditure from the Expenditure and Funding Analysis	-	155,170	**155,170**	(62,687)	-	2,564	**(60,123)**
Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement surplus/deficit	**11,561**	**-**	**11,561**	**36,176**	**13,583**	**2,564**	**52,322**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement				Adjustments between Accounting Basis and Funding Basis 2015/16			
	Movements in reserves £000	Other adjustments £000	Total to arrive at amount charged to the General Fund & HRA £000	Adjustment for capital purposes (i & ii) £000	Net change for pension adjustment (iii) £000	Other Differences (iv) £000	Total Adjustments £000
Economy, Skills and Neighbourhoods	(1,705)	(74,985)	**(76,690)**	27,753	1,921	-	**29,674**
Health and Wellbeing	(2,418)	(14,252)	**(16,670)**	16,341	1,675	-	**18,016**
Corporate and Commercial Services	(753)	601	**(152)**	559	873	-	**1,432**
Chief Executive	100	(429)	**(329)**	68	162	-	**230**
Capital, Treasury and Technical Accounting	13,563	(45,998)	**(32,435)**	13,945	13,042	-	**26,987**
Corporate and Democratic Core	-	-	**-**	-	-	-	**-**
Central Services	-	(240)	**(240)**	-	-	-	**-**
Housing Revenue Account	911	(18,869)	**(17,958)**	3,670	-	-	**3,670**
Net cost of services	**9,698**	**(154,172)**	**(144,474)**	**62,337**	**17,673**	**-**	**80,009**
Other income and expenditure from the Expenditure and Funding Analysis	-	154,172	**154,172**	(50,735)	-	(945)	**(51,680)**
Difference between General Fund surplus/ deficit and Comprehensive Income and Expenditure Statement surplus/deficit	**9,698**	**-**	**9,698**	**11,602**	**17,673**	**(945)**	**28,329**

(i) Adjustments for Depreciation/Rental Income

For resource management purposes, the Council includes depreciation in its reporting at Directorate level. However, these charges are removed as they are not included in the net expenditure chargeable to the General Fund and HRA balances. Also, the Council includes rental income from investment properties in the Economy, Skills and Neighbourhoods Directorate. However, this is reported in the financial statements below the cost of services line and therefore the table above shows the item being reallocated.

(ii) Adjustments for Capital Purposes

Depreciation, impairment charges and revaluation gains and losses are included within the net cost of services. In addition,

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- Finance and investment income and expenditure – the statutory charges for capital financing, i.e. Minimum Revenue Provision (MRP) and other revenue contributions, are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices (GAAP)
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under GAAP. Revenue grants are adjusted from those receivable during the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied within the year.

(iii) Net Change for Pension Adjustments

The removal of pension contributions and the addition of the IAS 19 Employee Benefits pension related expenditure and income are reflected as follows.

- For the net cost of services – the removal of the employer pension contributions made by the Council as determined by statute and their replacement with current service costs and past service costs.
- For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement (CIES)

(iv) Other Differences

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute are set out below:

- For financing and investment income and expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- For taxation and non-specific grant income - the charge represents the difference between what is chargeable under statute for Council Tax and Business Rates that was forecast to be received at the start of the year, and the income recognised under GAAP. This is a timing difference as any difference is brought forward in the surpluses or deficits on the Collection Fund.

2. Expenditure and Income Analysed by Nature

	2015/16 £000	2016/17 £000
Expenditure		
Employee benefit expenses	201,229	199,641
Other service expenses	319,083	326,997
Depreciation, amortisation and impairment	44,558	66,147
Interest payments	42,516	40,181
Precepts and levies	33,607	33,801
Loss on the disposal of assets	481	1,703
Loss on transfer of schools to academy status	13,783	27,586
Total expenditure	**655,257**	**696,056**
Income		
Fees, charges and other service income	(77,039)	(79,448)
Interest and investment income	(5,078)	(5,817)
Income from Council Tax and Business Rates	(102,786)	(104,611)
Government grants and contributions	(425,550)	(411,105)
Other grants and contributions	(26,596)	(27,388)
Total income	**(637,050)**	**(628,370)**
Deficit on the Provision of Services	**18,208**	**67,686**

3. Financing and Investment Income and Expenditure

	2015/16 £000	2016/17 £000
Interest payable and similar charges	29,856	29,153
Net interest on the net defined benefit liability	12,660	11,028
Interest receivable and similar income	(1,721)	(1,542)
Income and expenditure in relation to investment properties and changes in their fair value	(2,211)	(2,407)
Other investment income	(3,357)	(4,275)
Loss on transfer of schools to academy status	13,783	27,586
Total	**49,010**	**59,543**

4. Taxation and Non Specific Grant Income

The Council raises Council Tax, Business Rates and receives grants from Central Government each year to finance revenue expenditure. This income is not attributable to specific services. The grants, Council Tax and Business Rates received for 2016/17 were:

	2015/16 £000	2016/17 £000
Council Tax Income - General Purposes	(75,097)	(77,829)
Council Tax Income - Adult Social Care Precept	-	(1,515)
Revenue Support Grant	(50,879)	(40,543)
Retained Business Rates	(27,689)	(26,783)
Business Rates Top Up Grant	(29,987)	(30,237)
Housing Benefit and Council Tax Administration Grant	(1,529)	(1,490)
New Homes Bonus Grant	(2,275)	(2,902)
Education Services Grant	(3,096)	(2,776)
Business Rates - Multiplier Cap Grant	(854)	(857)
Small Business Rates Relief Grant	(1,425)	(1,542)
Other Non Ringfenced Government Grants	(1,980)	(668)
Private Finance Initiative (PFI) Grant	(9,983)	(9,870)
Independent Living Fund Grant	(2,243)	(2,841)
Other Capital Grants and Contributions	(24,111)	(23,905)
Council Tax Freeze Grant	(898)	-
Retail Relief Grant	(562)	-
Total	**(232,608)**	**(223,758)**

5. Grant Income Credited to Services

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

	2015/16 £000	2016/17 £000
Dedicated Schools Grant (DSG)	(158,672)	(157,318)
Dedicated Schools Grant (DSG) - Schools Contribution to Capital	1,338	643
European Regional Development Fund (ERDF) Grant	(76)	-
Housing Benefit Subsidy - Rent Allowances	(76,909)	(72,300)
Housing Benefit Subsidy - Rent Rebates	(5,173)	(5,210)
Skills Funding Agency (SFA) - 6th Form	(183)	(42)
Skills Funding Agency (SFA) – Adult and Community Learning Income	(2,957)	(3,091)
Pupil Premium	(11,602)	(11,092)
Private Finance Initiative (PFI) Credit	(22,086)	(22,217)
Other Government Grants	(6,466)	(6,030)
Other Grants	(2,228)	(2,682)
Public Health Grant	(16,063)	(17,775)
Discretionary Housing Payments	(374)	(474)
Home Office Funding - Dovetail Project	-	(27)
Total	**(301,450)**	**(297,615)**

6. Dedicated Schools' Grant (DSG)

The Councils' expenditure on schools is financed primarily by the Dedicated Schools Grant (DSG) provided by the Department for Education (DfE). DSG is a ring-fenced grant and can only be used to finance expenditure that is included in the Schools' Budget, as defined in the School Finance (England) Regulations 2015. The Schools' Budget includes elements for a range of educational services provided on a Council wide basis and for the Individual Schools Budget (ISB) which is divided into a budget share for each maintained school.

Details of the deployment of the DSG receivable for 2016/17 are as follows:

Note		2016/17 Central Expenditure £000	2016/17 Individual Schools Budget £000	2016/17 Total £000
A	Final DSG before academy recoupment			224,421
B	Academy Recoupment			(67,103)
C	**Total DSG after academy recoupment**			**157,318**
D	Balance Brought Forward			837
E	Carry forward agreed in advance			-
				158,155
F	Agreed initial budget distribution	19,384	138,977	158,361
G	In year adjustments	(277)	71	(206)
H	**Final budget distribution**	**19,107**	**139,048**	**158,155**
I	Less: Central expenditure	(20,711)		
J	Less: ISB deployed to schools		(139,146)	
K	Plus Local Council contribution	-	-	-
L	**Carried forward**	**(1,604)**	**(98)**	**(1,702)**

A DSG figure as published by the DfE in July 2016.

B Amount recovered from the Council in 2016/17 by the DfE for the conversion of maintained schools into Academies.

C Total figure after DfE Academy recoupments for 2016/17.

D Figure brought forward from 2015/16.

E Amount which the Council decided, after consultation with schools forum, to carry forward to 2017/18 rather than distribute in 2016/17.

F Budgeted distribution of DSG, as agreed by Schools Forum.

G In-year adjustments for Individually Assigned Resources, exclusions and other contingency allocations to schools. The Individual Schools Budget (ISB) was also adjusted to reflect school converting to academy status after 1 April 2016.

H Budgeted distribution of DSG as at the end of the financial year.

I Actual amount of central expenditure items in 2016/17, adjusted to show provision unspent.

J Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the Council once it is deployed to schools budget shares).

K Any contribution from the Local Council in 2016/17 which has the effect of substituting for DSG in funding the Schools budget.

L Carry forward to 2017/18.

7. Material Items of Income and Expenditure

This note identifies material items of income and expenditure. For the purposes of this Note the Council considers material items to be those greater than £6.000m.

	2016/17 £000
Material Items of Expenditure	
Derecognition of Kingfisher School (transfer to academy status)	6,233
Derecognition of Lyndhurst / Springbrook School (transfer to academy status)	6,116
Derecognition of Northmoor / Grange School (transfer to academy status)	7,937
Revaluation loss on the Old Town Hall	32,891
Total	**53,177**

8. Members' Allowances

The Council paid the following amounts to Members during the year:

	2015/16 £000	2016/17 £000
Allowances	989	1,006
Expenses	2	1
Total	**990**	**1,007**

9. Officers' Remuneration

The remuneration of senior employees, and all employees earning over £50,000, is detailed opposite.

Senior Officers served for the whole of 2016/17 and 2015/16 unless stated below:

Notes:

A The Executive Director Economy and Skills: the post was declared redundant on 31 March 2016.

B The Executive Director Corporate and Commercial Services provided services for Unity Partnership Ltd and the costs were split 50:50. This arrangement was effective from 1 October 2013 to 8 May 2016.

C The Executive Director Corporate and Commercial Services was permanently appointed to post on 14 November 2016.

D The Executive Director of Co-operatives and Neighbourhoods became the Executive Director of Economy, Skills and Neighbourhoods following a management re-organisation.

E The Director of Policy and Governance: the post was declared redundant on 31 March 2016.

F The Assistant Director Commissioning left the Council on 13 April 2015.

The Chief Executive provides services for both the Council and the Greater Manchester Waste Disposal Authority (GMWDA), for which an allowance of £14,796 (2015/16 £14,481) was paid. This allowance is included in the figures provided within the table.

	2015/16					2016/17					Note
	Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total	Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
C Wilkins, Chief Executive, Head of Paid Service and Clerk to the GMWDA	166	-	-	29	**195**	165	-	-	30	**195**	
Executive Director: Economy and Skills	138	-	98	25	**261**	-	-	-	-	**-**	A
Executive Director: Corporate and Commercial Services	140	-	-	25	**165**	59	1	-	3	**63**	B
Executive Director: Corporate and Commercial Services	-	-	-	-	**-**	46	-	-	9	**55**	C
Executive Director: Health and Wellbeing (Director of Adults' Social Services & Director of Children's Social Care, Chief Education Officer)	119	-	-	22	**141**	121	-	-	23	**144**	
Executive Director of Economy, Skills and Neighbourhoods	119	-	-	22	**141**	121	-	-	23	**144**	D
Director of Finance and Chief Financial Officer (Section 151 Officer)	88	-	-	16	**104**	90	-	-	17	**107**	
Director of Policy and Governance	85	-	257	16	**358**	-	-	-	-	**-**	E
Director of Legal Services and Monitoring Officer	96	1	-	17	**114**	95	1	-	18	**114**	
Assistant Executive Director: Commissioning (Director of Adults' Social Services & Director of Children's Social Care)	4	-	-	1	**5**	-	-	-	-	-	F
Director of Public Health	85	1	-	12	**98**	82	1	-	12	**95**	

All of the Council's employees (including teaching staff) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	2015/16 Number of Employees Including Severance or Other Related Payments	2016/17 Number of Employees Including Severance or Other Related Payments
£50,000 - £55,000	65	58
£55,001 - £60,000	60	62
£60,001 - £65,000	36	33
£65,001 - £70,000	16	14
£70,001 - £75,000	18	17
£75,001 - £80,000	7	6
£80,001 - £85,000	7	7
£85,001 - £90,000	3	7
£90,001 - £95,000	1	3
£95,001 - £100,000	3	-
£100,001 - £105,000	2	1
£105,001 - £110,000	1	1
£110,001 - £115,000	-	-
£115,001 - £120,000	4	2
£120,001 - £125,000	1	1
£125,001 - £130,000	-	-
£130,001 - £135,000	-	-
£135,001 - £140,000	2	-
£140,001 - £145,000	-	-

		2015/16 Number of Employees Including Severance or Other Related Payments	2016/17 Number of Employees Including Severance or Other Related Payments
£145,001	£150,000	-	-
£150,001	£155,000	-	-
£155,001	£160,000	1	1
£160,001	£165,000	-	-
£165,001	£170,000	-	-
£170,001	£175,000	-	-
£175,001	£180,000	-	-
£180,001	£185,000	-	-
£185,001	£190,000	-	-
£190,001	£195,000	-	-
£195,001	£200,000	-	-
£200,001	£205,000	-	-
£205,001	£210,000	-	-
£210,001	£215,000	-	-
£215,001	£220,000	1	-
TOTAL		**228**	**213**

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit Package Cost band (including special payments)	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
							£	£
£0 - £20,000	20	12	35	49	55	61	400,821	406,234
£20,001 - £40,000	1	1	9	9	10	10	263,020	306,341
£40,001 - £60,000	-	1	4	4	4	5	188,834	235,674
£60,001 - £80,000	-	-	2	1	2	1	132,049	78,444
£80,001 - £100,000	-	-	3	1	3	1	288,062	83,152
£100,001 - £150,000	-	-	2	1	2	1	238,799	117,094
£150,001 - £200,000	-	-	1	-	1	-	175,473	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	1	-	1	-	257,281	-
Total	**21**	**14**	**57**	**65**	**78**	**79**	**1,944,339**	**1,226,939**

10. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and for non-audit services provided by the Council's External Auditors (Grant Thornton LLP):

	2015/16 £000	2016/17 £000
Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor for the year	136	136
Fees payable to Grant Thornton LLP in respect of grant claims and returns for the year	13	16
Other Services	4	5
Total	**153**	**157**

11. Trading Operations

The Council has established various trading units where the service manager is required to operate in a commercial environment by generating income from other parts of the Council, other organisations or members of the public, in order to either match expenditure incurred or, in certain instances, operate within an approved level of subsidy. Details of those units are as follows:

Trading Units	2015/16	2016/17		
	(Surplus)/ Deficit £000	Turnover £000	Expenditure £000	(Surplus)/ Deficit £000
Highways Maintenance	-	(1,739)	1,739	-
Catering	297	(7,495)	7,998	503
Cleaning	312	(2,255)	2,579	324
Fleet Management	(23)	(187)	179	(8)
Trade Waste	(99)	(1,347)	1,308	(39)
Markets	145	(1,371)	1,743	372
Parking	298	(1,675)	2,181	506
Non-Operational Property	(79)	(2,928)	3,129	201
Public Halls	1,779	(475)	1,312	837
Building Control	150	(447)	676	229
Cemeteries and Crematoria	(362)	(1,758)	1,506	(252)
Security Services	(565)	(2,076)	1,430	(646)

12. Pooled Budgets

Better Care Fund

Oldham Council and Oldham Clinical Commissioning Group (Oldham CCG) are partners in the provision of services to support reduced hospital admissions and length of stay. Joint arrangements of this type are permitted under section 75 of the National Health Service Act 2006.

The aims and benefits of the Partners in entering into this Agreement are to:

- improve the quality and efficiency of service provision;
- meet the National Conditions and Local Objectives;
- make more effective use of resources through the establishment and maintenance of an aligned fund for revenue expenditure on services;
- ensure that people in Oldham will be independent, resilient and self-caring so fewer people reach crisis point, and;
- to develop an integrated health and care system, for those that need it, that enables people to proactively manage their own care with the support of their family, community and the right professionals at the right time in a properly joined up system.

Better Care Fund (BCF)	2015/16 £000	2016/17 £000
Funding provided to the pooled budget:		
Council	1,549	1,618
Oldham CCG	16,042	16,330
	17,591	**17,948**
Expenditure met from the pooled budget:		
Council	11,341	11,219
Oldham CCG	6,147	6,461
	17,488	**17,680**
Net surplus arising on the pooled budget during the year	**103**	**268**

13. Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions show the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax billing, housing benefit administration). Grants received from Government Departments are disclosed in Note 4 and 5.

Elected Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2016/17 is disclosed in Note 8.

Members have not disclosed any material transactions with related parties.

The Register of Members' Interests is open to public inspection at the Civic Centre during office hours, on application, and is also available on the Council's website. The Council is compliant in this regard with the requirement of the Localism Act 2012.

Officers

Chief Officers have not disclosed any material transactions with related parties.

Other Public Bodies (subject to common control by Central Government)

The Council has pooled budget arrangements with Oldham CCG in relation to Better Care Fund and Joint Loan Equipment Stores. Transactions for the BCF are included within Note 12.

The Council also pays levies towards the services provided by the Greater Manchester Waste Disposal Authority (GMWDA), the Greater Manchester Combined Authority (GMCA) and the Environment Agency (EA). The Levies payable in the following table.

Levying Body	31 March 2016 £000	31 March 2017 £000
Greater Manchester Waste Disposal Authority	16,932	17,607
Greater Manchester Combined Authority	16,337	15,848
Environment Agency	99	101
Total	**33,368**	**33,556**

Entities Controlled or Significantly Influenced by the Council

Related Party Transactions	Details of Arrangement	2015/16			2016/17		
		Receipts £000	Payments £000	Outstanding Balances / Commitments £000	Receipts £000	Payments £000	Outstanding Balances / Commitments £000
Subsidiaries							
MioCare Group Community Interest Company (formerly Oldham Care Services Limited)	MioCare Group CIC is a care and support provider and is wholly owned by the Council. It delivers services through two subsidiaries: Oldham Care and Support Ltd (OCS); and MioCare Services Ltd (formerly Oldham Care and Support at Home (OCSH)).	(2,584)	14,294	255	(2,466)	14,139	44
Oldham Economic Development Association Limited (OEDA)	OEDA is a company without share capital which is wholly owned by the Council and which was set up to aid economic development and regeneration across the Borough. The company has remained inactive in the past year because of the restrictions which apply to companies wholly owned by a Local Authority.	-	-	-	-	-	-
Southlink Developments Limited	The principal activity of the company is that of a property developer. However, the development land now owned by the company is reduced to a few acres located on Southlink Business Park. The continued inactivity of the company is the result of the restrictions which apply to companies wholly owned by a Local Authority.	-	-	-	-	-	-

Related Party Transactions	Details of Arrangement	2015/16			2016/17		
		Receipts £000	Payments £000	Outstanding Balances / Commitments £000	Receipts £000	Payments £000	Outstanding Balances / Commitments £000
Associates							
Unity Partnership Limited (Unity)	Unity came into being on 2 May 2007. It was made up of the Council, Mouchel and HBS (with both companies merging to become the Mouchel Group). Kier Group, the integrated property, residential, construction and services group acquired the Mouchel Group on 8 June 2015. The Council owns one third of the voting rights of Unity.	(1,156)	21,619	(825)	(480)	20,967	98
Meridian Development Company Ltd (MDCL)	MDCL was created to enable the purchase and development of key sites in Oldham. The Council holds 27.2% of the voting shares and 59.1% of the non voting shares.	-	-	-	-	-	-
Joint Ventures							
Oldham Property LLP (OP LLP)	OP LLP is a joint venture between the Council and Brookhouse Group Ltd and was incorporated on 13 February 2013 for the acquisition of strategic development sites.	(125)	-	-	(2)	-	-
FO Development LLP	This joint venture was formed to deliver the development of the Foxdenton employment area in order to create a premium business location, new jobs and housing.	(2)	-	-	(2)	-	2
	Total	**(3,867)**	**35,913**	**(570)**	**(2,950)**	**35,106**	**144**

14 Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	2015/16						2016/17					
	Usable Reserves					Movements in Unusable Reserves	Usable Reserves					Movements in Unusable Reserves
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:												
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:												
Charges for depreciation of non-current assets	(24,779)	(3,422)	-	-	-	28,201	(25,541)	(4,486)	-	-	-	30,027
Charges for impairment of non-current assets	(2,117)	(34)	-	-	-	2,151	(3,327)	-	-	-	-	3,327
Revaluation losses on Property, Plant and Equipment	(12,416)	(219)	-	-	-	12,635	(33,756)	2,778	-	-	-	30,978
Movements in the fair value of Investment Properties	735	-	(184)	-	-	(551)	882	-	(347)	-	-	(535)
Amortisation of intangible assets	(942)	-	-	-	-	942	(1,191)	-	-	-	-	1,191
Capital grants and contributions applied	19,091	-	-	-	-	(19,091)	12,680	-	-	-	-	(12,680)
Revenue expenditure funded from capital under statute	(4,879)	-	-	-	-	4,879	(3,829)	(1,106)	-	-	-	4,934
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,191)	-	-	-	-	5,191	(7,759)	-	-	-	-	7,759
Amounts written off on disposal of Academy Schools to the Comprehensive Income and Expenditure Statement	(13,783)	-	-	-	-	13,783	(27,586)	-	-	-	-	27,586
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:												
Statutory provision for the financing of capital investment	5,713	-	-	-	-	(5,713)	2,742	-	-	-	-	(2,742)

	2015/16						2016/17					
	Usable Reserves					Movements in Unusable Reserves	Usable Reserves					Movements in Unusable Reserves
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Voluntary provision for the financing of capital investment	9,886	4,699	-	-	-	(14,585)	14,701	4,295	-	-	-	(18,996)
Capital expenditure charged against the General Fund and HRA balances	5,556	526	-	-	-	(6,082)	15,523	1,267	-	-	-	(16,790)
Adjustments primarily involving the Capital Grants Unapplied Account:												
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,020	-	-	-	(5,020)	-	11,225	-	-	-	(11,225)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	7,180	(7,180)	-	-	-	-	4,624	(4,624)
Adjustments primarily involving the Capital Receipts Reserve:												
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,682	5	(2,687)	-	-	-	3,930	1	(3,931)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,278	-	-	(1,278)	-	-	8,780	-	-	(8,780)
Contribution from the Capital Receipts Reserve to finance the payments towards administrative costs of non-current asset disposals	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from Deferred Capital Receipts reserve upon receipt of cash	-	-	(963)	-	-	963	-	-	(2,023)	-	-	2,023

	2015/16						2016/17					
	Usable Reserves					Movements in Unusable Reserves	Usable Reserves					Movements in Unusable Reserves
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Deferred Capital Receipts Reserve:												
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,023	-	-	-	-	(2,023)	2,125	-	-	-	-	(2,125)
Adjustments primarily involving the Major Repairs Reserve:												
Transfer of Excess of Depreciation over Notional MRA to MRR	-	(3,391)	-	3,391	-	-	-	(4,445)	-	4,445	-	-
Credit MRR with a sum equal to HRA Depreciation	-	3,422	-	(3,422)	-	-	-	4,486	-	(4,486)	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account:												
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	212	-	-	-	-	(212)	213	-	-	-	-	(213)
Adjustments primarily involving the Pensions Reserve:												
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 28)	(34,924)	-	-	-	-	34,924	(31,351)	-	-	-	-	31,351
Employer's pension contributions and direct payments to pensioners payable in the year	17,251	-	-	-	-	(17,251)	17,768	-	-	-	-	(17,768)

	2015/16						2016/17					
	Usable Reserves					Movements in Unusable Reserves	Usable Reserves					Movements in Unusable Reserves
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Collection Fund Adjustment Account:												
Amount by which Council Tax and NDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(496)	-	-	-	-	496	(1,263)	-	-	-	-	1,263
Adjustments primarily involving the Accumulated Absences Account:												
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	1,441	-	-	-	-	(1,441)	(1,301)	-	-	-	-	1,301
Total Adjustments	**(29,916)**	**1,586**	**(2,556)**	**(32)**	**2,160**	**28,758**	**(55,113)**	**2,791**	**2,479**	**(41)**	**(6,601)**	**56,486**

15. Earmarked Reserves

This note discloses the amounts set aside from the General Fund as earmarked reserves to provide financing for future expenditure plans. The note also discloses the value of transfers to or from General Fund earmarked reserves during 2015/16 and 2016/17.

	Balance as at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance as at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance as at 31 March 2017 £000
Integrated Working Reserve	(6,816)	6,816	(6,638)	(6,638)	3,377	(1,131)	(4,392)
Transformation Reserve	(9,653)	11,229	(16,497)	(14,921)	3,438	(4,250)	(15,733)
Adverse Weather Reserve	(1,643)	43	-	(1,600)	-	-	(1,600)
Regeneration Reserve	(12,145)	12,309	(14,484)	(14,320)	11,510	(540)	(3,350)
Demand Changes Reserve	(4,800)	4,800	(4,952)	(4,952)	2,687	-	(2,265)
Emergency and External Events Reserve	(2,000)	2,250	(2,750)	(2,500)	-	-	(2,500)
Levy Reserve	(2,643)	-	-	(2,643)	1,233	-	(1,410)
Council Initiatives Reserve	(4,960)	5,144	(6,023)	(5,839)	1,642	(1,727)	(5,924)
Fiscal Mitigation Reserve	(5,216)	3,523	(6,297)	(7,990)	2,534	(2,959)	(8,415)
Life Cycle Costs Reserve	(10,913)	10,936	(11,722)	(11,699)	-	(625)	(12,324)
Insurance Reserve	(12,968)	-	-	(12,968)	186	-	(12,782)
Directorate Reserve	(9,050)	8,040	(4,546)	(5,555)	1,130	(1,088)	(5,513)
Budget Reserve (2017/18)	-	-	-	-	-	(6,525)	(6,525)
Revenue Grants Reserve	(6,913)	3,789	(2,739)	(5,863)	2,232	(1,529)	(5,160)
Schools Reserve	(6,738)	6,937	(7,673)	(7,474)	9,326	(6,371)	(4,519)
Other Earmarked Reserves	(2,239)	518	(799)	(2,520)	508	(415)	(2,427)
Total	**(98,696)**	**76,334**	**(85,120)**	**(107,482)**	**39,803**	**(27,160)**	**(94,839)**

Integrated Working Reserve – this represents funding that has been set aside to support initiatives arising from the Greater Manchester devolution agenda including joint working with the Oldham Clinical Commissioning Group around Adult Social Care, other Greater Manchester Councils and the Greater Manchester Combined Authority.

Transformation Reserve – this represents funding that has been set aside to provide for any exceptional costs of implementing the Councils budget requirement for 2017/18 and also the programme of change as the Council moves to address funding reductions in future years by the continued transformation of its services.

Adverse Weather Reserve – this represents funds set aside to cover the cost of winter maintenance of Oldham's roads due to unforeseen adverse weather conditions.

Regeneration Reserve – the Council has an extensive and ambitious regeneration agenda and resources have been set aside to support a number of regeneration projects which span more than one financial year.

Demand Changes Reserve – the Council has set funds aside to allow for the unbudgeted increase in demand for a range of services , especially costs associated with looked after children which are difficult to predict and can fluctuate from year to year.

Emergency and External Events Reserve – this reserve has been established to ensure that the Council has sufficient resources to address costs arising from events such as flooding including the requirement to undertake emergency repairs

Levy Reserve – this represents funds set aside to cover any increased levy costs in future years that will be notified by the Greater Manchester Waste Disposal Authority.

Council Initiatives Reserve – there are a number of projects and programmes of work which the Council considers to be priority initiatives and has therefore set reserve funds aside to ensure that these can be undertaken.

Fiscal Mitigation Reserve – this reserve has been established to fund future costs expected to arise from reforms to Central Government Funding and pressures resulting from legislative change.

Life Cycle Costs Reserve – the Council has a number of service areas including PFI schemes which require reserves to ensure that there is funding to provide for future costs including unitary charge inflationary increases.

Insurance Reserve – this has been established in order to finance costs (e.g. claims and premium payment) associated with insurable risk. The Council also has an Insurance Fund and the Insurance Reserve will also meet expenditure relating to various types of future claims which are not covered by the Insurance Fund.

Directorate Reserve – there are a wide range of Directorate initiatives which span more than one financial year or for which funds have been budgeted but not yet started. The Directorate Reserve will ensure that such initiatives can be completed.

Budget Reserve (2017/18) – this was created to match the sum (£6.525m) of reserves required to balance the 2017/18 budget approved by Council on 1 March 2017. It will be used in 2017/18.

In addition there are two earmarked reserves held in the Council's General Fund which have to be itemised separately given the nature of the funds held. These are:

Revenue Grants Reserve – this represents income from Government Grants received which have no conditions attached or where the conditions have been met but no expenditure has yet been incurred.

Schools Reserve – this includes the balances held by Schools under the scheme of delegation.

Other earmarked reserves comprise:

District Partnership Reserve – this represents sums set aside to fund projects already agreed by the six District Partnerships which are programmed for a future financial year or span more than one financial year.

Business Unit Reserve – this represents the agreed carry forward of underspending relating to those Council Services which operate as Business Units.

Taxation Reserve – this represents funding set aside for any future taxation liabilities e.g. from HM Revenues and Customs.

16. Unusable Reserves

Summary	Note	31 March 2016 £000	31 March 2017 £000
Revaluation Reserve	16a	(173,480)	(236,049)
Capital Adjustment Account	16b	(37,781)	(11,354)
Pensions Reserve	16c	314,044	346,748
Available for Sale Financial Instruments Reserve	16d	(29,413)	(33,246)
Financial Instruments Adjustment Account	16e	9,418	9,205
Collection Fund Adjustment Account		(918)	345
Short Term Accumulated Absences Account		4,070	5,370
Deferred Capital Receipts		(2,673)	(2,775)
Total Unusable Reserves		**83,266**	**78,244**

All unusable reserves are described below, the movements in year for all reserves with a material balance are also disclosed.

(16a) Revaluation Reserve

The Revaluation Reserve includes the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation;
- disposed of and gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	2015/16 £000	2016/17 £000
Balance at 1 April	(156,868)	(173,480)
Upward revaluation of assets	(57,623)	(80,124)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	32,512	3,329
Difference between fair value depreciation and historic cost depreciation	5,744	7,515
Accumulated gains on non-current assets sold or decommissioned (excluding Academies)	468	1,477
Accumulated gains on Academy assets sold or decommissioned	2,287	5,234
Balance at 31 March	**(173,480)**	**(236,049)**

16b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement element of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 14 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2015/16 £000	2016/17 £000
Balance at 1 April	(42,585)	(37,781)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation of non-current assets	28,202	30,027
Charges for impairment of non-current assets	2,150	3,327
Revaluation losses on Property, Plant and Equipment	12,635	30,978
Amortisation of intangible assets	942	1,191
Revenue expenditure funded from capital under statute	4,879	4,934
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (excluding Academies)	5,191	7,759
Amounts written off on disposal or sale as part of the gain/loss on disposal of Academies to the Comprehensive Income and Expenditure Statement	13,783	27,586
Adjusting amounts written out of the Revaluation Reserve	(8,498)	(14,226)
Capital financing applied in the year:		
Use of the Capital Receipts reserve to finance new capital expenditure	(1,278)	(8,780)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(19,091)	(12,680)
Application of grants to capital financing from the Capital Grants Unapplied Account	(7,180)	(4,624)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,713)	(2,742)
Voluntary MRP	(14,584)	(18,996)
Capital expenditure charged against the General Fund and HRA balances	(6,082)	(16,790)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(550)	(535)
Balance at 31 March	**(37,781)**	**(11,354)**

(16c) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits are due for payment.

Pension Reserve	2015/16 £000	2016/17 £000
Balance at 1 April	393,162	314,044
Remeasurement of net defined benefit liability	(96,791)	19,121
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	34,924	31,351
Employer's pension contributions and direct payments to pensioners payable in the year	(17,251)	(17,768)
Balance at 31 March	**314,044**	**346,748**

(16d) Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from the increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is decreased when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- disposed of and the gains are realised.

Available for Sale Financial Instruments Reserve	2015/16 £000	2016/17 £000
Balance at 1 April	(30,786)	(29,413)
Revaluation of Shareholding in Manchester Airports Holdings Ltd	1,200	(3,900)
Revaluations – Other	173	67
Balance at 31 March	**(29,413)**	**(33,246)**

(16e) Financial Instrument Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the net expense is posted back to the General Fund balance in accordance with statutory arrangements.

Financial Instrument Adjustment Account	2015/16 £000	2016/17 £000
Balance at 1 April	9,630	9,418
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(356)	(356)
Proportion of discounts received in previous financial years to be transferred to the General Fund Balance in accordance with statutory requirements	144	144
Balance at 31 March	**9,418**	**9,205**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business Rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Short Term Accumulated Absences Account

The Short Term Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets for which cash settlement has yet to take place. Under statutory arrangements the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

17. Property, Plant and Equipment

Movements on Balances

2016/17	Property, Plant and Equipment (PPE)							
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PPE Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2016	**57,458**	**491,683**	**28,219**	**235,272**	**3,297**	**24**	**6,907**	**822,859**
Additions	53	21,628	932	7,002	-	-	6,455	**36,070**
Revaluation Increases/(decreases) to Revaluation Reserve	7,185	46,291	-	-	-	980	-	**54,456**
Revaluation Increases/(decreases) to Surplus/Deficit on the Provision of Services	2,670	(34,426)	-	-	-	-	-	**(31,756)**
Derecognition-Disposals	(165)	(36,449)	(497)	-	-	-	-	**(37,111)**
Reclassified to/from Held for Sale	-	(3,974)	-	-	-	-	-	**(3,974)**
Other Reclassifications	-	9,275	-	-	-	815	(9,634)	**456**
At 31 March 2017	**67,201**	**494,028**	**28,654**	**242,273**	**3,297**	**1,819**	**3,728**	**841,001**
Accumulated Depreciation and Impairment								
At 1 April 2016	**3,687**	**13,416**	**21,033**	**82,880**	**3,297**	**-**	**3**	**124,316**
Depreciation Charge	4,446	15,944	2,150	7,488	-	-	-	**30,027**
Depreciation written out on revaluation	(3,283)	(14,688)	-	-	-	(7)	-	**(17,978)**
Depreciation written out to Surplus/Deficit on the Provision of Services	(107)	(723)	-	-	-	-	-	**(830)**
Impairment losses/reversals to Revaluation Reserve	(130)	(3,006)	-	-	-	(155)	-	**(3,291)**

2016/17	Property, Plant and Equipment (PPE)							
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PPE Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Impairment losses/reversals to Surplus/Deficit on the Provision of Services	-	3,322	-	-	-	-	-	**3,322**
Derecognition-Disposals	(165)	(2,196)	(497)	-	-	-	-	**(2,858)**
Eliminated on reclassification to Held for Sale	-	368	-	-	-	-	-	**368**
Other Reclassifications	-	(898)	-	-	-	162	-	**(736)**
At 31 March 2017	**4,447**	**11,539**	**22,686**	**90,368**	**3,297**	**-**	**3**	**132,340**
Net Book Value								
At 31 March 2017	**62,754**	**482,489**	**5,968**	**151,905**	**-**	**1,819**	**3,726**	**708,661**
At 31 March 2016	**53,771**	**478,267**	**7,186**	**152,391**	**-**	**24**	**6,904**	**698,544**

2015/16	Property, Plant and Equipment (PPE)							
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PPE Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2015	**88,905**	**461,162**	**29,018**	**223,906**	**3,563**	**459**	**14,221**	**821,234**
Additions	202	24,384	1,436	11,365	4	-	25,528	**62,920**
Revaluation Increases/(decreases) to Revaluation Reserve	(30,985)	7,272	-	-	(273)	(408)	-	**(24,395)**
Revaluation Increases/(decreases) to Surplus/Deficit on the Provision of Services	(701)	(12,699)	-	-	(5)	(831)	-	**(14,236)**
Derecognition-Disposals	(8)	(12,675)	(2,235)	-	-	(445)	(6,229)	**(21,593)**
Reclassified to/from Held for Sale	-	(1,027)	-	-	-	(50)	-	**(1,077)**
Other Reclassifications	45	25,267	-	-	8	1,299	(26,613)	**6**
At 31 March 2016	**57,458**	**491,683**	**28,219**	**235,272**	**3,297**	**24**	**6,907**	**822,859**
Accumulated Depreciation and Impairment								
At 1 April 2015	**33,231**	**15,252**	**20,531**	**75,677**	**3,542**	**-**	**-**	**148,232**
Depreciation Charge	3,391	15,799	1,808	7,204	1	-	-	**28,202**
Depreciation written out on revaluation	(2,706)	(11,587)	-	-	-	(83)	-	**(14,376)**
Depreciation written out to Surplus/Deficit on the Provision of Services	(482)	(1,232)	-	-	-	-	-	**(1,714)**
Impairment losses/reversals to Revaluation Reserve	(29,781)	(5,408)	-	-	(273)	-	-	**(35,462)**

2015/16	Property, Plant and Equipment (PPE)							
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PPE Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Impairment losses/reversals to Surplus/Deficit on the Provision of Services	34	2,099	-	-	4	-	3	**2,140**
Derecognition-Disposals	(1)	(1,363)	(1,306)	-	-	-	-	**(2,671)**
Eliminated on reclassification to Held for Sale	-	(35)	-	-	-	-	-	**(35)**
Other Reclassifications	1	(108)	-	-	24	83	-	**-**
At 31 March 2016	**3,687**	**13,416**	**21,033**	**82,880**	**3,297**	**-**	**3**	**124,316**
Net Book Value								
At 31 March 2016	**53,771**	**478,267**	**7,186**	**152,391**	**-**	**24**	**6,904**	**698,544**
At 31 March 2015	**55,675**	**445,909**	**8,487**	**148,230**	**21**	**459**	**14,221**	**673,001**

Depreciation

The following asset lives have been used in the calculation of depreciation:

Council Dwellings	Up to 50 years
Other Land and Buildings	Up to 50 years
Vehicles, Plant, Furniture and Equipment	Between 3 and 10 years
Infrastructure	Up to 40 years

Capital Commitments

At 31 March 2017 the Council had no outstanding contracts for the construction or enhancement of Property, Plant and Equipment for which there could have been outstanding contractual commitments. Contractual commitments at 31 March 2016 were £14.784m.

Effects of Changes in Estimates

In 2016/17 the Council made no material changes to its accounting estimates for Property, Plant and Equipment with the exception of Council Dwellings.

Changes to accounting estimates for Council Dwellings are a result of guidance issued by the Department for Communities and Local Government (DCLG) in November 2016 entitled 'Stock Valuation for Resource Accounting – Guidance for Valuers 2016. This provided an adjustment factor for Existing Use Value – Social Housing (EUV-SH) of 40% for the North West compared with previous guidance of 35% for 2015/16 and prior years. Applying the revised guidance has increased Gross Value by around £8.400m.

Revaluations

The Council undertakes a rolling programme of valuation that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All valuations (excluding the Old Town Hall) were provided by the Unity Partnership. Specialist valuers Lambert Smith Hampton provided the valuation for the The Old Town Hall. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The effective date of each revaluation is the date that the valuation was carried out.

The significant assumptions applied in estimating current values (fair value for Surplus Assets) are that:

- good title can be shown and all valid planning permissions and statutory approvals are in place;
- the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted;
- an inspection of those parts not inspected would not reveal defects that would affect the valuation;
- the testing of electrical or other services would not reveal defects that would cause the valuation to alter; and
- there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total £000
Carried at historical cost	-	-	28,654	242,273	3,297	-	3,728	277,953
Valued as at:								
31 March 2017	67,128	387,554	-	-	-	1,819	-	456,501
31 March 2016	73	20,628	-	-	-	-	-	20,701
31 March 2015	-	66,963	-	-	-	-	-	66,963
Monday, 31 March 14	-	12,188	-	-	-	-	-	12,188
31 March 2013	-	6,695	-	-	-	-	-	6,695
Total Cost or Valuation	**67,201**	**494,028**	**28,654**	**242,273**	**3,297**	**1,819**	**3,728**	**841,001**

In addition the Council has also instructed its valuers to undertake a review of all assets held at cost in the other land and buildings category to ensure that the carrying value of assets is not materially different from their fair value.

The review concluded that the fair value for assets valued at Depreciated Replacement Cost (DRC) experienced a significant change in values due to increases in building costs. The increase in value is mainly due to an increase in national and local building costs. Not only did the national rate of building costs risen markedly over the period concerned, the adjustment factor for Oldham also rose substantially over the same period. As a result of this review, desktop valuations were conducted for all assets that are valued on a DRC basis.

18. Heritage Assets

Tangible and Intangible Heritage Assets

The three principal collections of heritage assets held in Gallery Oldham include:

- Natural History - Gallery Oldham holds an extensive natural history collection, made up of over 11,000 items of invertebrate, vertebrate and geological specimens.
- Social History - This collection consists of around 22,000 items and is of enormous value as material evidence of the social history of Oldham and its people. The collections relate to the areas industrial history, archaeology, textiles and ephemera representing the everyday life of the borough.
- Fine and Decorative Art - this collection consists of over 450 oil paintings, 500 watercolours and around 1400 prints. Of particular interest are the Charles Lees collection of oil paintings, watercolours, drawings and engravings and 55 watercolours and drawings from the S.C. Turner Collection. In addition the Council holds two paintings by William Orpen and one by each of J W Waterhouse, Stanhope Forbes and A J Munnings which have values in excess of £1 million. There are also a small number of assorted photographic prints, drawings and mixed media works, sculptures and decorative arts.

In addition to the above three collections the Council also has a collection of Civic Regalia which is either stored or displayed at the Civic Centre.

- Civic Regalia - The Council's Civic Regalia is reported in the Balance Sheet at insurance valuation and the insured sum for 2016/17 is £1.072m. This valuation excludes the Civic Crests.
- Art Collection - The Council has had the art collection valued by external valuers Bonhams Auctioneers and Valuers. The valuation was on an insurance basis assessed at £18.711m undertaken by Bonhams as at January 2004.

Details of the paintings held by Gallery Oldham can be found on the ART UK website using the following link.

https://artuk.org/visit/venues/gallery-oldham-4260

During the year, the Council's Gallery Team used their expert knowledge and understanding to determine if a change in insurance valuation is needed. This is based on the valuation of the top 100 items and their knowledge of sales and acquisitions within the market. It was considered that no revaluation was needed.

The following table summarises the movement in the balances relating to Heritage Assets during the year:

	Art Collection £000	Civic Regalia £000	Total Assets £000
Cost or Valuation			
1 April 2015	18,711	1,017	19,728
Revaluation Gains/(Losses) Recognised in the Revaluation Reserve	-	55	55
31 March 2016	**18,711**	**1,072**	**19,783**
Cost or Valuation			
1 April 2016	18,711	1,072	19,783
Revaluation Gains/(Losses) Recognised in the Revaluation Reserve	-	-	-
31 March 2017	**18,711**	**1,072**	**19,783**

The Council has not recognised the majority of the ceramics, porcelain work, figurines, pottery, machinery, ephemera, photography, biological and geological records and specimens, books and manuscripts in the financial statements as it is of the view that obtaining valuations for the vast majority of these collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements.

19. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement:

The movement in the value of investment properties is disclosed below:

	2015/16 £000	2016/17 £000
Rental Income From Investment Properties	(3,158)	(2,120)
Direct Operating Expenses (including repairs and maintenance)	1,682	595
Net Gain	**(1,476)**	**(1,525)**

Fair Value Hierarchy

All of the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 34 Accounting Policy section 1.23 for an explanation of the fair value levels).

	2015/16 £000	2016/17 £000
Balance at 1 April	15,256	16,006
Additions: Subsequent Expenditure	206	53
Disposals	(4)	(72)
Net Gain from Fair Value Adjustments	555	608
Transfers to Other Land and Buildings	(6)	(457)
Balance at 31 March	**16,006**	**16,138**

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

The fair value of investment properties has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy. There has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2017 by the Unity Partnership in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

20. Capital Expenditure and Capital Financing

	2015/16 £000	2016/17 £000
Opening capital financing requirement	**527,364**	**543,232**
Capital Investment		
Property Plant and Equipment	62,920	36,070
Investment Assets	206	53
Revenue Expenditure Funded from Capital Under Statute	4,879	4,934
Long Term Investment	-	15
Intangible Assets	1,370	1,816
Long Term Debtors	410	265
Assets Held for Sale	11	17
Sources of Finance		
Capital Receipts	(1,278)	(8,780)
Government Grants And Other Contributions	(26,271)	(17,304)
Sums set aside from Revenue	(26,379)	(38,528)
Closing capital financing requirement	**543,232**	**521,790**
Explanation of movements in year		
Increase/(Decrease) in Need to Borrow Supported by Government Financial Assistance	(5,713)	(2,742)
Increase/(Decrease) in Need to Borrow Unsupported by Government Financial Assistance	17,572	(18,997)
Assets Acquired Under Finance Leases	270	297
Assets Acquired Under PFI/ PPP Contracts	3,738	-
Increase/(Decrease) in Capital Financing Requirement	**15,867**	**(21,442)**

The total value of capital expenditure incurred during the year is disclosed in the table on the left (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in a decrease in the Capital Financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

21. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity. Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

The investments and borrowings disclosed in the Balance Sheet comprise the following categories of financial instrument.

	Long Term 31 March 2016 £000	Current 31 March 2016 £000	Long Term 31 March 2017 £000	Current 31 March 2017 £000
Investments				
Loans and Receivables - Investments (Principal)	-	26,500	-	16,000
Loans and Receivables - Investment Accrued Interest	-	85	-	36
Loans and Receivables - Cash and Cash Equivalents (CCE)	-	27,919	-	43,588
Loans and Receivables - CCE Accrued Interest	-	8	-	15
Available for sale financial assets	46,805	15,631	50,644	3,577
Total Investments	**46,805**	**70,144**	**50,644**	**63,216**
Debtors				
Loans and receivables	11,362	14,989	10,917	17,805
Total included in Debtors	**11,362**	**14,989**	**10,917**	**17,805**
Debtors that are not financial Instruments	-	15,841	-	20,431
Total Debtors	**11,362**	**30,830**	**10,917**	**38,236**
Borrowings				
Financial liabilities at amortised cost - Loans (Principal)	147,824	289	147,583	283
Financial liabilities at amortised cost - Loans Accrued Interest	-	1,412	-	1,402
Financial liabilities at amortised cost - Market Loans Effective Interest Rate Adjustment	814	-	806	-
Total included in Borrowings	**148,638**	**1,701**	**148,389**	**1,685**
Other Long Term Liabilities (OLTL)				
PFI, finance lease and transferred debt	263,717	9,292	255,884	8,063
Total included in Other Long Term Liabilities	**263,717**	**9,292**	**255,884**	**8,063**
Creditors				
Financial liabilities at amortised cost	-	40,807	-	38,638
Total included in Creditors	**-**	**40,807**	**-**	**38,638**
Creditors that are not financial instruments	-	15,343	-	17,463
Total Creditors	**-**	**56,150**	**-**	**56,101**

Income, Expenditure, Gains and Losses

The income, expenditure, gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments comprise:

	2015/16				2016/17			
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total £000
Interest expense	(29,856)	-	-	**(29,856)**	(29,153)	-	-	**(29,153)**
Interest and Dividend income	-	1,721	3,357	**5,078**	-	1,542	4,275	**5,817**
Gain/(Loss) on revaluation	-	-	(1,373)	**(1,373)**	-	-	3,833	**3,833**
Net gain/(loss) for the year	**(29,856)**	**1,721**	**1,983**	**(26,151)**	**(29,153)**	**1,542**	**8,108**	**(19,503)**

The following shows an analysis of borrowing by type of debt

Borrowings	Long Term	Current	Long Term	Current
	31 March 2016 £000	31 March 2016 £000	31 March 2017 £000	31 March 2017 £000
PWLB	15,723	98	15,482	97
LOBO's	126,314	1,314	86,306	901
Other market debt	6,601	289	46,601	687
Total Borrowings	**148,638**	**1,701**	**148,389**	**1,685**

In June 2016 £40m of Lenders Option Borrowers Option (LOBO) market loans were converted by the lender to market loans without any options. The loans effectively became fixed rate loans at their current interest rates and with their state maturities.

Fair Value of Financial Instruments

Some of the Council's financial assets are measured in the Balance Sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy*	Valuation technique used to measure Fair Value	31 March 2016 Fair Value £000	31 March 2017 Fair Value £000
Available for Sale - Manchester Airport	Level 3	Earnings Based	39,800	-
Available for Sale - Manchester Airport	Level 2	Earnings Based	-	43,700
Available for Sale - Certificates of Deposit	Level 1	Unadjusted quoted prices in active markets for identical shares	15,591	3,527
Available for Sale - CCLA	Level 1	Unadjusted quoted prices in active markets for identical shares	4,836	4,761
			60,228	**51,988**

*See Note 34 Accounting Policy 1.23 for an explanation of the Fair Value levels

The Council holds a 3.22% share in Manchester Airports Holdings Limited (MAHL). The shares in this company are not traded in an active market; however the fair value shown above is based on a high degree of comparability to listed company data including any movement in share prices. An earnings based method has been employed which takes as its basis the profitability of the company, assessing its historic earnings and arriving at a view of “maintainable” or “prospective” earnings.

The method involves the application of a price earnings ratio to maintainable or prospective earnings or post tax profits and draws on data from comparable quoted companies. The data is then adjusted by discount factors to allow for the fact that the shares are not publically traded and that the Council holds a minority interest with no voting rights. These unobservable inputs have been developed using the best information about the assumptions that the market participants would use when pricing the asset.

The valuation has been made using annual audited accounts of MAHL for 2014, 2015 and 2016 along with interim 6 month reports for the period ending 30 September 2016. These shares are subject to an annual valuation. In 2016/17 this has seen an increase in value of £3.900m.

The Council held £3.500m in certificates of deposit with Abbey National. The fair value has been calculated by using published price quotations.

The Council also holds units within the CCLA Property Fund, the fair value has been calculated using quoted share prices. All other available for sale investments are carried at historic cost, as a fair value cannot be established or they are commercially sensitive. The total value of these available for sale investments at 31 March 2017 is £2.183m.

Transfers between Levels of the Fair Value Hierarchy

The Council’s holding in Manchester Airport detailed above has been transferred from Level 3 to Level 2, although there has been a change in level there is no change in valuation technique used.

In 2015/16 a prudent approach was taken in terms of the view that a small percentage of the inputs were unobservable. For 2016/17 an external expert opinion was sought which confirmed that although a small percentage of the inputs are unobservable the vast majority are observable and this should be the basis of a Level 2 valuation.

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the new loan rate, highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

	31 March 2016		31 March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB	15,821	19,175	15,579	19,627
Market Loans	133,714	176,587	134,496	264,234
Short-term creditors	40,807	40,807	38,638	38,638
Total	**190,342**	**236,569**	**188,713**	**322,499**

	31 March 2016		31 March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Fixed Term Investments	26,500	26,615	16,000	16,040
Cash and Cash Equivalents	27,919	27,927	43,587	43,603
Long-term debtors	11,362	11,362	10,917	10,917
Short-term debtors	14,989	14,989	17,805	17,805
	80,770	**80,893**	**88,309**	**88,365**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £19.627m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £15.482m would be valued at £17.795m. However, if the Council were to realise the projected gain by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £2.215m.

The fair value of the assets is greater than the carrying amount because the Council's portfolio of loans and receivables includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks.
The key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services and is based on the framework set out in the Local Government Act 2003 and associated regulations.

As directed by the Act, the Council has formally adopted the CIPFA Code of Practice on Treasury Management in the Public Services and complies with the CIPFA prudential code. As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of the year to which it relates, this strategy sets out the parameters for the management of risks associated with financial instruments.

Full details of the Council's Treasury Management Strategy can be found on the Council's website.

The strategy also includes an Annual Investment Strategy for the forthcoming year, setting out it's criteria for both investing and selecting investment counterparties in compliance with Government guidance.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash).

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made unless they meet the minimum requirements of the investment criteria outlined above, and detailed below.

Oldham Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings; and
- sovereign ratings to select counterparties from only the most creditworthy countries

Institutions are split into colour bandings to determine the maximum level and duration of the investment.

The full Investment Strategy for 2016/17 was approved by Council on 24 February 2016 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council had a total of £68m deposited with a number of financial institutions at 31 March 2017. The Council's maximum exposure to credit risk in relation to this amount cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

A summary of the credit quality of the Council's investments at 31 March 2017 is shown below, along with the potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years.

	Capita Asset Services – Colour Banding	Fitch - Rating	Moody's - Rating	Standard and Poors - Rating	Amount at 31 March 2017 £000	Historical Experience of Default %	Estimated maximum exposure to default and uncollectability at 31 March 2017 £000
Deposits with Banks and Financial Institutions							
Abbey National Treasury Services	Red	F1	P-1	A-1	3,500	0.005%	-
Bank of Scotland	Red	F1	P-1	A-1	3,000	0.002%	-
Bank of Scotland	Red	F1	P-1	A-1	2,000	0.002%	-
Bank of Scotland	Red	F1	P-1	A-1	5,000	0.009%	-
Dumfries & Galloway Council	Yellow				5,000	0.000%	-
Glasgow City Council	Yellow				5,000	0.000%	-
Leeds Building Society	Red	F1	P-1		3,000	0.003%	-
London Borough of Newham	Yellow				5,000	0.000%	-
Nationwide Building Society	Red	F1	P-1	A-1	5,000	0.004%	-
Nottingham City Council	Yellow				5,000	0.000%	-
Plymouth City Council	Yellow				5,000	0.000%	-
Standard Life Money Market Fund	Yellow	AAA	Aa1	AAA	10,000	0.000%	-
Federated Money Market Fund	Yellow	AAA	Aa1	AAA	11,500	0.000%	-
CCLA Property Fund					4,761		-
Customer Debtors					28,722	0.96%	276
					101,483		**276**

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow extended credit for customers, but some of the current balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2016 £000	31 March 2017 £000
Less than 3 months	2,780	2,361
3 - 6 months	264	228
6 - 12 months	1,403	1,669
more than 12 months	3,040	2,960
	7,487	**7,218**

During the reporting period, the Council held no collateral as security.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures set out above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowing from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

All sums invested (£68.000m) are due to be paid in less than one year.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity profile of financial liabilities is as follows:

	31 March 2016 £000	31 March 2017 £000
Less than 1 year	42,749	40,323
1 - 2 years	-	-
2 - 5 years	-	241
5 - 10 years	6,841	6,600
More than 10 years	140,742	140,742
	190,332	**187,906**

The above analysis is based on the term of the borrowing and expected maturity date, within the more than ten years category includes principal of £49m of Lender Option Borrower Option loans (LOBO's) that could potentially be called by the lender during the next financial year.

The average maturity of LOBOs held within the more than ten years category is 50 years, these loans all have option dates within the next five years, however it is not anticipated that any of these will be called and require repayment based on the current low interest rate environment.

All trade and other payables are due to be paid in less than one year.

Market Risk

The Council is exposed to market risk in terms of its exposure that the value of an instrument will fluctuate because of changes in:

- Interest rate risk;
- Price risk; and
- Foreign exchange rate risk.

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the liabilities will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Council policy is to aim to keep no more than 30% of its borrowings in variable rate loans, but this may be varied in specific circumstances.

The central treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been:

	2016/17 £000
Decrease in fair value of fixed rate investment assets	680
Impact on Other Comprehensive Income and Expenditure	680
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	1,879

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council does not generally invest in equity shares or marketable bonds but does have shareholdings to the value of £50.644m in a number of joint ventures and in local companies. Whilst these holdings are generally illiquid, the Council is consequently exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for ‘open book’ arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

The £50.644m shares are all classified as ‘available for sale’, meaning that all movements in price will impact on gains and losses recognised in the Available for Sale Reserve. It is usually anticipated that a general shift of 5% in the general price of shares (positive or negative) may occur, which would have resulted in a £2.532m gain or loss being recognised in the Available for Sale Reserve for 2016/17.

In 2016/17 the Council’s holding in Manchester Airport, was re-valued resulting in a gain of £3.900m that was recognised in the Available for Sale Reserve. A loss of £0.076m was also recognised in 2016/17 in relation to the property fund as a result of the Brexit vote.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies, and thus had no exposure to loss arising from movements in exchange rates.

22. Debtors

The Council's debtors (net of the provision for bad and doubtful debts) are as follows:

	31 March 2016 £000	31 March 2017 £000
Central Government Bodies	4,812	6,963
Other Local Authorities	294	560
NHS Bodies	1,406	3,437
Capital Debtors	3,677	5,355
Other entities and individuals	18,137	17,478
Payments in Advance	2,504	4,442
Total	**30,830**	**38,236**

23. Cash and Cash Equivalents

	31 March 2016 £000	31 March 2017 £000
Cash held by the Council	122	124
Bank Current Accounts	36,052	51,037
Bank Overdraft	(8,247)	(7,558)
Total	**27,927**	**43,603**

24. Creditors

The Council's creditors are as follows:

	31 March 2016 £000	31 March 2017 £000
Central Government Bodies	(3,492)	(8,776)
Other Local Authorities	(1,836)	(2,237)
NHS Bodies	(1,148)	(1,288)
Capital Creditors	(7,529)	(3,637)
Other entities and individuals	(33,183)	(31,366)
Accumulated Absences	(4,070)	(5,371)
Receipts in Advance	(4,892)	(3,426)
Total	**(56,150)**	**(56,101)**

25. Provisions

	Short Term			
	Insurance Provision £000	Pay and Reward Provision £000	Other Provisions £000	Total £000
Balance at 1 April 2016	(3,639)	(188)	(7,880)	(11,707)
Additional provisions made in 2016/17	(3,004)	(62)	(5,504)	(8,570)
Amounts used in 2016/17	150	-	5,455	5,605
Balance at 31 March 2017	**(6,493)**	**(250)**	**(7,929)**	**(14,672)**

	Long Term			
	Insurance Provision £000	Pay and Reward Provision £000	Other Provisions £000	Total £000
Balance at 1 April 2016	(11,172)	(2,702)	(1,995)	(15,869)
Amounts used in 2016/17	572	952	9	1,533
Balance at 31 March 2017	**(10,600)**	**(1,750)**	**(1,986)**	**(14,336)**

The Insurance Provision covers all historic legal liability claims including personal accident risks to employees whilst carrying out their duties, public and all other liability claims, the losses arising from the inability of contractors to fulfil obligations, the fire fund (historic property claims under £0.100m) and all other past claims under the policy excess, which is £0.150m and not yet settled.

The Pay and Reward Provision has been set up to provide for the future increase in payroll costs resulting from the implementation of new pay and grading structures.

The other Provisions represent amounts set aside to meet potential future liabilities; this includes a provision for Business Rates Appeals.

26. Contingent Assets

A contingent asset is an asset that may be received but only if a future event occurs that is not under the control of the Council. The Council has identified the following contingent assets as at 31 March 2017.

1) Housing Market Renewal (HMR) - Equity Share Scheme

Under the HMR initiative which ended on 31 March 2011, the Council was able to underwrite improvements to properties in defined neighbourhoods. A major part of this work was to provide sufficient equity release funding (either to renovate existing homes or to enable households to move to newly purchased accommodation). As at 31 March 2017, there remains £3.008m of loans outstanding.

In addition to the HMR funded equity share scheme, the Council has utilised part of the Regional Housing Capital Pot (RHCP) supported by its own capital resources to renovate existing owner occupied homes on the same equity basis. As at 31 March 2017, there remains £2.624m of loans outstanding.

As funding will eventually be repaid to the Council on resale of the properties from both initiatives and as the grants are now un-ringfenced, the receipt will be available to support the Council's capital programme.

2) Housing Stock Transfer

The Housing Stock Transfer that took place on 8 February 2011 has resulted in a number of contingent assets to the Council.

a) Right to Buy Sharing Agreement

As with other agreed housing stock transfers, the Council has entered into an agreement with First Choice Homes Oldham (FCHO) and the Council's Housing PFI partners relating to the future sales under the Prescribed Right to Buy (PRTB) regulations. This relates to any future sales of the transferred stock to existing tenants.

The Council will receive capital receipts at the end of each financial year for any properties sold within the year. The value of the receipt is calculated using a formula that takes the net income forgone by FCHO/Housing PFI from the total proceeds from the sale of dwellings for that year.

b) VAT Shelter Arrangements

In normal circumstances, FCHO is not able to reclaim VAT on improvement works to dwellings. The VAT Shelter is an arrangement, used in every housing stock transfer since 2002, with HMRC's agreement, whereby FCHO can reclaim VAT on future improvement works to the transferred housing stock. Of the £229.792m of improvement works to be undertaken, an estimated £45.958m of VAT would be recoverable by FCHO over the 15 years post transfer.

The Council agreed a 50/50 share of the VAT with FCHO, after FCHO has retained its first tranche of recoverable VAT; this is a sum of £14.900m. This first tranche of VAT was utilised by FCHO during the first four years post transfer. FCHO also retained a second tranche of VAT shelter savings, totalling £6.000m. This second tranche was used solely for asbestos works that exceed the amount estimated within the Stock Condition Survey of £7.200m, (net of inflation, fees and VAT). This arrangement was agreed to mitigate the Council's overall risk of a contingent liability through an asbestos warranty. If the total amount of the second tranche is not required, the remaining balance will be allocated under the 50/50 sharing agreement.

The estimated value of VAT shelter savings for the Council is circa £15.000m. The amount received in any given year by the Council will be dependent on the value of works undertaken by FCHO on which VAT can be reclaimed. The Council received VAT savings in cash terms totalling £1.898m to 31 March 2017 and will continue to receive further payments up to the values given above. The savings that are received by the Council will be treated as a capital receipt to support the Council's capital programme.

27. Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2017.

1) Manchester Airports Holdings Ltd (MAHL)

In 2009/10 there was a restructure of various loans used to finance capital expenditure that the Airport had agreed to reimburse the Council. As a consequence, the loans to the Airport that were previously secured became unsecured but a higher coupon rate became receivable. The loan agreement expires in 2055. Full provision has not been made in the Balance Sheet to cover the total potential losses to the Council from this agreement.

2) Pension Guarantees

The Council has entered into a number of long-term contracts for services that have been outsourced to service providers. These often involve the transfer of Council employees to the new service provider. Employee's rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). However, pension rights are not fully covered within TUPE regulations.

For contracts with non-public bodies the responsibility for pension obligations remains with the sponsoring body. This guarantee means that if an admitted body fails to pay its pension obligations to Greater Manchester Pension Fund (GMPF) then the Council will be responsible for meeting those obligations.

3) Stock Transfer Warranties

The Council agreed to a number of warranties under the stock transfer agreements with First Choice Homes (FCHO). This arrangement gives rise to a possible obligation of the Council, which will be confirmed upon the occurrence or non-occurrence of the invocation of the warranties. The only remaining significant warranty is the Asbestos indemnity.

4) Greater Manchester Loan Fund

The Council agreed to enter into an indemnity agreement to support the Greater Manchester Loan Fund. The fund was set up to provide loans to new and growing business in Greater Manchester. This was entered into alongside other Greater Manchester Authorities and given to Manchester City Council in order to underwrite the initial £12.000m to £14.000m capital in proportion to its percentage of GM population at the date of the establishment of the fund (June 2013).

For Oldham Council the maximum indemnity will be £1.172m which is 8.37% of the total indemnity. At 31 March 2017 loans totalling £5.050m have been advanced. The risk of the indemnity being called upon is considered to be low.

5) Saddleworth School Site Indemnity

As part of the funding agreement with the Education Funding Agency to fund a new site for Saddleworth School, the Council has entered into an indemnity agreement with the Secretary of State (SoS) for Education. This allows the SoS to advance and develop the Priority Schools Building Programme at the site prior to the land transfer being completed. As at 31 March 2017 the land transfer has not been completed. As a result there is a possible obligation on the Council which will be confirmed on invocation of the indemnity.

6) Deprivation of Liberty Safeguards

On 19 March 2014, the Supreme Court handed down its judgment in the case of "P v Cheshire West and Chester Council and another" and "P and Q v Surrey County Council. This judgement held that a deprivation of liberty can occur in domestic settings where the State is responsible for imposing such arrangements. Anything that the courts regard as a deprivation of liberty that has occurred without authorisation pursuant to legal process will attract common law damages. At this stage it is unclear whether there are any such cases to be brought within Oldham.

7) Greater Manchester Housing Investment Fund

The Greater Manchester Devolution Agreement provides for a Housing Investment Fund of £300.000m over ten years, to be invested in the form of recoverable loans and equity into property investments to deliver the growth ambitions of Greater Manchester (GM).

The Fund was set up on 1 April 2015 and is administered by Manchester City Council as accountable body.

The Fund provides the opportunity to invest in locally prioritised schemes and give the flexibility required to stimulate the market, accelerate growth and increase housing supply.

In return for GM receiving this Fund it must guarantee that 80% of the funds drawn down, to a maximum of £240.000m, will be repaid to Her Majesty's Treasury (HMT) at the end of the Fund life (this is likely to be in 2028 when all loans advanced are repaid). The Department of Communities and Local Government (DCLG) will underwrite the first 20% of any loss to the Fund (up to a maximum of £60m).

Each GM District will indemnify a proportion of the Fund based on its percentage of GM population as at 1 April 2015. For Oldham Council the maximum indemnity will be £20.090m which is 8.37% of the total indemnity. At 31 March 2017 the amount drawn down was £41.831m. It is not currently anticipated that there will be any call on this indemnity.

8) Legal Case

The Council has received a legal claim regarding damages it has alleged to have caused. The Council is robustly defending against this action and is unable to provide an estimate of any financial effect due to its potential to seriously prejudice the Council's position in relation to this claim.

28. PFI and Similar Contracts

Oldham Library and Lifelong Learning Centre

The financial year 2016/17 was the twelfth of a 25 year PFI contract for the construction, maintenance and operation of Information Technology (IT) and Financial Management (FM) services of the Library and Lifelong Learning Centre in the town centre. The Council has rights under the contract to specify the opening times of the facility. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if the facilities are unavailable or performance is below the minimum standards. The contractor was obliged to construct the centres and to maintain them to a minimum acceptable condition, and to procure and maintain the plant and equipment needed to operate the facility. The building, and any plant and equipment installed, will transfer to the Council at the end of the contract for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred including the repayment of any of the contactor's outstanding debt attributable to the contract. There have been no changes to the arrangement during the financial year.

Housing PFI Schemes

Sheltered Housing

The financial year 2016/17 was the eleventh of a 30 year PFI contract for the demolition and new build (or refurbishment of), and the provision of management and maintenance services to, sheltered and warden supported properties in the Housing Revenue Account (HRA).

The dwellings will transfer to the Council at the end of the contract for nil consideration.

Gateways to Oldham Housing

The financial year 2016/17 was the sixth of a 25 year PFI contract for the management of 633 HRA dwellings with Inspiral Oldham Limited (Inspiral). Inspiral is responsible for demolition, new build and refurbishment of the dwellings together with their management and maintenance. The contract also includes minor works to the external fabric of 146 leaseholder/owner occupied properties, for which the majority of associated costs will be met by the leaseholders/owner occupiers. The management of the dwellings within the HRA will transfer back to the Council at the end of the contract for nil consideration unless a separate contract is entered into either with Inspiral or an alternative contractor.

The Council has rights under both PFI housing contracts to specify arrangements around the demolition, new build and refurbishment of the dwelling together with the tenancy management services to be supplied. The contracts specify minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractors are obliged to demolish and rebuild/refurbish the dwellings and to maintain them to a minimum acceptable condition over the life of the contract.

The Council has rights to terminate the contracts in the event of non-performance but will be required to compensate the contractors, potentially including the repayment of any of the contactors' outstanding debt attributable to the contracts. There have been no changes to the arrangements during the financial year.

Chadderton Wellbeing Centre

The financial year 2016/17 was the eighth of a 30 year LIFT Lease Plus Agreement to build and maintain the Chadderton Wellbeing Centre. The Centre incorporates a library, sports centre, café and community rooms. The Council has rights under the contract to specify the opening times of the facility. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if the facilities are unavailable or performance is below the minimum standards. The contractor was obliged to construct the centre and to maintain it to a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the facility. The Council has the option to purchase the Wellbeing Centre for less than the asset's market value. The Council has judged itself reasonably certain to exercise the option, and the cost of the eventual purchase has been factored into the Minimum Lease Payments. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred including the repayment of any of the contractor's outstanding debt attributable to the contract. There have been no changes to the arrangement during the financial year.

Street Lighting PFI Scheme

The financial year 2016/17 was the sixth of a 25 year PFI joint contract, with Rochdale Council, for the replacement of approximately 23,000 street lights in Oldham in the first five years and the ongoing management and maintenance of the street lights over the life of the contract. The Council has rights under the contract to detail the specification of the street lights. The contract specifies minimum standards for the services to be supplied by the contractor, with deductions from the fee being payable if performance is below the minimum standards. The contractor is obliged to replace and maintain the street lights over the life of the contract. The street lights will transfer to the Council at the end of the contract for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred, including the repayment of any of the contractor's outstanding debt attributable to the contract.

Education Services PFI Schemes

Schools (Radclyffe and Failsworth)

The financial year 2016/17 was the tenth of a 25 year PFI contract for the construction and maintenance of two secondary schools, Radclyffe and Failsworth, along with the provision of Facilities Management and IT services over the life of the contract. The schools and any plant and equipment installed in them will transfer to the Council at the end of the contract for nil consideration.

Building Schools for the Future

The financial year 2016/17 was the fifth of a 25 year PFI contract for the construction and maintenance of a secondary school, The Blessed John Henry Newman RC Secondary School; along with provision of Facilities Management services over the life of the contract.

The Council has rights under both education services PFI contracts to specify the opening times of the schools. The contracts specify minimum standards for the services to be provided by the contractors, with deductions from the fee payable being made if the facilities are unavailable or performance is below the minimum standards. The contractors were obliged to construct the schools and to maintain them to a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the facility. The Council only has rights to terminate the contract if it compensates the contractors in full for costs incurred including the repayment of any of the contractors' outstanding debt attributable to the contract. There have been no changes to the arrangements during the financial year.

Analysis of Payments due to be made under PFI and similar Contracts

The following table shows payments due to be made under PFI and similar Contracts. All the payments under PFI and similar Contracts are linked in full or in part to Retail Price Index inflation and can be reduced if the contractor fails to meet availability and performance standards in any given financial year, but are otherwise fixed. Lifecycle replacement costs have been included in the Service Charges element detailed in the following table.

		Library and Lifelong Learning Centre £000	Sheltered Housing £000	Gateways to Oldham Housing £000	Chadderton Wellbeing Centre £000	Street Lighting £000	Schools £000	Building Schools for the Future £000	Total £000
2017/18	Repayment of Liability	492	2,221	2,039	112	846	355	785	**6,849**
	Interest	1,099	7,161	4,560	760	2,014	3,339	2,934	**21,867**
	Service Charges	1,541	5,441	1,965	231	1,394	4,529	1,409	**16,510**
	Total	**3,132**	**14,823**	**8,564**	**1,103**	**4,254**	**8,223**	**5,128**	**45,226**
2018/19 to 2021/22	Repayment of Liability	2,049	11,190	8,570	506	3,373	8,882	3,936	**38,507**
	Interest	3,949	27,467	16,790	3,180	7,242	12,302	11,096	**82,026**
	Service Charges	6,913	22,522	9,787	1,006	6,938	12,547	5,959	**65,672**
	Total	**12,911**	**61,179**	**35,147**	**4,692**	**17,553**	**33,731**	**20,991**	**186,205**
2022/23 to 2026/27	Repayment of Liability	4,251	18,211	9,723	306	2,838	13,266	6,329	**54,924**
	Interest	3,603	30,680	17,082	4,089	6,498	11,161	11,847	**84,960**
	Service Charges	9,218	32,009	19,312	2,160	13,867	19,786	9,230	**105,582**
	Total	**17,072**	**80,900**	**46,117**	**6,555**	**23,203**	**44,213**	**27,406**	**245,466**
2027/28 to 2031/32	Repayment of Liability	5,078	18,896	16,074	697	4,718	16,899	8,673	**71,035**
	Interest	1,652	26,056	14,338	4,742	5,312	5,574	8,288	**65,962**
	Service Charges	7,137	41,160	18,428	1,977	14,662	24,295	11,902	**119,561**
	Total	**13,867**	**86,112**	**48,840**	**7,416**	**24,692**	**46,768**	**28,863**	**256,558**
2032/33 to 2036/37	Repayment of Liability	-	31,583	23,541	1,252	9,283	2,234	11,944	**79,837**
	Interest	-	17,115	9,303	5,397	3,865	179	3,831	**39,690**
	Service Charges	-	33,565	15,527	1,742	9,122	5,645	14,735	**80,336**
	Total	**-**	**82,263**	**48,371**	**8,391**	**22,270**	**8,058**	**30,510**	**199,863**
2037/38 to 2040/41	Repayment of Liability	-	-	-	5,593	-	-	1,277	**6,870**
	Interest	-	-	-	2,841	-	-	111	**2,952**
	Service Charges	-	-	-	1,208	-	-	1,250	**2,458**
	Total	**-**	**-**	**-**	**9,642**	**-**	**-**	**2,638**	**12,280**
	Repayment of Liability- Total	**11,870**	**82,101**	**59,947**	**8,466**	**21,058**	**41,636**	**32,944**	**258,022**
	Interest- Total	**10,303**	**108,479**	**62,073**	**21,009**	**24,931**	**32,555**	**38,107**	**297,457**
	Service Charges- Total	**24,809**	**134,697**	**65,019**	**8,324**	**45,983**	**66,802**	**44,485**	**390,119**
	Grand total	**46,982**	**325,277**	**187,039**	**37,799**	**91,972**	**140,993**	**115,536**	**945,598**

Analysis of Liabilities as a result of PFI and Similar Contracts

The payments to the contractor are described as Unitary payments, however, they have been calculated to compensate the contractor for the fair value of the services the contractor provides, the capital expenditure incurred and the interest payable whilst the capital expenditure remains to be reimbursed. The liability to pay the contractors for capital expenditure incurred is as follows:

Scheme	Liability 31 March 2015 £000	Additions £000	Repayments £000	Liability 31 March 2016 £000	Repayments £000	Liability 31 March 2017 £000
Library and Lifelong Learning Centre	**12,887**	-	(444)	**12,443**	(573)	11,870
Sheltered Housing	**87,310**	-	(2,872)	**84,437**	(2,336)	82,101
Gateways to Oldham	**63,732**	-	(1,826)	**61,905**	(1,959)	59,947
Chadderton Wellbeing Centre	**8,574**	-	(57)	**8,517**	(50)	8,466
Street Lighting	**18,612**	3,738	(541)	**21,809**	(752)	21,058
Schools	**45,064**	-	(1,769)	**43,295**	(1,659)	41,636
Building Schools for the Future	**34,558**	-	(824)	**33,734**	(790)	32,944
Total	**270,736**	**3,738**	**(8,334)**	**266,140**	**(8,118)**	**258,022**

Assets as a result of PFI and Similar Contracts

	Library and Lifelong Learning Centre £000	Sheltered Housing £000	Gateways to Oldham Housing £000	Chadderton Wellbeing Centre £000	Street Lighting £000	Schools £000	Building Schools for the Future £000	Total £000
Cost or Valuation								
As at 1 April 2015	11,318	34,523	48,076	8,372	20,719	44,083	23,263	**190,353**
Additions	-	72	130	-	3,738		-	**3,940**
Revaluations recognised in Revaluation Reserve	446	(774)	(22,478)	675	-	-	-	**(22,131)**
Revaluations recognised in Surplus/Deficit on Provision of Services	384	(312)	(8,123)	-	-	-	-	**(8,051)**
Derecognition-disposals	-	(8)	-	-	-	-	-	**(8)**
As at 31 March 2016	**12,147**	**33,502**	**17,605**	**9,047**	**24,457**	**44,083**	**23,263**	**164,102**
Accumulated Depreciation and Impairment								
As at 1 April 2015	-	2,299	30,670	-	598	-	-	**33,567**
Depreciation Charge	457	2,475	916	336	523	1,953	765	**7,424**
Depreciation Written out to Revaluation Reserve	(457)	(1,929)	(777)	(336)	-	-	-	**(3,498)**
Depreciation written out to the surplus/Deficit on the provision of services		(370)	(112)	-	-	-	-	**(482)**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	(21,786)	-	-	-	-	**(21,786)**
Impairment Losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	(7,864)	-	-	-	-	**(7,864)**
Derecognition -disposals	-	(1)	-	-	-	-	-	**(1)**
As at 31 March 2016	**-**	**2,474**	**1,046**	**-**	**1,121**	**1,953**	**765**	**7,359**
Net Book Value at 31 March 2015 Restated	**11,318**	**32,225**	**17,406**	**8,372**	**20,121**	**44,083**	**23,263**	**156,786**
Net Book Value at 31 March 2016	**12,147**	**31,027**	**16,559**	**9,047**	**23,336**	**42,130**	**22,498**	**156,744**

	Library and Lifelong Learning Centre £000	Sheltered Housing £000	Gateways to Oldham Housing £000	Chadderton Wellbeing Centre £000	Street Lighting £000	Schools £000	Building Schools for the Future £000	Total £000
Cost or Valuation								
As at 1 April 2016	12,147	33,502	17,605	9,047	24,457	44,083	23,263	**164,102**
Additions	-	34	19	-	-	-	-	**53**
Revaluations recognised in Revaluation Reserve	1,538	4,467	2,492	885	-	18,652	-	**28,034**
Revaluations recognised in Surplus/Deficit on Provision of Services	-	1,051	499	-	-	-	-	**1,549**
As at 31 March 2017	**13,685**	**39,053**	**20,614**	**9,932**	**24,457**	**62,735**	**23,263**	**193,738**
Accumulated Depreciation and Impairment								
As at 1 April 2016	-	2,474	1,046	-	1,121	1,953	765	**7,359**
Depreciation Charge	520	3,271	1,173	390	616	1,953	765	**8,689**
Depreciation Written out to Revaluation Reserve	(520)	(2,367)	(916)	(390)	-	(3,905)	-	**(8,098)**
Depreciation written out to the surplus/ Deficit on the provision of services	-	(107)	-	-	-	-	-	**(107)**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	(130)	-	-	-	-	**(130)**
As at 31 March 2017	**-**	**3,271**	**1,173**	**-**	**1,737**	**-**	**1,531**	**7,713**
Net Book Value at 31 March 2016	**12,147**	**31,027**	**16,559**	**9,047**	**23,336**	**42,130**	**22,498**	**156,744**
Net Book Value at 31 March 2017	**13,685**	**35,782**	**19,441**	**9,932**	**22,719**	**62,735**	**21,732**	**186,026**

29. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers’ Pension Scheme

Teachers employed by the Council are members of the Teachers’ Pension Scheme administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the cost by making contributions based on a percentage of scheme members’ pensionable salaries.

The Scheme is technically a defined benefit scheme however, the scheme is unfunded. The Department for Education uses a notional fund as the basis for calculating the employer’s contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council paid £8.258m (2015/16 £8.152m) to the Teachers Pensions Agency in respect of teachers’ retirement benefits, representing 15.56% (2015/16 15.01%) of pensionable pay.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers’ Scheme. These costs are accounted for on a defined benefits basis and are detailed in Note 30.

NHS Staff Pension Scheme

Former NHS employees that work for Oldham Council are permitted to maintain their membership of the NHS Pension Scheme. The Scheme provides these employees with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members’ pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council paid £0.049m (2015/16 £0.080m) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 11.32% (2015/16 11.35%) of pensionable pay. There were no contributions remaining payable at the year end.

30. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of the employment of its Officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that need to be disclosed at the time the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS) which is administered locally by Tameside Metropolitan Borough Council. This is a funded defined benefit final salary pension scheme, meaning that the Council and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by the employees rather than when they are eventually paid as pensions. However, the charge made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund through the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance through the Movement in Reserves Statement during the year:

	2015/16 £000	2016/17 £000
Service Cost		
Current service cost	(21,882)	(18,670)
Past service cost (including curtailments)	(382)	(1,653)
Total service cost	**(22,264)**	**(20,323)**
Financing and Investment Income and Expenditure		
Interest income on scheme assets	25,720	27,537
Interest cost on defined benefit obligation	(38,380)	(38,565)
Total net interest	**(12,660)**	**(11,028)**
Total Post Employment Benefits Charged to the Deficit on the Provision of Services	**(34,924)**	**(31,351)**
Remeasurements of the Net Defined Liability Comprising:		
Return on plan assets excluding amounts included in net interest	(30,420)	92,423
Actuarial losses arising from changes in financial assumptions	109,262	(189,635)
Other experience and actuarial adjustments	17,949	78,091
Total remeasurements recognised in other comprehensive income	**96,791**	**(19,121)**
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**61,867**	**(50,472)**
Movement in Reserves Statement		
Reversal of net charges made to the deficit on the provision of services	17,673	13,583
Employers' Contributions Payable to the Scheme	**(17,251)**	**(17,768)**

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit scheme is as follows:

	2015/16 £000	2016/17 £000
Fair value of plan assets	793,514	900,979
Present value of funded liabilities	(1,062,607)	(1,199,766)
Present value of unfunded liabilities	(44,951)	(47,961)
Net Liability Arising From Defined Benefit Obligation	**(314,044)**	**(346,748)**

Reconciliation of the Movements in Fair Value of Scheme Assets

	2015/16 £000	2016/17 £000
Opening fair value of scheme assets	809,172	793,514
Interest income	25,720	27,537
Remeasurement loss		
Return on plan assets excluding amounts included in net interest	(30,420)	92,423
Contributions from employer into the scheme	17,251	17,768
Contributions from employees into the scheme	5,011	5,012
Benefits paid	(33,220)	(35,275)
Closing Fair Value of Scheme Assets	**793,514**	**900,979**

The Council's share of pension fund assets is rolled forward, by the actuary, from the latest formal valuation date. The roll forward amount is then adjusted for investment returns, the effective contributions paid into and estimated benefits paid from the fund by the Council and its employees. As such this estimate may differ from the actual assets held by the Pension Fund at 31 March.

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

	2015/16 £000	2016/17 £000
Opening fair value of scheme liabilities	1,202,334	1,107,558
Current service cost	21,882	18,670
Interest cost	38,380	38,565
Contributions from scheme participants	5,011	5,012
Remeasurement gain		
Actuarial (gains)/losses arising from changes in financial assumptions	(109,262)	189,635
Other experience and actuarial adjustments	(17,949)	(78,091)
Past service cost	382	1,653
Benefits paid	(33,220)	(35,275)
Closing Fair Value of Scheme Liabilities	**1,107,558**	**1,247,727**

Pension Scheme Assets

	Period Ended 31 March 2016				Period Ended 31 March 2017			
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage Total of Asset	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage Total of Asset
Equity Securities								
Consumer	69,877	-	**69,877**	9%	73,231	-	**73,231**	8%
Manufacturing	57,508	-	**57,508**	7%	74,985	-	**74,985**	8%
Energy and Utilities	42,597	-	**42,597**	5%	59,977	-	**59,977**	7%
Financial Institutions	76,975	-	**76,975**	10%	92,107	-	**92,107**	10%
Health and Care	33,182	-	**33,182**	4%	32,326	-	**32,326**	4%
Information Technology	17,828	-	**17,828**	2%	22,890	-	**22,890**	3%
Other	10,458	-	**10,458**	1%	15,348	-	**15,348**	2%
Debt Securities								
Corporate Bonds (investment grade)	39,533	-	**39,533**	5%	42,743	-	**42,743**	5%
UK Government	6,291	-	**6,291**	1%	11,854	-	**11,854**	1%
Other	24,775	-	**24,775**	3%	28,463	-	**28,463**	3%
Private Equity								
All	-	19,826	**19,826**	2%	-	25,599	**25,599**	3%
Real Estate								
UK Property	-	24,986	**24,986**	3%	-	24,707	**24,707**	3%
Investment Funds and Unit Trusts								
Equities	221,118	-	**221,118**	28%	225,570	-	**225,570**	25%
Bonds	61,648	-	**61,648**	8%	64,310	-	**64,310**	7%
Infrastructure	-	10,635	**10,635**	1%	-	20,773	**20,773**	2%
Other	15,592	38,593	**54,185**	7%	16,157	44,906	**61,063**	7%
Derivatives								
Other	2,089	-	**2,089**	0%	-	-	**-**	0%
Cash and Cash Equivalents								
All	20,005	-	**20,005**	3%	25,034	-	**25,034**	3%
Totals	**699,476**	**94,040**	**793,516**	**100%**	**784,995**	**115,985**	**900,980**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2017.

The significant assumptions used by the actuary have been:

	2015/16	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	21.4	21.5
women	24.0	24.1
Longevity at 65 for future pensioners:		
men	24.0	23.7
women	26.6	26.2
Rate of inflation	2.20%	2.40%
Rate of increase in salaries	3.50%	2.50%
Rate of increase in pensions	2.20%	2.40%
Rate for discounting scheme liabilities	3.50%	2.60%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below is based on possible changes to the assumptions occurring at the end of the reporting period. For each assumption change all other assumptions remain constant.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2015/16.

Change in Assumptions at 31 March 2017	Approximate % Increase to Employee Liability	Approximate Monetary Amount £000
0.5% decrease in real discount rate	9%	118,096
0.5% increase in the salary increase rate	1%	15,417
0.5% increase in the pension increase rate	8%	101,238

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 93% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation will take effect from the 1 April 2017.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The Council anticipates paying £15.755m contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 17.4 years.

31. Cash Flow Statement – Operating Activities

Adjustments to net surplus on the provision of services for non-cash movements	2015/16 £000	2016/17 £000
Depreciation charged to CIES	28,201	30,027
Impairment charged to CIES	2,150	3,327
Amortisation of Intangible Assets	942	1,191
Impairment Debtors	2,960	1,272
Increase/(Decrease) in Creditors	(3,917)	3,843
(Increase)/Decrease in Debtors	3,640	(4,762)
(Increase)/Decrease in Inventories	(105)	(47)
Pensions Liability	17,673	13,583
Contributions to/(from) Provisions	4,045	1,431
Revaluation Losses	12,635	30,978
Carrying value on disposal of Property, Plant and Equipment, Investment Property and Intangible Assets	5,191	7,759
Loss on transfer to Academies	13,783	27,586
Investment Properties Gains	(550)	(535)
	86,648	**115,653**

Adjustments for items included in net surplus on provision of services for items which are investing or financing activities	2015/16 £000	2016/17 £000
Capital Grants credited to the surplus or deficit on the provisions of services	(24,112)	(23,905)
Proceeds from the sale of non-current assets	(5,859)	(6,403)
Council Tax and Business Rates adjustments	11,712	2,549
	(18,259)	**(27,759)**

Interest received, interest paid and dividends received	2015/16 £000	2016/17 £000
Interest received	1,721	1,542
Interest paid	(29,856)	(29,153)
Dividends received	3,357	4,275
	(24,778)	**(23,336)**

32. Cash Flow Statement – Investing Activities

	2015/16 £000	2016/17 £000
Purchase of property, plant and equipment, investment property and intangible assets	(66,658)	(41,535)
Purchase of short-term and long-term investments	(74,550)	(34,515)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,679	2,583
Proceeds from short-term and long-term investments	65,550	57,000
Capital grants received	16,205	24,109
Net cash flows from investing activities	**(56,774)**	**7,642**

33. Cash Flow Statement – Financing Activities

	2015/16 £000	2016/17 £000
Cash receipts of short-term and long-term borrowing	1,413	1,397
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(9,526)	(9,360)
Repayments of short-term and long-term borrowing	(1,401)	(1,653)
Other receipts from financing activities	(8)	(8)
Billing Authorities - Council Tax and Business Rates Adjustments	(11,712)	(2,550)
Net cash flows from financing activities	**(21,234)**	**(12,174)**

34. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

1.2 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council has a £10,000 de minimis limit for the recognition of Capital Expenditure.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- community assets, infrastructure assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – fair value, determined by the measurement of the highest and best use value of the asset.
- all other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included on the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant Portfolio line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer
- infrastructure – straight-line allocation up to 40 years.

Revaluation gains are depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Component Accounting

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item and/or whose life is significantly different to the life of the host (main) asset, the components are depreciated separately.

Components are recognised in the financial year where:

- there has been a revaluation of assets;
- there has been an acquisition of assets within the financial year; and
- enhancement expenditure has been incurred within the financial year

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value of disposals is not a charge against the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. If the disposal relates to housing assets a proportion of the capital receipt is payable to the Government (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances). The balance of receipts is required to be credited to the Useable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are transferred to the Useable Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

1.3 Heritage Assets

The Council's Heritage Assets are held by the Council principally for their contribution to knowledge and/or culture. They are recognised and measured including treatment of revaluation gains and losses in accordance with the Council's accounting policies on Property Plant and Equipment. However, some of the measurement rules are relaxed allowing the Council's Heritage Assets to be included on the Balance Sheet at their insured value where available. Where insurance valuations are not available there is a narrative disclosure.

Heritage assets are deemed to have an indefinite life, therefore are not depreciated as the charge made would be minimal and immaterial. Nevertheless, where there is evidence of physical deterioration to a Heritage Asset, or doubts arise to its authenticity, the value of the asset has to be reviewed.

1.4 Investment Property

Investment properties are those assets that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated and an annual valuation programme ensures that they are held at highest and best use value at the Balance Sheet date. Gains and losses on revaluation are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and charged to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Useable Capital Receipts Reserve.

1.5 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- The value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge is raised on the outstanding Balance Sheet liability and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The interest rate is calculated for each scheme so that the Balance Sheet liability is zero at the end of each contract.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability.
- Lifecycle replacement costs – are split between revenue and capital costs. Revenue lifecycle costs are debited to the relevant service in the Comprehensive Income and Expenditure Statement. Capital lifecycle costs are debited to Property Plant and Equipment to reflect the enhancement of the PFI Asset.

1.6 Accounting for Schools

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools are considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts. The Council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation Trust
- Foundation

Schools' non-current assets (school buildings and playing fields) are recognised on the Balance Sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school or the school governing body own the assets or have had rights to use the assets transferred to them through a licence arrangement.

When a maintained school converts to an Academy, the schools non-current assets held on the Council's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to an Academy is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.7 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset that has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.8 Capital Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible non-current assets attributable to the service

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in approved Minimum Revenue Provision policy. Depreciation, revaluation and impairment losses, and amortisation are replaced by Minimum Revenue Provision (MRP). This adjusting transaction is included in the Movement in Reserves Statement with the Capital Adjustment Account charged with the difference between the two amounts.

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. When a premium or discount has been incurred and paid in full by a grant from an external body it is accounted for in full in the year that the grant is received. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following hierarchy:

- instruments with quoted market prices in active markets for identical assets – market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, as a valuation is not possible or would not give a materially different result, the instrument is carried at cost (less any impairment losses).

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts, to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

1.10 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, flexi and time off in lieu (TOIL) as well as bonuses and non-monetary benefits (e.g. mobile phones) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Employee Holiday Pay Accrual

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday entitlement occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant services lines in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Greater Manchester Local Government Pension Scheme, administered by Tameside Metropolitan Borough Council.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by EA Finance NHS Pensions.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Economy, Skills and Neighbourhoods service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year. The Health and Wellbeing Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Greater Manchester Local Government Pension Scheme

The Greater Manchester Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method; an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of future earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on a basket of high quality corporate bonds, Government gilts and other factors).

The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pension liability is analysed into following components:

- current service cost – the increase in liabilities as a result of years of service earned in the current year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
- net interest on the net defined benefit liability - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments

Remeasurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Greater Manchester Pension Fund:
- cash paid as employer contributions to the pension scheme in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.11 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that may not be collected.

1.12 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk a change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.13 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) it is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.14 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure

Where revenue grants are credited to the Comprehensive Income and Expenditure Statement but have yet to be used to fund revenue expenditure, it is posted to the Revenue Grant Reserve. When eligible expenditure is incurred in future years the grant is transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

1.15 Earmarked Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

1.16 Revenue Recognition

Revenue is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Revenue is measured at the fair value of the consideration received or receivable. In most cases, the consideration receivable is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

Revenue relating to the sale of goods is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council and the risks and rewards of ownership have passed to the purchaser. Revenue relating to the provision of services is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council and the stage of completion of the service can be measured.

1.17 Tax Income

Council Tax, Retained Business Rates and Top-up income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

Business Rates, Top-up and Council Tax income will be recognised in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line. As a billing Authority, the difference between the Business Rates and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. Each major preceptor's share of the accrued Business Rates and Council Tax income is available from the information that is required to be produced in order to prepare the Collection Fund Statement.

Business Rates and Council Tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably.

Revenue relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

1.18 Overheads and Support Services

The total absorption costing principle is used to apportion the full cost of support services and overheads to those services that benefit from that supply or service, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – changes in past service costs and impairment losses chargeable on Assets Held for Sale.

Corporate and Democratic Core is identified as a separate heading in the Comprehensive Income and Expenditure Statement. Non Distributed Costs form part of the Capital, Treasury and Technical Accounting Directorate in line with the Council's local reporting format.

1.19 Value Added Tax (VAT)

Value Added Tax payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.20 Interests in Companies and Other Entities

The Council has a material interest in an external entity and therefore group accounts have been prepared. Inclusion in the Council's group is dependent upon the extent of the Council's interest and control over or power to influence an entity. The determining factor for assessing the extent of interest or power to influence is either through ownership of an entity, a shareholding in an entity or representation on an entity's board of directors. An assessment of all the Council's interests has been carried out during the year, in accordance with the Code of Practice, to determine the relationships that exist and whether they should be included in the Council's group accounts. In the Council's single-entity accounts the Council's interest in those companies are recorded as financial assets at cost less any impairment. Any gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

1.21 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.22 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Adjusting Events -Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Non-Adjusting Events - Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.23 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to provide a valuation of its non financial assets and liabilities, for recognition or disclosure as appropriate, in line with the highest and best use definition within IFRS 13 Fair Value Measurement. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

35. Prior Period Adjustments

The Council has restated its 2015/16 Comprehensive Income and Expenditure Statement following the change in requirements in the CIPFA Code of Practice on Local Authority Accounting 2016/17. The net cost of services previously presented based on SeRCOP classifications and is now disclosed in the local reporting format, by Directorate. The table below shows the comparative movement between SeRCOP and Directorate formats.

Net Expenditure by SeRCOP Service Line	As reported in the Comprehensive income and Expenditure Statement 2015/16 £000	Adjustments between SeRCOP classifications and internal reporting classifications £000	As Restated 2015/16 £000	Net Expenditure by Directorate
Net Movement				
Adult and Social Care	49,400	56,544	105,944	Health and Wellbeing
Central Services	10,947	(10,888)	59	Central Services
		1,928	1,928	Capital, Treasury and Technical Accounting
		2,297	2,297	Chief Executives
		6,341	6,341	Corporate and Commercial Services
Corporate and Democratic Core	6,906	(1,706)	5,200	Corporate and Democratic Core
Childrens and Education Services	46,540	(46,540)		
Culture and Related Services	24,471	(24,471)		
Environment and Regulatory Services	13,367	46,871	60,239	Economy Skills and Neighbourhoods
Planning Services	6,557	(6,557)		
Highways, Roads and Transport Services	17,725	(17,725)		
Local Authority Housing (HRA)	(14,288)	-	(14,288)	Local Authority Housing (HRA)
Other Housing Services	4,715	(4,715)		
Public Health	997	(997)		
Non Distributed Services	382	(382)		
Cost of Services	**167,719**	**-**	**167,719**	
Gross Expenditure				
Adult and Social Care	80,838	82,268	163,106	Health and Wellbeing
Central Services	21,977	(21,918)	59	Central Services
		2,136	2,136	Capital, Treasury and Technical Accounting
		3,295	3,295	Chief Executives
		98,968	98,968	Corporate and Commercial Services
Corporate and Democratic Core	7,027	(1,827)	5,200	Corporate and Democratic Core
Childrens and Education Services	245,110	(245,110)		
Culture and Related Services	26,352	(26,352)		

Net Expenditure by SeRCOP Service Line	As reported in the Comprehensive income and Expenditure Statement 2015/16 £000	Adjustments between SeRCOP classifications and internal reporting classifications £000	As Restated 2015/16 £000	Net Expenditure by Directorate
Environment and Regulatory Services	19,293	248,764	268,057	Economy Skills and Neighbourhoods
Planning Services	11,109	(11,109)		
Highways, Roads and Transport Services	21,786	(21,786)		
Local Authority Housing (HRA)	13,424	-	13,424	Local Authority Housing (HRA)
Other Housing Services	89,431	(89,431)		
Public Health	17,516	(17,516)		
Non Distributed Services	382	(382)		
Total Expenditure	**554,244**	**-**	**554,244**	
Gross Income				
Adult and Social Care	(31,437)	(25,725)	(57,162)	Health and Wellbeing
Central Services	(11,030)	11,030	-	Central Services
		(208)	(208)	Capital, Treasury and Technical Accounting
		(998)	(998)	Chief Executives
		(92,627)	(92,627)	Corporate and Commercial Services
Corporate and Democratic Core	(121)	121	-	Corporate and Democratic Core
Childrens and Education Services	(198,570)	198,570		
Culture and Related Services	(1,881)	1,881		
Environment and Regulatory Services	(5,926)	(201,893)	(207,819)	Economy Skills and Neighbourhoods
Planning Services	(4,553)	4,553		
Highways, Roads and Transport Services	(4,061)	4,061		
Local Authority Housing (HRA)	(27,712)	-	(27,712)	Local Authority Housing (HRA)
Other Housing Services	(84,716)	84,716		
Public Health	(16,519)	16,519		
Non Distributed Services	-	-		
Total Income	**(386,526)**	**-**	**(386,526)**	

36. Critical Judgements in Applying Accounting Policies

The following disclosure sets out critical judgements applied to the accounting policies of the Council that have a significant impact on the presentation of the financial statements. Critical estimation uncertainties are described in Note 37.

Accounting for Schools – Balance Sheet Recognition of Schools

The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises school land and buildings on its Balance Sheet where it directly owns the assets or where the school or school Governing Body own the assets or where rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then it is not included on the Council's Balance Sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school or school Governing Body.

The Council has completed a school by school assessment across the different types of schools it controls within the Borough. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets. The types of schools that have been assessed are shown below:

Type of School	No. of Primary Schools	No. of Secondary Schools	No. of Special Schools	Total
Community	34	1	1	36
Voluntary controlled (VC)	6	-	-	6
Voluntary Aided (VA)	29	1	-	30
Foundation/Foundation Trust	1	3	-	4
Maintained Schools	**70**	**5**	**1**	**76**
Academies	15	7	4	26
Total	**85**	**12**	**5**	**102**

All Community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet.

The Council has entered into Private Finance Initiative (PFI) agreements to build and operate three schools in the Borough. One is a VA school and the others are Foundation Trust schools. Whilst the land which the buildings are sited on has been transferred to the respective Diocese and Trusts, the ownership of the buildings is determined by who holds the balance of control in line with accounting standards. The Council considers the buildings associated with these schools should be included on its Balance Sheet because:

- The reversion clause within the PFI agreement results in the Council having a residual interest in the buildings at the end of the agreement
- The services provided and the use of the building is controlled by the Council through the PFI agreement
- The PFI agreement is between the PFI contractor and the Council

Legal ownership of VC school land and buildings usually rests with a charity, normally a religious body. Five VC schools are owned by the Diocese who has granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet. The remaining VC school land and building are owned by the Council and included on the Balance Sheet.

For the remaining VA schools, legal ownership of the VA school land and buildings rests with the relevant Diocese. The Diocese has granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet.

Foundation and Foundation Trust schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria. For a Foundation school, the school Governing Body has legal ownership of the land and buildings and thus are included on the Council's Balance Sheet. For the remaining Foundation Trust school, a separate Trust owns the land and buildings so these assets are not included on the Council's Balance Sheet.

Academies are not considered to be maintained schools in the Council's control. The land and building assets are not owned by the Council and are therefore not included on the Council's Balance Sheet.

Funding

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Group Boundaries

The Council undertakes its activities through a variety of undertakings, either under ultimate control or in partnership with other organisations. Those considered to be material are included in the group accounts. Profit and loss, net worth, and the value of assets and liabilities are considered individually for each organisation against a materiality limit set by the Council. An entity could be material but still not consolidated (if all of its business is with the Council and eliminated on consolidation) – i.e. the consolidation would mean that the group accounts are not materially different to the single entity accounts. The assessment of materiality also considers qualitative factors such as whether the Council depends significantly on these entities for the continued provision of its statutory services or where there is concern about the level to which the Council is exposed to commercial risk. For 2016/17 the Council has judged it necessary to produce group accounts, this is due to a material increase in the value of the pension liability held by its subsidiary, Miocare Group Community Interest Company (Miocare).

Miocare is the only body consolidated within the group accounts for 2016/17. Although the Council has other interests they are not considered material either in isolation or in aggregate.

Investment Properties

Investment properties have been assessed using the identifiable criteria under the international accounting standards and are being held for rental income or for capital appreciation. Properties have been assessed using this criteria, which is subject to interpretation to determine if there is an operational reason for holding the property such as regeneration.

37. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2016/17 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2017. The estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2017. The Council's share of the balance of Business Rate appeals provisions at this date amounted to £3.763m this has increased by £0.615m compared to the previous year.

Debt Impairment

At 31 March 2017 the Council had a balance of debtors of £61.594m. A review of significant balances suggested that an impairment of doubtful debts of £27.271m was appropriate. However, in the current climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

Long Term Assets – Manchester Airports Holdings Ltd

The Councils shareholding in Manchester Airports Holdings Ltd (MAHL) is 3.22% as at 31 March 2017. The asset is valued using the earnings based method resulting in the asset being valued at fair value rather than historic cost, therefore requiring an annual valuation. A firm of financial experts and valuers have been engaged by the Council to provide an independent valuation which includes reviewing the financial performance, stability and business assumptions of the Manchester Airports Holdings Ltd. The valuation provided is based on estimations and assumptions and therefore should the Council sell its shareholding the value held in these statements may not be realised. As at 31 March 2017 the Council's valuers advised of an increase of £3.900m in the fair value Council share from £39.800m to £43.700m which has been reflected in the financial statements.

Pensions

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice regarding the assumptions to be applied.

During 2016/17 the Council's actuaries advised that the net pension liability had increased by £32.704m. This comprises:

- £19.121m actuarial loss
- £13.583m loss arising from employer contributions of £17.768m being less than the pension obligations of £31.351m.

The effect of changes in the individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £118.096m. A 0.5% increase in the assumed salary increase rate would result in a £15.417m increase in the pension liability and an increase of 0.5% in the assumed pension rate would increase the pension liability by £101.238m.

PFI and Similar Arrangements

PFI and similar arrangements have been considered to have an implied finance lease within the agreement. In reassessing the leases, the Council has estimated the implied interest rate within the leases to calculate interest and principal payments. In addition the future RPI increase within the contracts has been estimated as remaining constant throughout the remaining period of the contract.

Property, Plant and Equipment – (Funding Implications)

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase in these circumstances.

If funding streams were reduced, in so far that it results in the reduction of service delivery or closure of facilities, this could result in the impairment of assets due to obsolescence. However, the Council has determined that the level of uncertainty at this time is not sufficient to indicate this course of action.

Provisions

The Council has estimated its short term insurance provisions based on the value of claims settled in previous years. As at 31 March 2017 the balance of insurance provisions held amounted to £6.493m this has increased by £2.854m from the previous year. Long term insurance provisions total £10.600m.

Other short term provisions represent amounts calculated and expected to be paid within the next 12 months.

For future years, where it is difficult to provide a reliable estimate, contingent liabilities have been disclosed in addition to long term provisions.

38. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Finance on 28 April 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

It has been agreed that there are no non-adjusting events after the Balance Sheet date.

4.0 Supplementary Financial Statements and Explanatory Notes

Alexandra Park

4.0 Supplementary Financial Statements and Explanatory Notes

4.1 Housing Revenue Account

4.1.1 Housing Revenue Account Income and Expenditure Account

HRA Income and Expenditure Statement	2015/16 £000	2016/17 £000
Expenditure		
Repairs and Maintenance	2,455	2,837
Supervision and Management	3,177	3,611
Rent, rates, taxes and other charges	3,973	3,158
Depreciation, impairment and revaluation losses of non-current assets	3,675	2,813
Debt management costs	145	145
Total Expenditure	**13,425**	**12,564**
Income		
Dwelling rents	(7,502)	(7,870)
Non-dwelling rents	(39)	(40)
Charges for services and facilities	(1,091)	(1,457)
Contributions towards expenditure	(282)	(55)
PFI Credits receivable	(18,799)	(18,799)
Total Income	**(27,713)**	**(28,221)**
Net Surplus relating to HRA Services as included in the Comprehensive Income and Expenditure Statement	**(14,288)**	**(15,657)**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
Interest payable and similar charges	11,940	11,882
HRA Interest and investment income	(149)	(98)
Surplus for the year on HRA Services	**(2,497)**	**(3,873)**

4.1.2 Statement of Movement in the Housing Revenue Account

Movement on the HRA Statement	2015/16 £000	2016/17 £000
Opening Balance	(16,373)	(17,284)
Surplus for the year on the HRA Income and Expenditure Statement	(2,497)	(3,873)
Adjustments between accounting basis and funding basis under statute	1,586	2,791
Increase in the HRA Balance	(911)	(1,082)
Closing Balance	**(17,284)**	**(18,366)**

Note to Movement on the HRA Statement	2015/16 £000	2016/17 £000
Analysis of adjustments between accounting basis and funding basis under statute		
Depreciation, impairment and revaluation losses of non-current assets	(3,670)	(2,812)
Voluntary MRP	4,699	4,295
Capital Expenditure funded by the HRA	526	1,267
Transfer to Major Repairs Reserve	32	41
Net Adjustment	**1,586**	**2,791**

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and Government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

4.1.3 Explanatory Notes to the Housing Revenue Account

H1. Housing Stock

At 31 March 2017, the Council had a total housing stock of 2,065 dwellings. This was made up of 1,230 Houses and Bungalows, and 835 Flats and Maisonettes.

The Balance Sheet value of HRA assets was as follows:

	31 March 2016 £000	31 March 2017 £000
Dwellings	53,732	62,716
Other Operational Property	1,592	894
Plant and Machinery	-	273
Total	**55,324**	**63,883**

The Vacant Possession Dwellings valuation is £167.766m as at 31 March 2017 (£159.700m as at 31 March 2016). The difference between the vacant possession value and the Balance Sheet value of dwellings within the HRA shows the cost of providing council housing at less than open market rents.

H2. Depreciation and Impairment of Assets

The depreciation and impairment of Property, Plant and Equipment is shown below.

Depreciation	Operational Assets £000
Balance at 1 April 2016	3,418
Depreciation written off during the year	(3,400)
Depreciation during the year	4,486
Balance at 31 March 2017	**4,504**

Impairment	Operational Assets £000
Balance at 1 April 2016	295
Impairment written off during the year	(295)
Balance at 31 March 2017	**-**

4.2 Collection Fund

4.2.1 Collection Fund Statement

2015/16 Total £000		2016/17 Council Tax £000	2016/17 Business Rates £000	2016/17 Total £000	Note
	Income				
(89,226)	Council Tax Payers	(93,637)	-	(93,637)	C2
(59,937)	Income from Business Ratepayers	-	(58,810)	(58,810)	C3
(149,163)		**(93,637)**	**(58,810)**	**(152,448)**	
	Expenditure				
	Precepts:				
74,624	- Oldham Council	78,833		78,833	
8,133	- Greater Manchester Police and Crime Commissioner	8,558		8,558	
3,078	- Greater Manchester Fire and Rescue Authority	3,198		3,198	
	Release of Council Tax Surplus:				
969	- Oldham Council	2,956		2,956	
106	- Greater Manchester Police and Crime Commissioner	322		322	
40	- Greater Manchester Fire and Rescue Authority	122		122	
	Business Rates:				
28,599	- Payments to Oldham Council		29,048	29,048	
584	- Greater Manchester Fire and Rescue Authority		593	593	
29,182	- Payments to Central Government		29,641	29,641	
	Payments relating to Business Rates Deficit:				

311	Cost of Collection	-	311	311	Note
-	Transitional Protection Payments Due for the Year	-	1,126	1,126	
867	Provision for bad and doubtful debt	1,130	739	1,868	
1,980	Write Offs	1,334	-	1,334	
4,027	Provision for appeals	-	572	572	
150,643		**96,453**	**56,397**	**152,850**	
1,480	**Deficit/(Surplus) for the year**	**2,815**	**(2,413)**	**402**	
	Collection Fund Balance				
(328)	**Balance brought forward at 1 April**	**(3,908)**	**5,060**	**1,152**	
1,480	Deficit/(Surplus) for the year	2,815	(2,413)	402	
1,152	Balance carried forward at 31 March	(1,093)	2,647	1,554	
	Allocated to:				
(918)	- Oldham Council	(953)	1,297	345	
(371)	- Greater Manchester Police and Crime Commissioner	(103)	-	(103)	
(89)	- Greater Manchester Fire and Rescue Authority	(38)	26	(11)	
2,530	- Central Government	-	1,324	1,324	
1,152		(1,093)	2,647	1,554	
1,152		**(1,093)**	**2,647**	**1,554**	

4.2.2 Explanatory Notes to the Collection Fund

C1. General

The Council is required to maintain a separate agency Collection Fund account. The Collection Fund account includes all transactions relating to collection of Business Rates and Council Tax income from taxpayers and their distribution to Local Government bodies and Central Government. The Collection Fund is accounted for separately from the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Oldham, the Council Tax precepting bodies are the Police and Crime Commissioner for Greater Manchester (PCCGM) and the Greater Manchester Fire and Rescue Authority (GMFRA).

Business rates surpluses or deficits are distributed in accordance with the relevant proportions set out in the localised Business Rate regulations. For 2016/17 the Oldham Council share is 49% with the remainder paid to Central Government (50% share) and GMFRA (1% share).

C2. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands (A to H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2016/17 was 54,406 (53,401 in 2015/16). The increase between financial years evidences the success of the local policy to regenerate the borough by the continued growth of new builds within the local tax base.

The tax base for 2016/17 was approved at the Cabinet meeting on 25 January 2016 and was calculated as follows:

Band	Chargeable Dwellings	Proportion of Band D Tax	Equivalent Band D Dwellings
A Reduced	116	5/9	64
A	43,255	6/9	28,836
B	15,213	7/9	11,832
C	14,514	8/9	12,902
D	6,229	1	6,229
E	3,032	11/9	3,706
F	1,434	13/9	2,071
G	813	15/9	1,356
H	48	18/9	95
Net effect of premiums and discounts			(10,939)
Tax Base before adjustment for collection rate			56,152
Estimated collection rate			96.89%
Tax Base for the Calculation of Council Tax			**54,406**

Dwellings for residents entitled to ‘disabled relief reduction’ are reduced to the next lowest band for the calculation of Council Tax. As band ‘A’ is the lowest band, ‘A reduced’ has been introduced to give effect to this reduction for those who reside in Band A properties. Income received from Council Tax payers in 2016/17 was £93.637m (£89.226m 2015/16).

C3. Business Rates

The Council collects Business Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government.

For 2016/17, the total non-domestic rateable value at 31 March 2017 is £159.402m (£158.000m in 2015/16). The national multipliers for 2016/17 were 48.4p for qualifying Small Businesses, and the standard multiplier being 49.7p for all other businesses (48.0p and 49.3p respectively in 2015/16).

5.0 Group Accounts

Aerial view of Oldham

5.0 Group Accounts

Introduction

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. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

Inclusion within the Group Accounts

The Council has business relationships with a number of entities over which it has varying degrees of control or influence. These are classified into the categories of subsidiaries, associates and joint ventures. The meaning of these terms are outlined below:

Subsidiary

"A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent."

Miocare Group CIC is classified as a subsidiary of Oldham Council and has therefore been consolidated. More detailed information regarding Miocare Group CIC can be found in note G3.

Associate

"An associate is an entity over which an investor and investor (the Council) has significant influence."

Joint Venture

"A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement"

The Council does not currently have any material associate or joint venture arrangements with any other entities.

A number of entities have not been included in the group accounts on the grounds of materiality, and details of the Council's relationship with each of them can be found in note G2.

5.1 Group Comprehensive Income and Expenditure Statement

This statement sets out the income and expenditure relating to the Council and its subsidiary, as a whole, together with any appropriations to reserves.

2015/16				2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
268,057	(207,819)	60,238	Economy, Skills and Neighbourhoods	303,021	(209,444)	93,577
161,780	(55,235)	106,545	Health and Wellbeing	161,362	(58,613)	102,749
98,968	(92,627)	6,341	Corporate and Commercial Services	91,832	(86,631)	5,201
3,295	(998)	2,297	Chief Executive	3,625	(837)	2,788
2,136	(208)	1,928	Capital, Treasury and Technical Accounting	3,835	(919)	2,916
5,200	-	5,200	Corporate and Democratic Core	5,277	-	5,277
59	-	59	Central Services	59	-	59
13,424	(27,712)	(14,288)	Housing Revenue Account	12,564	(28,221)	(15,657)
552,919	**(384,599)**	**168,320**	**Cost of Services**	**581,575**	**(384,665)**	**196,910**
			Other Operating Expenditure			
239			Parish Council precepts	246		
33,368			Levies	33,556		
481			Losses on the disposal of non-current assets	1,703		
		34,088	**Total Other Operating Expenditure**			**35,505**
		49,010	Financing and Investment Income and Expenditure			59,543
		(232,608)	Taxation and Non-Specific Grant Income			(223,758)
		18,810	**Deficit on Provision of Services**			**68,200**
		(120)	Tax expense of subsidiary			13
		18,690	**Group Deficit**			**68,213**
			Other Comprehensive Income and Expenditure			
		(25,300)	Revaluation (gains)/losses non-current assets			(78,116)
		189	Impairment losses on non-current assets			1,321
		1,373	(Surplus)/deficit on revaluation of available for sale financial assets			(3,833)
		(98,581)	Remeasurement of net defined benefit liability			28,022
		525	Deferred tax relating to pension scheme			(1,513)
		(121,794)	**Total Other Comprehensive Income and Expenditure**			**(54,119)**
		(103,104)	**Total Comprehensive Income and Expenditure**			**14,094**

5.2 Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and other reserves. The 'Surplus or Deficit on the Provision of Services' line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

2016/17	General fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Subsidiary	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April	(18,548)	(107,481)	**(126,029)**	(17,284)	(6,643)	(481)	(9,454)	**(159,891)**	83,266	**(76,625)**	6,593	**(70,032)**
Movement in reserves during 2016/17			**-**									
Total Comprehensive Income and Expenditure	59,887	-	**59,887**	(3,873)	-	-	-	**56,014**	(61,507)	**(5,493)**	19,587	**14,094**
Adjustments Between Group Accounts and Authority Accounts	11,673	-	**11,673**	-	-	-	-	**11,673**	-	**11,673**	(11,673)	**-**
Net (Increase)/Decrease before transfers	**71,560**	**-**	**71,560**	**(3,873)**	**-**	**-**	**-**	**67,686**	**(61,507)**	**6,179**	**7,914**	**14,094**
Adjustments Between Accounting Basis and Funding Basis under regulations	(55,113)	-	**(55,113)**	2,791	2,479	(41)	(6,602)	**(56,486)**	56,486	**-**	-	**-**
Net (Increase)/Decrease before transfers to Earmarked Reserves	**16,446**	**-**	**16,446**	**(1,082)**	**2,479**	**(41)**	**(6,602)**	**11,200**	**(5,021)**	**6,179**	**7,914**	**14,094**
Transfers To/(From) Earmarked Reserves	(12,643)	12,643	**-**	-	-	-	-	**-**	-	**-**	-	**-**
(Increase)/Decrease in year	3,803	12,643	**16,446**	(1,082)	2,479	(41)	(6,602)	**11,200**	(5,021)	**6,179**	7,914	**14,094**
Balance at 31 March	**(14,744)**	**(94,838)**	**(109,582)**	**(18,366)**	**(4,164)**	**(522)**	**(16,056)**	**(148,690)**	**78,244**	**(70,446)**	**14,506**	**(55,939)**

2015/16	General fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Usable Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Subsidiary	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April	(18,123)	(98,695)	**(116,818)**	(16,373)	(4,087)	(449)	(11,614)	**(149,341)**	175,037	**25,696**	7,376	**33,072**
Movement in reserves during 2015/16												
Total Comprehensive Income and Expenditure	8,995	-	**8,995**	(2,497)	-	-	-	**6,498**	(120,529)	**(114,031)**	10,927	**(103,104)**
Adjustments Between Group Accounts and Authority Accounts	11,710	-	**11,710**	-	-	-	-	**11,710**	-	**11,710**	(11,710)	**-**
Net (Increase)/Decrease before transfers	**20,705**	**-**	**20,705**	**(2,497)**	**-**	**-**	**-**	**18,208**	**(120,529)**	**(102,321)**	**(783)**	**(103,104)**
Adjustments Between Accounting Basis and Funding Basis under regulations	(29,916)	-	**(29,916)**	1,586	(2,556)	(32)	2,160	**(28,758)**	28,758	**-**	-	**-**
Net (Increase)/Decrease before transfers to Earmarked Reserves	**(9,211)**	**-**	**(9,211)**	**(911)**	**(2,556)**	**(32)**	**2,160**	**(10,550)**	**(91,771)**	**(102,321)**	**(783)**	**(103,104)**
Transfers To/(From) Earmarked Reserves	8,786	(8,786)	**-**	-	-	-	-	**-**	-	**-**	-	**-**
(Increase)/Decrease in year	(425)	(8,786)	**(9,211)**	(911)	(2,556)	(32)	2,160	**(10,550)**	(91,771)	**(102,321)**	(783)	**(103,104)**
Balance at 31 March	**(18,548)**	**(107,481)**	**(126,029)**	**(17,284)**	**(6,643)**	**(481)**	**(9,454)**	**(159,891)**	**83,266**	**(76,625)**	**6,593**	**(70,032)**

5.3 Group Balance Sheet

The Group Balance Sheet summarises the financial position of the Council and its subsidiary as a whole. It shows the value of group assets and liabilities at the end of the financial year.

31 March 2016 £000		31 March 2017 £000
698,544	Property, Plant and Equipment	708,661
19,783	Heritage Assets	19,783
16,006	Investment Property	16,138
3,749	Intangible Assets	4,362
46,805	Long Term Investments	50,644
12,865	Long Term Debtors	13,970
797,752	**Long Term Assets**	**813,558**
42,217	Short Term Investments	19,613
633	Inventories	680
30,664	Short Term Debtors	38,250
29,512	Cash and Cash Equivalents	45,133
1,255	Assets Held For Sale (less than one year)	4,799
104,281	**Current Assets**	**104,562**
(1,701)	Short Term Borrowing	(1,685)
(57,330)	Short Term Creditors	(57,273)
(11,707)	Short Term Provisions	(14,672)
	Short Term Liabilities	
(8,118)	- Private Finance Initiatives	(6,849)
(260)	- Finance Leases	(254)
(914)	- Transferred Debt	(961)
(80,030)	**Current Liabilities**	**(77,780)**

31 March 2016 £000		31 March 2017 £000
(15,869)	Long Term Provisions	(14,336)
(148,638)	Long Term Borrowing	(148,389)
	Other Long Term Liabilities	
(322,393)	- Pension Liabilities*	(364,680)
(258,022)	- Private Finance Initiatives	(251,173)
(335)	- Finance Leases	(311)
(5,360)	- Transferred Debt	(4,400)
(19)	- Deferred Credits	(17)
(1,335)	Capital Grants Receipts In Advance	(1,094)
(751,971)	**Long Term Liabilities**	**(784,400)**
70,032	**Net Assets**	**55,939**
(153,298)	Usable Reserves	(134,183)
83,266	Unusable Reserves	78,244
(70,032)	**Total Reserves**	**(55,939)**

* See note G4 Group Defined Benefit Pension Schemes

5.4 Group Cash Flow Statement

The Group Cash Flow Statement summarises the cash flows of the Council and its subsidiary during the year.

	2015/16 £000	2016/17 £000
Net deficit on the provision of services	(18,690)	(68,213)
Adjustment to surplus or deficit on the provision of services for noncash movements	87,821	116,124
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(18,259)	(27,759)
Net cash flows from operating activities	**50,872**	**20,153**
Net Cash flows from Investing Activities	(56,774)	7,642
Net Cash flows from Financing Activities	(21,234)	(12,174)
Net increase or (decrease) in cash and cash equivalents	**(27,136)**	**15,621**
Cash and cash equivalents at the beginning of the reporting period	56,648	29,512
Cash and cash equivalents at the end of the reporting period	**29,512**	**45,133**

5.5 Explanatory Notes to the Group Accounts

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

G1. Group Accounting Policies

The Accounting Policies of the Council's subsidiary company have been aligned with the Council's Accounting Policies contained in Note 34. Any statutory adjustments between accounting basis and funding basis included in the Council's Accounting Policies do not apply to the subsidiary company.

Notes within the group accounts have not been provided except where there are material differences to those provided in Note 34.

As a subsidiary, Miocare Group CIC (Miocare) has been consolidated on a line by line basis with all intra-group transactions and balances removed.

As Miocare do not have the same reporting date as the Council, year-end accounts to 31 December 2016 have been obtained and used for consolidation.

G2. Bodies Not Consolidated

The following have not been consolidated into Group Accounts.

Entity	Reason
Oldham Economic Development Association Limited	Subsidiary although not material.
Southlink Developments Limited	Subsidiary although not material.
Unity Partnership Limited	Minority interest and group share not material.
Meridian Development Company Limited	Minority interest and group share not material.
Foxdenton LLP	Joint venture although not material.
Oldham Property LLP	Joint venture although not material.

Further details can be found in Note 13. Related Parties.

G3. Bodies Consolidated

Miocare Group CIC is the only body to be consolidated into the Council's 2016/17 Group Accounts as set out below.

Miocare Group CIC (formerly Oldham Care Services limited) is a care and support provider and is fully owned by Oldham Council. It delivers services through two subsidiaries: Oldham Care and Support Ltd (OCS) and Miocare Services Ltd (formerly Oldham Care and Support at Home Ltd).

The audited accounts for the year to 31 December 2016 have been summarised below, with comparator figures for the previous reporting period.

	Year ended 31 December 2015 £000	Year ended 31 December 2016 £000
Net assets	(6,593)	(14,507)
Deficit - before tax	(603)	(512)
Deficit - after tax	(483)	(525)

Further information and full financial statements for Miocare Group CIC can be found through the Companies House website, company number 09283278.

G4. Group Defined Benefit Pension Schemes

Transactions Relating to Post-employment Benefits

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement and the General Fund Balance through the Group Movement in Reserves Statement during the year: Further details relating to the Council's pension schemes can be found in Note 29 and Note 30.

	2015/16 £000	2016/17 £000
Service Cost		
Current service cost	(23,695)	(19,983)
Past service cost (including curtailments)	(411)	(1,732)
Total service cost	**(24,106)**	**(21,715)**
Financing and Investment Income and Expenditure		
Interest income on scheme assets	26,690	28,642
Interest cost on defined benefit obligation	(39,702)	(40,002)
Total net interest	**(13,012)**	**(11,360)**
Total Post Employment Benefits Charged to the Deficit on the Provision of Services	**(37,118)**	**(33,075)**
Remeasurements of the Net Defined Liability Comprising:		
Return on plan assets excluding amounts included in net interest	(30,542)	96,946
Actuarial gains/(losses) arising from changes in financial assumptions	111,179	(203,044)
Other Experience and Actuarial Judgements	17,944	78,076
Total remeasurements recognised in other comprehensive income	**98,581**	**(28,022)**
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**61,463**	**(61,097)**
Movement in Reserves Statement		
Reversal of net charges made to the deficit on the provision of services	18,566	14,265
Employers' Contributions Payable to the Scheme	(18,552)	(18,810)

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefit scheme is as follows:

	2015/16 £000	2016/17 £000
Fair value of plan assets	821,312	935,471
Present value of funded liabilities	(1,098,754)	(1,252,190)
Present value of unfunded liabilities	(44,951)	(47,961)
Net Liability Arising From Defined Benefit Obligation	**(322,393)**	**(364,680)**

Reconciliation of the Movements in Fair Value of Scheme Assets

	2015/16 £000	2016/17 £000
Opening fair value of scheme assets	834,703	821,312
Interest income	26,690	28,642
Remeasurement loss		
Return on plan assets excluding amounts included in net interest	(30,542)	96,946
Contributions from employer	18,552	18,810
Contributions from employees into the scheme	5,444	5,351
Benefits paid	(33,535)	(35,590)
Closing Fair Value of Scheme Assets	**821,312**	**935,471**

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

	2015/16 £000	2016/17 £000
Opening fair value of scheme liabilities	1,237,111	1,143,705
Current service cost	23,695	19,983
Interest cost	39,702	40,002
Contributions from scheme participants	5,444	5,351
Remeasurement gain		
Actuarial losses arising from changes in financial assumptions	(111,179)	203,792
Other Experience and Actuarial Judgements	(17,944)	(78,824)
Past service cost	411	1,732
Benefits paid	(33,535)	(35,590)
Closing Fair Value of Scheme Liabilities	**1,143,705**	**1,300,151**

Pension Scheme Assets

	31 March 2016 £000	31 March 2017 £000
Equities	569,661	647,211
Bonds	136,695	152,544
Property	91,752	108,612
Cash	21,117	27,104
Derivatives	2,089	-
Total	**821,314**	**935,471**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Council and Miocare have engaged Hymans Robertson LLP, an independent firm of actuaries to assess their respective pension schemes, estimates being based on the latest full valuation of the scheme as at 31 December 2016 for Miocare and 31 March 2017 for Oldham Council.

The significant assumptions (for Miocare) used by the actuary have been:

Miocare Services CIC	2015/16	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	21.4	21.4
women	24.0	24.0
Longevity at 65 for future pensioners:		
men	24.0	24.0
women	26.6	26.6
Rate of inflation	2.50%	2.50%
Rate of increase in salaries	3.70%	3.80%
Rate of increase in pensions	2.50%	2.50%
Rate for discounting scheme liabilities	3.90%	2.80%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below is based on possible changes to the assumptions occurring at the end of the reporting period and assumes for each assumption change all other assumptions remain constant.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2015.

Miocare Group CIC Change in Assumptions at 31 December 2016	Approximate % Increase to Employee Liability	Approximate Monetary Amount £000
0.5% decrease in real discount rate	14%	7,216
1 year increase in member life expectancy	3%	1,573
0.5% increase in the salary increase rate	7%	3,413
0.5% increase in the pension increase rate	7%	3,538

6.0 Annual Governance Statement 2016/17

Stepping Stones, Uppermill

6.0 Annual Governance Statement 2016/17

Scope of Responsibility

The Council (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and provides value for money. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The Authority has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance which is publicised on the Council website. The Annual Governance Statement sets out how the Authority has complied with the Code and also meets with regulation 4(2) of the Accounts and Audit Regulations 2015.

The Authority meets the requirements of Regulation 6 (1) b of the Accounts and Audit (England and Wales) Regulations 2015 in relation to the publication of a statement on internal control. It is subject to detailed review by the Audit Committee when they consider both the draft and final Statements of Account and is approved by the Audit Committee in advance of them agreeing the Statement of Accounts.

The Authority's financial management arrangements are consistent with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The principles being that the Chief Financial Officer (Director of Finance):

- is actively involved and is able to bring influence on the Authority's financial strategy;
- leads the whole Authority in the delivery of good financial management;
- directs a fit for purpose finance function; and
- is professionally qualified and suitably experienced.

In addition the Director of Finance (designated Section 151 officer) attends the Executive Management Team for any item they feel requires Section 151 Officer input. All Statutory Officers have regular 1:1 sessions with the Chief Executive.

The issues identified as a significant governance issue and the progress made by management throughout the future financial year 2017/18 to address these issues will be reported regularly to the Audit Committee with an assessment made in reducing the risk as part of their Governance role within the Council.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Authority activities are directed and controlled, which it accounts to, engages with, and leads the community, citizens and service users. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. It also enables the Authority to demonstrate to the public that it has effective stewardship of the public funds is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically (i.e. so they deliver value for money – efficiently, effectively and economically).

The governance framework which has been in place at the Authority for the year ended 31 March 2017 has seen regular reports submitted to the Audit Committee on the progress made on issues identified in the previous Annual Governance Statement and identified any issues for consideration in this Statement.

The Governance Framework

The Authority is a Metropolitan District which was set up in 1974 combining 7 Urban Districts who provided services. Its strategic vision and Co-operative objectives including self-sustainability are set out in the Corporate Plan. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

The key message and values are:

Communicating the Authority's Vision

The Vision is set out in the Corporate Plan which is aligned to establish a clear link between; Local, Central Government and Greater Manchester priorities. It establishes the Council priorities developed in partnership with key partners, the local community and core business of the Council. The Council embedded work in 2016/17 as set out in the "Working towards a Co-operative Borough Corporate Plan 2015-20" which was agreed in 2015/16. This supports the Oldham Plan 2015-18 which has been developed in partnership supporting joint objectives which include sustainability and environmental targets. These documents set out how the Council can be judged on achieving key objectives. Regular performance reports to both Cabinet and Scrutiny ensure performance is appropriately measured.

Co-operative Values

The core values of the Council are set out in the Co-operative Charter and linked into its Co-operative Council operating model and are concerned with the way it connects with citizens, communities and service users. This includes both an Ethical and Social Value Procurement Framework which sets out the guiding principles to Council routine operations. Additional Co-operative values are implemented each year such as ensuring all employees including those in council schools are paid a fair wage and supporting every child to be both life and work ready.

Key elements of the Governance Framework

The key elements of the Authority's governance framework are detailed against each principle in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government as follows:

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

In order to ensure both its Members and Officers behave with integrity to lead its culture of acting in the public interest there is appropriate training provided to safeguard all parties against conflicts of interest. Both Members and Officers record any gifts and hospitality received in accordance with the Authority agreed procedure. In order to enable third party challenge to Authority operations there is a publicised complaints procedure. There is also a Whistleblowing Policy which enables concerns to be raised in a confidential manner. The Scrutiny process as detailed in the Constitution enables those who are not Cabinet Members to call in key decisions.

Members take the lead in establishing this culture by completing an annual register of their interests which is published on the Council's website. There is also a Standards Committee in place to consider allegations of inappropriate behaviour. Reports are considered which are produced by an independent investigator. Staff behaviour is covered by the Officers Code of Conduct which places duties on Officers to declare their standing interests or interests relating to matters as they arise to their Head of Service. These declarations are maintained in an E-Register by the Director of Legal Services to the Council as Monitoring Officer.

The Council is managed by a Cabinet system as set out in the agreed Council Constitution, which sets out the scheme of delegation between elected Members and Officers.

In order to encourage the community to engage in more co-operative activities, Members in their role as Community Champions often via their respective District Executives, network with key community groups and individuals to deliver local priorities. In order to demonstrate their achievements each Councillor produces an annual report which is published on the Council's webpages.

Staff are assisted in this aspect by the Performance Management System which has the corporate values of the Authority, such as those linked into the cooperative values, as key targets. The employer supported volunteering (ESV) programme helps Council employees to volunteer with organisations in Oldham. From using existing skills to taking on a new challenge, the scheme will give staff the time and support to try volunteering.

The Procurement Policy recognises the importance of ethics and sustainability with appropriate evaluation of supplier's proposals for Social Value with includes sustainability issues supported by appropriate contract clauses and monitoring.

Member and Officer Relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is essential in ensuring the Authority maintains its leading position as a cooperative council, and will be vital in making both service changes and more self-sufficiency from citizens into reality.

The Authority has also demonstrated its support of sustainability by appropriate self-financing capital investment in renewable energy. It has supported the creation of an independent community interest company to put solar panels on council buildings and funded solar panels on the Tommyfield Market roof.

The Chief Executive of Oldham Council is the Head of Paid Service and is supported by the Executive Management Team (EMT) and Strategic Leadership Team (SLT). Cabinet portfolios are assigned on a functional basis rather than by directorate and subject to appropriate officer support.

Shadow Cabinet Members also meet with officer support on a regular basis to ensure appropriate political scrutiny. As part of the budget process opposition parties have the facility to prepare alternative proposals. For the 2017/18 budget, alternative proposals were presented.

The Director of Finance is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit Services are provided direct, supported by a partnership with Salford Council on Computer Audit, and work towards Public Sector Internal Audit Standards. The Head of Corporate Governance (Oldham Council) has direct access to all of EMT, SLT and all Members.

The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures, within the Constitution, which comply with Good Practice. Control is based on regular management information, management supervision, and a structure of delegation and accountability.

The Director of Legal Services is the Monitoring Officer and is responsible for ensuring the Authority acts in accordance with the Constitution. Senior Officers have the primary responsibility for ensuring decisions are properly made within a scheme of delegation at appropriate levels of responsibility. The Constitution contains codes of conduct and protocols for Members and Officers.

In order to have appropriate scrutiny of the Authority the Audit Committee has the capacity for three Independent Members. Appropriate briefings supported by training from key officers and third parties to the Audit Committee are utilised to enhance the Governance Framework. The Standards Committee utilise independent investigators from outside the organisation where appropriate to investigate serious allegations into Members misconduct.

Principle B. Ensuring openness and comprehensive stakeholder engagement

The Authority agreed a long term Corporate Plan which sets out the Authority's Co-operative vision and values, assimilating them in to its strategic objectives. This links the objectives through to the outcomes, identifying the service areas responsible and performance indicators. The authority works closely with other local public bodies, community and voluntary groups via a partnership approach to ensure effective delivery of its services. The operation of the Oldham Leadership Board recognises that the Council is a body who champions Oldham. A long term specific initiative to demonstrate co-operative working with the community to improve their sustainability has been Get Oldham Growing – an initiative which aims to get communities in Oldham active and engaged in food growing, to improve health and develop opportunities for new social businesses in the local food economy.

The Council Leader on an annual basis presents to full Council the forthcoming priorities of the administration. This is used to influence the policies and strategies produced by the Authority. The Council meeting is streamed live giving every citizen of the borough the chance to review and challenge these priorities.

In addition to the above, the Council is a constituent District of the Greater Manchester Combined Authority (GMCA) which is responsible for a number of new powers devolved from central government. The GMCA meetings are also held in the public domain and streamed live.

Progress on delivering the Corporate Plan is communicated through a performance management framework. The Overview and Scrutiny Performance and Value for Money Select Committee receives quarterly reports on performance against the Corporate Plan in addition to matters referred to it by Cabinet. The Overview and Scrutiny Management Board receives reports on specific matters and policy initiatives to be considered by future Cabinets, whilst overall scrutiny is provided by both the Audit and Standards Committees. These quarterly reports focus on exception and corrective measures where key performance indicators have not been met.

In order to demonstrate its openness the Authority also publishes:

- Its Pay Policy Statement to support the Annual Budget
- Its Constitution
- Council, Cabinet and Committee Reports
- Scheme of delegation reports
- Payments over £500
- Health and Safety Action Plan

The Council operates 7 District Executive's which have membership of both elected members and co-opted local representatives. These local priorities are supported by dedicated resources which are spent locally.

All reports taken as "closed reports" benefit from Monitoring/ Deputy Monitoring Officer sign off and appropriate advice before the matter receives due consideration including training where appropriate.

Those Members of the Authority on the District Executives receive regular training to support them discharge the role and bring challenge to Officers. This training programme is overseen by Organisational Development.

There is regular contact with the other nine constituent Districts through the meetings of the GMCA and at least quarterly meetings with Levying bodies. Lead Members and Officers feedback issues to the constituent Districts on pertinent matters. Separately the Statutory Regulatory Officers for Finance and Legal Services meet regularly to consider matters of common interest and agree a common approach on shared issues.

Increasing recycling was a key priority for the Authority in 2016/17. There were planned changes to the collection regime which were underpinned and supported by a Communication and Engagement Plan. This has led to the increased recycling in 2016/17 with further improvements planned for 2017/18.

In order to ensure its message is effectively communicated to its citizens the Communications function proactively prepare appropriate press release to support the Co-operative vision of the Council. A user friendly and well-designed Oldham Council website ensures all citizens are aware of the co-operative vision, strategies, policies and initiatives available.

To enable the public to highlight concerns in an appropriate manner the Authority and selected key contractors of high profile services have complaints procedures which enables issues to be linked into future contract performance.

Consideration by the Authority of its budget took place at its 1st March 2017 full Council meeting. Due to increasing cost pressures on Adult Social Care the Council Tax recommendation resulted in a specific 2% increase to be implemented to finance expenditure in this area. The Councils Efficiency Plan which effectively planned year on year reductions to services arising from service transformation was agreed by Cabinet on 5 September 2016. This underpinned the Medium Term Financial Strategy of the Council and work is underway to begin the delivery of these efficiencies. To support the financial resilience of the Authority a Reserves Policy has been agreed which will enable one off financial support to be provided to enable this transformation to be implemented in a managed manner.

Appropriate consultation is considered in the production and design of the detailed Authority Strategies which aims to deliver appropriate co-operative solutions to benefit both present and future generations.

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

The Corporate Plan supported by the individual Service Business Plan, the work of GMCA and the Oldham Locality Plan sets out the long and immediate and long term vision of the Council. The 2017/18 budget supports this strategy to improve performance and reflects the agreed targets of the Authority.

Risk management is integral to the governance arrangements in the Authority and the risk register and risk monitor report is considered by: the Audit & Committee and EMT. Regular updates on Corporate Governance are reported to the Audit Committee. Before each meeting of the Audit Committee there is an informal meeting with the Head of Paid Service and the key Statutory Finance Officers to determine if any matters need highlighting to the Audit Committee. The risks are managed by the risk holders that are predominantly members of EMT.

The Authority's risk management framework consists of:

- a risk management policy statement;
- an Authority Risk Register;
- ensuring that risk management is integral to the planning process and linked to key Authority and Contract objectives within business unit plans;
- a risk monitor report produced for EMT
- regular updates of the Annual Governance Statement produced for the Audit Committee
- allocated responsibilities;
- systems for mitigating and controlling risks; and
- systems for monitoring and reviewing risks and controls assurance.

Controls Assurance is an important part of the process to assure the Authority that the identified risks are being properly controlled. This is carried out at periodic intervals by:

- the Audit Committee;
- the Standards Committee;
- Executive Directors & Directors;
- Director of Finance and Legal Services
- Statutory Officers for Children's/ Adults and Public Health ; and
- Internal/External Audit. In 2016/17 the Council agreed to appoint its future external audit provider from 2018/19 by utilising the Public Sector Audit Appointment process
- Appropriate Scrutiny arrangements to hold the Cabinet to account

In 2016/17 the key reports produced by the Authority to support key decisions included appropriate risk comments.

The Constitution defines and documents the roles and responsibilities of Officers and Members with clear delegation arrangements, protocols for decision making and codes of conduct for Members and staff. It is supported by an extended Members' training package which was again delivered following the positive feedback from Members.

Member and Officer Relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is essential in ensuring the Authority maintains its leading position as a Co-operative Borough, and will be vital in making service changes to turn its 'Co-operative' vision into a reality, with its citizens more able to self- serve.

All changes to Service are supported by an Equality Impact Assessment. This results in alternative access arrangements being made where necessary, with information provided in multiple formats including on the website this reflects the diverse nature of the Districts who make-up the Authority. This is demonstrated in the Council budget meeting and standard reports produced to support key decisions.

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome

The management structure was realigned during 2016/17 to take account of both the Co-operative Vision and revised financial targets of the Authority. This has meant a shift in Management responsibility on how certain services were managed during the year.

Decisions are based on rigorous and transparent scrutiny and an excellent relationship between Officers and Members based on mutual trust. That trust is maintained by openness and appropriate arrangements to ensure the involvement of all relevant Parities at the right level of responsibility ensuring all strategic decisions are led by Members.

The implementation of the agreed policies at officer level is overseen by EMT. This is supported by Directorate Management Teams.

In order to achieve the long term financial targets the Authority has set a budget for the financial year 2017/18 supported by an appropriate assessment of risk by the Director of Finance which sets out the future savings required by the Council. All the expected risks to the Authority as at 1 March 2017 were considered in the budget report. An agreed Reserves Policy underpins the long term financial resilience of the Council.

The Authority agreed an efficiency plan during 2016/17 with central government which has been incorporated into the medium term financial strategy. This has given certainty of funding for future financial years and highlights a need to continue to identify efficiency savings.

All meetings of the Cabinet and key Committees are included in the Council's Forward Plan, which is published and available to the public. Decisions taken under delegated powers are recorded electronically and are reported via the Council's Electronic Decision Recording System.

The Audit Committee is an essential part of good governance. It reviewed the control environment for all Directorates during 2016/17 and considered the progress made on issues highlighted in the Annual Governance Statement. Internal and External Audit both have direct access to and support the Committee including the ability to have direct contact, without Officers of the Authority being present.

The detailed matters reviewed by the Audit Committee were:

- Treasury Management matters including Council borrowing;
- Earmarked Reserves;
- Future Internal and External Audit Work
- The findings of both External and Internal Audit on control matters
- The Statement of Accounts for 2015/16 and associated external audit findings.
- Appropriate review of Internal Audit

The Council, in order to discharge its functions on Health, operates a dedicated Scrutiny Committee which met throughout the year. Partnership working with health is set out in the Health and Wellbeing Board which met on 7 occasions during 2016/17. This committee has an objective to improve the public health in the area and to oversee integration of health and local authority provision under the Locality Plan which is produced under the Greater Manchester plans for devolution.

The Standards Committee reviews members conduct following the receipt of complaints about official conduct on Council business by commissioning independent investigations. Where appropriate matters are reported and considered by full Council.

All Executive Directors and Directors prepare Divisional Plans that contain key actions and performance targets necessary to deliver the co-operative objectives of the Council.

Independent service reviews are carried out by performance management framework which results in formal quarterly reports to both the Cabinet and Scrutiny. Where performance is perceived to be below the corporate standards specific reports are made to Scrutiny or in the case of Educational attainment at schools, a special session is arranged to discuss issues including Academies.

Educational attainment in the Borough is acknowledged as a particular priority and the Education and Skills Commission has been set up to improve results in this area for the longer term.

Scrutiny of budget matters including those of the administration and opposition were, again, in 2016/17 carried out by Overview and Scrutiny Performance and Value for Money Select Committee. This ensures openness and transparency in the way in which Officers/Members engage and have ownership in the budget challenge process. The medium term financial strategy reflects the long term view of the resources available to the Authority in the context of the best estimate of Government grants supported by the revenue it can generate itself. In order to improve its long term financial sustainability the Authority has agreed in 2017/18 to be part of the Greater Manchester Business Rates Retention pilot scheme which will introduce a new financing regime for Local Government based on the retention of business rates in the conurbation. This is in addition to the business rates pooling which has been in operation for a number of financial years.

The Contract Procedure Rules within the Constitution alongside the Co-operative Values set out in the Corporate Plan set out the Authority requirements on social value.

Principle E – Developing the entity's capacity including the capability of its leadership and the individuals within it.

To support the achievement of its strategic priorities, the Authority reviews the organisation annually to ensure it has the right people with the right skills. The Authority has an agreed People Strategy. This is supported within a performance framework covering all officers including an appraisal system with targeted, relevant training. The Human Resources Policy and Procedures set out the appointment process which is transparent. There are targeted programmes within Organisational Development to support these policies such as ensuring appropriate consideration is given to the future capacity of the organisation.

There are regular team meetings, and one to ones. The Authority implements the national agreement on pay and conditions of service. The Authority has achieved its commitment to pay the Living Wage for its entire staff, and is seeking to also achieve that through its contractual arrangements.

A full training programme for both established and newly elected members (the Local Leaders Programme) continued to be delivered in 2016/17 to support the vision of a Co-operative Council. The content of the programme changes but the emphasis remains on all Members demonstrating community leadership. The planned programme is supported by ad hoc training for Members who have specific committee responsibilities. Individual Members produce information published on the website which outlines their role in the Authority and achievements.

The Authority, to ensure an independent reviews of its systems, operates an Internal Audit Service complying with best practice. The findings are reported to the Audit Committee which includes an annual opinion on the internal control environment. The overall opinion for 2016/17 is adequate. The biggest risk identified from this work is detailed in the issues below. Given the degree of future change within the Authority the Internal Audit Service have also been commissioned to undertake assurance on key system changes around the financial ledger and adult social care. This supports external audit that will provide an opinion on key accounting entries.

Delegated decisions for all matters are publically available on the internet. Certain key partners who provide essential Council Services are subject to independent oversight by the Overview and Scrutiny Performance and Value for Money Select Committee.

To support decision making the Authority works with its Partners to maintain accurate and timely data to ensure decisions are based on a comprehensive understanding of financial costs and performance. Monthly data, reported though the agreed partnership monitoring is used to assess performance against the Cooperative objectives.

The Constitution is reviewed on an annual basis.

Arrangements and processes are in place to safeguard Members and employees against conflicts of interest. An annual reminder to complete declarations of interest is sent to all Members and followed up as needed. A gift/hospitality register and complaints procedures are also in place, and are actively used.

Principle F – Managing risks and performance through robust internal control and strong public management

The Council's Risk Management Framework has been set out under Principle C. This ensures there is continuous monitoring and reporting of risk.

Each year new Members of the Council are inducted prior to the Authority's Annual General Meeting (AGM). This is of vital importance, given the technical complexity of the Council's core operations, the decision making structure and the financial value of the transactions controlled by the Authority.

All statutory Officers receive the training and support to carry out their duties effectively and, as appropriate, participate in continuous professional development.

The Cabinet meets on a monthly basis at set times to consider key matters including those on performance and risk. Matters are published in the Forward Plan to enable the public to be aware of future decisions. All reports include reference to the corporate objectives of the Council. In the event of an urgent item requiring a decision not published in the Forward Plan, the agreement of the Chair of the Overview and Scrutiny Management Board must be obtained to exempt the decision from agreed scrutiny protocols.

In addition to the quarterly performance reports there are quarterly financial reports submitted to Cabinet detailing estimated out-turn against the approved budget. In 2016/17 the Council saw a financial challenge in both Adult Services and Children's which have been offset by reductions in capital financing charges. The use of reserves in accordance with the agreed Reserves Policy has ensured that in year a small overall underspend against the overall budget was achieved.

The annual budget is supported by the Director of Finance commenting upon its deliverability and is supported by an appropriate reserves policy. The final accounts, of which this statement is an integral part, outline the out-turn of the Authority and are prepared in accordance with professional standards and subject to external audit.

In order to demonstrate robust internal control the Authority has:

- A Risk Management Framework linked into the Authority Structure;
- An appropriate suite of Anti-Fraud and Corruption Policies;
- A balanced budget supported by appropriate reserves
- Audit and Standards Committees supported by independent Members

The Council has undertaken a survey of all its staff in 2016/17 to assess their views on the management of the organisation. The findings have been considered in the production of service plans and priorities.

Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Authority is proactive in engaging with citizens and other key stakeholders, and indeed public consultations were instrumental in developing the co-operative vision.

The Authority in 2016/17 was proactive in engaging and communicating with key stakeholders to boost and maintain public understanding of, and support for example, recycling as part of its revised waste collection arrangements. Another key area where the Authority works with its key stakeholders is its District Executives. The dedicated budget which includes earmarked capital and revenue resources is spent on local priorities which vary from District to District.

The Council plays a key role in the Greater Manchester Agenda including that under devolution by:

- Taking part in the monthly meetings of the Combined Authority with the Leader representing the Council;
- Membership of the key Levy bodies of the Waste and Transport Authority
- Agreeing to both innovation and risk by piloting new initiatives at a regional level such as 100% business rates retention
- Locality working with health at both a City wide level and Oldham area.
- Indemnities such as the Housing Investment fund to attract extra investment to the wider conurbation.

As part of the Transparency Agenda the Authority agreed to publish Senior Officer salaries over £50,000 and invoices over £500 on its web site. As part of this process, improvements have been made to internal control procedures on procurement, which ensure Commissioning and Procurement is fair, transparent, ethical and based on the needs of the community and an understanding of the market place. The Authority is attentive to the need to meet wider social and economic objectives whilst achieving value for money (VfM). Consistent decisions are sustained through an e-procurement system (the Chest), supported by internal Policies and Procedures.

The Authority, as part of the Localism Act and accountability in local pay, agreed its annually updated Pay Policy Statement during 2016/17 to further support the Authority's preference for openness and transparency.

Apart from regular liaison with key Government bodies the Authority is also fully engaged with the Local Government Association (LGA), Greater Manchester Association of Municipal Treasurers and specialist region wide initiatives such as AGMA Low Carbon Hub.

Internally there are well established and clear routes on how staff and their representatives are consulted and involved in decision making. These include: an annual staff survey, regular staff briefings, a staff newsletter, section meetings and staff appraisals.

External Audit is provided by Grant Thornton utilising the contracts initially let by the Audit Commission. The audit is conducted with regard to the Code of Practice produced by the National Audit Office.

Partnership Arrangements

The Authority currently delivers a wide range of services, which often involve working in partnership with others, many of which involve considerable levels of funding.

It is a requirement of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 that, "Where an authority is in a group relationship with other entities and undertakes significant activities through the group, the review of the effectiveness of the system of internal control should include its group activities". This has been undertaken throughout the year and a report submitted to Executive Management Team highlighting the challenges. This has been incorporated into the production of this Statement of Accounts and issues for consideration in the Annual Governance Statement.

Risks on Significant Projects

The Authority has completed some significant projects over the last 2 years which were included in the capital programme. There remains in the agreed financial strategy of the Council, complex projects which can involve working in partnership with others, many of which require considerable levels of one-off and recurrent funding from the Council. The Reserves Policy supports the resilience of the Council to deliver its capital programme.

Given the complexity of some projects there remains an on-going risk to manage in case of an oversight on the long term financial commitments arising from these projects. The Director of Finance has considered the latest position on this financial risk in both the Statement of Accounts and Reserves Policy. Individual reports to support investment in projects have been prepared in 2016/17 for consideration by Cabinet with appropriate comments by key officers to enable appropriate consideration of the issues including risks before a decision is made.

The issues on both partnership risk and project risk have been incorporated into this governance statement where necessary.

Review of Effectiveness

The Authority annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment; Head of Corporate Governance's annual report; and comments made by the External Auditors and other review agencies and inspectorates.

The Authority strategy and objectives are established from 2016/17 through an updated Business Planning process, which also sets out the framework for the work programme focusing predominantly on achieving efficiencies and transformation of services, where the most significant savings may be made. That is developed in tandem with the Annual Budget Cycle, Efficiency Plan, and the Medium Term Financial Plan (MTFP), underpinned by the Reserves Policy to underpin financial resilience.

An internal audit programme is undertaken, which in the current year has focused on payments to contractors, materials recovery/recycling income, financial systems and treasury management and risk management. It reports to the Audit Committee in relation to the Governance, Treasury Management and Fundamental Financial systems.

An external audit of the accounts year ending 31st March 2016 undertaken by Grant Thornton was reported to the Audit Committee in July 2016, which concluded the accounts and working paper were of high quality. That meeting approved the accounts almost 3 months before the 30th September statutory deadline.

Significant Governance Issues

The Annual Governance Statement identifies the following governance issues and major risks for the Authority. These are:

2016/17 Issues	Planned Management Action to Reduce Risk
The internal control environment on Adult Social Care systems improved in 2016/17 particularly on residential care. Issues were still identified from Internal Audit Work to improve the control environment on direct payments in 2017/18.	The joint work which has led to improvements between Adults and Finance to improve and strengthen financial processes continues in 2017/18 linked into improvements to Framework I. This includes regular meetings of key staff responsible for the implementation of recommendations made by internal audit and assurance reviews with the Director of Finance to ensure the good.
There are future changes to the Council's financial framework (from the current certainty guaranteed by the efficiency plan) due to uncertainty on matters outside of the Council's control such as Brexit, a change of national government or devolution.	There are work streams to implement the agreed Efficiency Plan which will result in future savings. Regular monitoring of financial guarantees given under devolution. Policy team to review on-going updates in terms of change of government and other changes in policy. Agreed Reserves Policy to improve on-going financial resilience. The Director of Finance considers the risk as part of the closure of accounts.
The Council has a number of key regeneration projects planned for the future. Should one of these high profile projects not be delivered as planned it is likely to result in reputational damage to the Council or increase the financial pressure on the Council for the future.	The key dates on projects are reported to EMT as part of the Corporate Risk Monitor Report. The Capital Investment Programme Board continues to receive bi monthly reports on the progress made to projects once construction is underway. The Council Reserve Policy is reviewed by the Director of Finance to reflect the agreed capital strategy. The Director of Finance considers the risks as part of the closure of accounts.
The audit opinion of the internal control environment for the operation of payroll remains weak. In 2016/17 there were significant efforts to improve the control environment and whilst improvement was demonstrated it was not enough to improve the overall opinion. From 1 April 2017 a new integrated human resource system (A1) has been introduced which will introduce challenges around future resilience which will need to be managed. In addition the human resources element of the schools payroll system is unlikely to be supported at a point in 2017/18.	Work continues in 2017/18 to implement the recommendations set out in the payroll improvement plan. Post implementation review of the controls in place on the new A1 system to be undertaken in the early part of 2017/18. A project plan is to be agreed with the Council in 2017/18 to implement the upgrade to schools payroll.

The financial position of a key service provider to the Council worsens during 2017/18 resulting in the Council having to make alternative service provision.	Regular enhanced scrutiny is introduced of key service providers assessed as at risk of future financial stress. The Director of Finance considers this risk as part of the closure of the 2016/17 Final Accounts.
There are potential challenges to the Council based upon past practice which could result in unforeseen cost which cannot be recovered from a third party which also impacts on the reputation of the Council.	There is to be regular monitoring of these potential challenges from key officers which includes representatives from Finance, Legal and the Operational area. The Director of Finance considers this risk as part of the closure of the 2016/17 Final Accounts.
The continued compliance with the National Transparency Agenda has increased the risk of the Council to a future fraud as information included in the public domain and obtained from Freedom of Information Requests is used to exploit the Council.	There are regular reviews of the internal control mechanism to prevent third parties receiving inappropriate payments. The minimalist approach to publishing information which is a legislative requirement under the Transparency Agenda is maintained. The Council led Group on Information Governance takes organisational responsibility for the risk.
The future reforms to Health Integration are delayed due to the requirements to comply with best practice on commissioning.	The risk is factored into the planning process for reforming Adult Social Care within the Oldham Locality.

Summary

The Authority has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders. However, like all organisations we cannot stand still and thus we propose to continue to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that the steps described address the need for improvement identified in the Authority's review of effectiveness and will monitor their implementation and operation, not only as part of our next annual review, but also continuously throughout the year.

J Stretton

Councillor Jean Stretton
Leader

17 July 2017

Carolyn Wilkins

Carolyn Wilkins
Chief Executive

17 July 2017

Dove Stone Reservoir

Published by Oldham Council
Civic Centre, West Street
Oldham, OL1 1UG.

Officer Contacts:
E: helen.cairns@oldham.gov.uk
T: 0161 770 5715
E: pam.myrie@oldham.gov.uk
T: 0161 770 6873

All information correct at time of going to press.

Oldham Council