

# Statement of Accounts 2017/18

## 1.0 Preface

### 1.1 Introduction to the 2017/18 Statement of Accounts by Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Human Resources



Councillor Abdul Jabbar MBE

I am very pleased to welcome you to Oldham Council's Statement of Accounts for 2017/18. This 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 which continue to increase year on year as the Government's austerity programme cuts grant funding still further.

Despite the funding reductions, as a Co-operative Council, the commitment is to deliver the aim for a co-operative future where everyone does their bit to create a confident and ambitious Borough and to develop a different relationship with citizens, partners and staff. The co-operative ethos shaped the approach to budget setting for 2017/18 and in line with this, there was an extensive consultation exercise with staff, residents and key stakeholders in order to seek views on the budget and proposed budget reductions.

Whilst setting a four year overarching Medium Term Financial Strategy, in line with established practice, the Councils approach to budget setting was to consider the immediate financial challenge over a two year timeframe. Therefore the financial year 2017/18 was the first year of the 2017/18 and 2018/19 financial planning period.

The initial revenue budget reduction target for 2017/18 was £20.235m (after allowing for the 2017/18 impact of 2016/17 approved budget reductions). Following a review of the forecasts and assumptions underpinning the budget reduction target, the figure was revised by £0.080m to £20.315m. The Council considered its budget for 2017/18 over two Budget Council meetings, firstly 14 December 2016 and then the final Budget Council on 1 March 2017.

At the December meeting, budget reduction proposals of £6.147m were approved and, as would be expected, the forecasts and assumptions underpinning the budget reduction target continued to be revised. Therefore the March Budget Council was advised that after a range of adjustments including the receipt of the Local Government Finance Settlement, the 2017/18 budget reduction target had reduced to £14.984m rather than £20.315m. Having taken account of the budget reductions agreed in December, the final budget Council therefore approved £8.837m of actions, £3.351m of budget reductions and a use of reserves to support the budget of £5.486m. However, the total use of reserves underpinning the 2017/18 budget was £6.525m when allowing for the one off use of reserves to support budget reduction proposals in 2017/18 (£0.789m) and the use of reserves approved in 2016/17 budget (£0.250m). This is the first time the Council has used reserves to this extent and was agreed to allow time for the Council to undertake transformational change and to protect front line services.

The Council's savings requirement is in part due to the low income base of the Council meaning that proportionately we still receive a substantial amount of Central Government funding to underpin our service delivery. As this support is reduced, savings are needed to balance the budget as we cannot make good the reduction by the local generation of income although the Council is working hard to maximise this income stream. 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, £10.115m between 2016/17 and 2017/18 and £6.829m between 2017/18. However the 2017/18 budget was set having regard to the piloting of 100% Business Rates Retention which meant the Council actually received no RSG.

On 1 April 2017, the Greater Manchester Combined Authority (GMCA), Oldham and the nine other Greater Manchester (GM) District Councils commenced a pilot scheme for the 100% local retention of Business Rates. Under the pilot scheme, Oldham's additional Business Rates income is offset by reductions in RSG and Public Health grant. This pilot aims to test how a revised Local Government Finance funding regime might work given the Government's stated intention to move to Business Rates Retention. In its first year of operation the pilot scheme has delivered fiscal benefits for all its participants. For 2017/18, Oldham's share of these benefits enabled funds to be transferred to earmarked reserve and £1.300m will be used to support the 2018/19 budget.

Whilst the Government provided grant funding to support Adult Social Care (but only after the 2017/18 budget had been set), the main spending pressure experienced during 2017/18 was on Children's Social Care. This required in year support from reserves and offsetting under spending from other areas especially capital financing costs in order that the position could be managed. Recognising the on-going nature of the pressures in this area, the 2018/19 budget was set with additional resources allocated to Children's Social Care of £8.063m, thus adding to the level of savings required.

The Co-operative agenda is continuing to create the operational framework to facilitate change so that services can be delivered differently, some with partners, in both the public and private sector. The devolution agenda, especially with regard to Health and Social Care is having an increasing influence on how services are delivered. Oldham Council and the Oldham Clinical Commissioning Group (CCG) continue to work together to redesign the way that Health & Social Care services are delivered in the Borough to improve services and outcomes for residents and patients and at the same time address a forecast funding gap.

Growth in income generation remains a priority area for the Council with continued efforts to maximise current sources of income and actively identify new income streams and opportunities to support vital service provision. On 18 September 2017, Cabinet approved an Income Strategy for the Council. A key area for the Council is growing the base from which we can generate additional Council Tax and Business Rates income by encouraging house building and welcoming new businesses to the area complementing the Council's regeneration programme. This policy has been a key element in framing the 2018/19 budget.

The Capital Strategy and Capital Programme report that was also approved by Council on 1 March 2017 included approved capital investment of £167.971m over the four year period covered by the strategy (2017/18 to 2020/21), with planned spending of £69.783m in 2017/18. This planned capital investment included:

- The development/refurbishment of Town Centre heritage assets including the Heritage Centre, the construction of the new Coliseum Theatre and the regeneration of the Cultural Quarter;
- The Princes Gate development comprising retail opportunities and housing within the Town Centre;

- The Hollinwood and Foxdenton regeneration schemes;
- Further improvements to the area's Highways infrastructure including the gateways and corridors highways improvement programme – 24 hour promise; and
- The refurbishment and extension of existing schools as well as the building of new schools.

Whilst it is clear from the capital outturn position that spending was below planned levels, schemes and associated funding will be reprofiled into future years. Support for the regeneration of the Borough therefore remains a key Council priority. In July 2017 the Council launched its Town Centre Masterplan which was developed to assist with the delivery of the '2035' regeneration vision. This Masterplan looks at five strategic sites totalling 21 acres in size and seeks to find better uses that can redevelop and improve the town centre. This plan is the first step towards creating a town centre that works better and is aspirational for everyone – from residents to families, public sector partners and businesses/traders of all sizes.

Having summarised above the key revenue and capital issues that the Council dealt with during 2017/18 it is now important to reflect on the final accounts process. Our success in the early closure of the accounts has continued. The 2016/17 Statement of Accounts was approved by the Audit Committee on 17 July 2017. This year, we have adjusted the timetable for the production of the accounts so that we handed over our accounts for audit on 30 April 2018.

The draft statements were distributed to members of the Audit Committee in line with best practice. The audited accounts were subsequently presented to and approved by the Audit Committee on 16 July 2018 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 2017/18 budget (and more recently the 2018/19 budget), to monitor and manage the financial position of the Council throughout the year and deliver an outturn in line with expectations. The high standard of financial administration in Oldham has allowed fully informed decision making to determine 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



Anne Ryans

The Statement of Accounts has once again been prepared to a high standard, being submitted to the External Auditor on 30 April in accordance with the planned timeline. The Council received formal approval of its accounts on 16 July 2018.

It should be noted that an objection to the 2016/17 accounts was received during the public inspection period which is yet to be resolved by the Council's External Auditors. Therefore, although the Statement of Accounts was given an unqualified opinion at the Audit Committee meeting on 17 July 2017 the External Auditor is unable to formally conclude the audit.

For Local Authorities in England the Accounts and Audit Regulations 2015 (the Regulations) have brought forward the timetable for the closure of the accounts for 2017/18 and subsequent financial years. In practical terms the deadline for publication is 31 May 2018. A Local Authority in England is required to publish the unaudited statement of accounts for public inspection. The period for the exercise of public rights must include the first 10 working days of June. The Regulations also require that Local Authorities in England publish their audited statement of accounts by 31 July 2018 (including on the authority's website). The Council has been operating an accelerated closedown timetable since 2008/09, making 2017/18 the tenth successive year the Council has handed over the accounts well before the statutory deadline.

The preparation of the 2017/18 accounts in a timely manner provides the Council with the opportunity to conclude its consideration of the 2017/18 financial position and then move on to address the many challenges of 2018/19, and plan for future financial years.

Whilst there is also no longer a requirement for the Audit Committee members to review the draft accounts, the Council continues with best practice principles in this regard and issued the draft accounts to the members of the Audit Committee for comment along with a briefing paper highlighting the significant items included in the 2017/18 Statement of Accounts.

During 2017/18, the Finance Service continued to work 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. This joint working is providing a major opportunity to improve health and social care service provision and to operate more efficiently and support the delivery of savings. In particular, the Service has also contributed to initiatives with other Local Authorities and regional bodies, particular emphasis has been given to inputting to piloting 100% Business Rates Retention with other Greater Manchester Council's and contributing to the review of the Local Government finance regime.

The financial standing of the Council continues to be robust, this is clearly demonstrated by this Statement of Accounts. Good financial management disciplines, processes and procedures are evident. However, 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.

A significant development at the beginning of the financial year saw the implementation of the Human Resources/ Payroll system that went live on 10 April 2017 and integrates with the Councils financial system. This clearly had an influence on the operation of the Service and is helping to shape the move to a Business Partnering approach that will be further developed over the coming years.

During 2017/18 the Finance Service also contributed significantly to leading and supporting transformational change within the Council including the development and implementation of the approved Commercial Property Investment Strategy (CPIS) and Income Strategy. This will ensure the allocation of resources and facilitate the introduction of activities required to promote the objectives of the strategies and providing a sustainable income stream to support the revenue budget by, for example, alternative investments and the acquisition of property assets. A key objective of both strategies is to underpin the financial resilience of the Council.

In support of the long term vision for Oldham, the Council is continuing to make a considerable investment in the town centre. Plans for the Heritage Centre and the new Coliseum Theatre have received significant external grant support which is enabling both schemes to progress. The development/refurbishment of other Town Centre heritage assets and the regeneration of the Cultural Quarter will complement the investment in both these projects as well as the recently completed Old Town Hall Cinema. Whilst the Princes Gate project is being redesigned due to a change in market conditions, the ambitions for this development still remain with funding in place to allow it to proceed. The Council has undertaken consultation around a Town Centre Masterplan encompassing a range of Town Centre assets. As the development progresses the Finance Service will be heavily involved in assisting the Council to fulfil its ambition for Oldham.

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice. 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 2017/18.
- 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. Although the External Auditor did not make any recommendations for improvement when auditing the 2016/17 accounts, we have continued to review the content of the Statement of Accounts to de-clutter and streamline the presentation of financial information in line with External Audit recommendations from previous years.

It is important to emphasise the fact that there were no recommendations included as part of the 2016/17 Annual Audit Findings Report. This is a testament to the high standard of the financial information provided within the statements. During 2017/18 the Council has continued to strive for excellence and to maintain its deservedly good reputation.

This Narrative Report has been produced in a format that is in line with recommended practice and guidance and 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 2018 and is structured as below:

- An Introduction to Oldham
- Key Facts about Oldham
- The Challenges Facing Oldham
- Key Information about Oldham Council Governance
- The 2017/18 Revenue Budget Process
- Revenue Outturn 2017/18
- Capital Strategy and Capital Programme 2017/18 to 2021/22
- Capital Outturn 2017/18
- The Medium Term Financial Strategy 2018/19 to 2021/22
- Non-Financial Performance of the Council 2017/18
- Performance Against Corporate Objectives
- Corporate Risks
- Main changes to the Core Statements and Significant Transactions in 2017/18
- Summary Position 2017/18
- Basis of Preparation and Presentation of the Statement of Accounts
- Receipt of Further Information
- Acknowledgements

## 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 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

Oldham today is a unique place; an original Northern Powerhouse with a mix of the challenges, changes and opportunities which exemplify the changing face of modern Britain.

Since becoming a Co-operative Council in 2011 we've made fundamental changes in how we work with residents, businesses and partners.

It starts with us all recognising shared challenges and agreeing mutual ambitions – and then all pulling together to work out what each of us can contribute to getting better results. Put simply, it means that everyone does their bit and everyone benefits.

Our Oldham delivery model is based around three fundamental shifts which will work together to deliver the ambitions of the Oldham Plan. These are: Inclusive Economy, Co-operative Services and Thriving Communities.

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

### **Inclusive Economy: We want Oldham to be place where everyone has a fair and real chance to improve their own lives –**

- Oldham is currently home to around 6,240 businesses, employing roughly 81,000 employees, spanning a range of key sectors including health, advanced manufacturing, construction, retail and financial and professional services.
- Oldham has improving educational attainment. More than 43 per cent of the population has a degree, diploma, A/AS level or apprenticeship.
- Our Borough offers a wide variety of school types from small rural set-ups to large urban schools. It has high-quality buildings with many new or recently built facilities following a significant investment, with more to come.
- The arrival of Metrolink has significantly improved transport connectivity within the Borough. It has increased the appeal of Oldham to skilled and higher-earning commuters and has linked residents in many areas historically poorly served by public transport with employment, retail and leisure destinations throughout the conurbation.
- The Get Oldham Working (GOW) initiative has created more than 7,000 new employment-related opportunities since 2013. In the next four years it seeks to engage 6,000 more residents, filling another 5,000 openings.



**Co-operative Services: We want to have the best public services in Greater Manchester that work together to improve ways of living for our residents.**

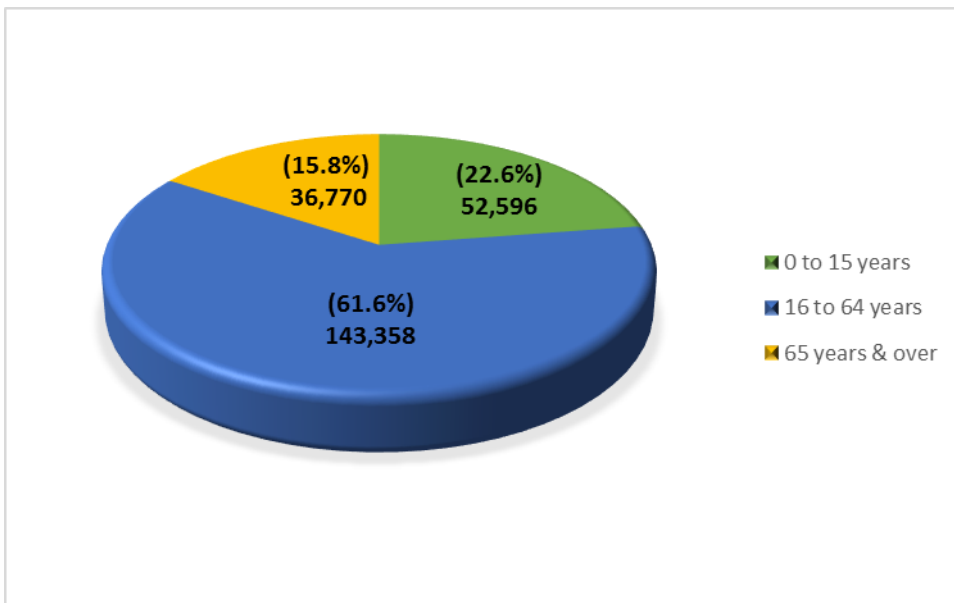
- We are a strong voice in Greater Manchester for Inclusive Growth and are developing key employment sites for new jobs and investment.
- We want to ensure all our young people are school ready, work ready and life ready. We want all education performance indicators to be at or above the national average by 2020 and are delivering it through the Oldham Education and Skills Commission.
- We're building an integrated health and care system with partners to support healthy choices and challenge inequalities – backed up by outstanding leisure centres and sporting opportunities for all.
- We're supporting new high-quality and aspirational housing to broaden choice alongside our affordable homes.
- We're committed to our environment through schemes that are empowering communities to improve where they live and encouraging investment in clean power and jobs as we deliver new facilities across all our Borough.

**Thriving Communities: We want local people and communities to be healthy, happy and able to make positive choices as well as offering and accessing support when needed.**

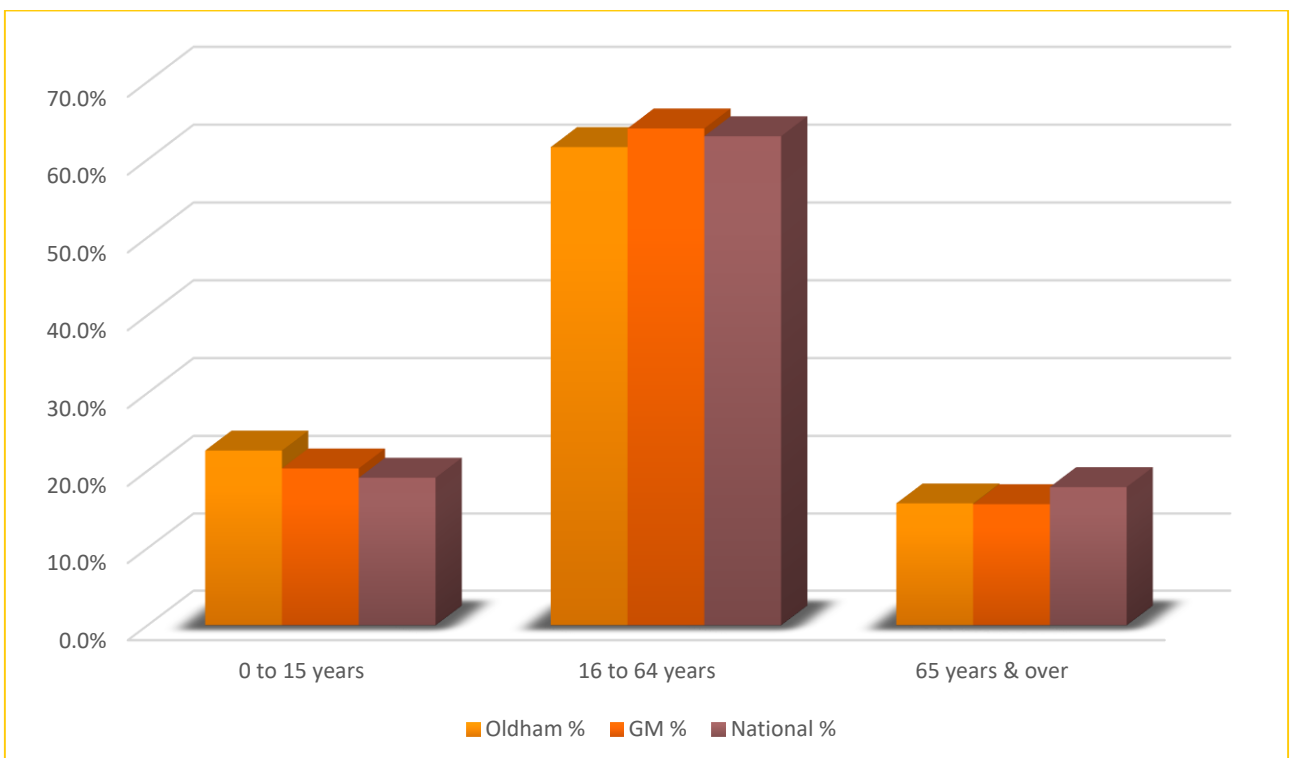
- Oldham has a population of more than 230,000. The total population within a 30-minute drive time is 2.7 million.
- Around a quarter of our Borough is within the Peak District National Park, giving walkers, cyclists and horse riders plenty to enjoy. The Pennine Way and Pennine Bridleway are just two of the amazing routes through this diverse and beautiful landscape.
- Our 32 parks include the acclaimed Alexandra Park, a beautiful 78-acre green space with Grade II status from English Heritage and, alongside Dunwood Park in Shaw, holder of a prestigious Green Flag Award for international-standard facilities and conservation.
- For shopping, Spindles Town Square offers a great range of High Street retailers and there's also our famed Tommyfield Market, which is one of several across the Borough. Its indoor market and adjacent units have more than 115 businesses ranging from traditional fruit and vegetable sellers and fashion retailing to hair and beauty and Caribbean food.
- With a fantastic set of leisure centres, plus regular free events like parkruns, there's every chance our young people can be the next Oldham Athletic or Oldham Roughyeds star – or even play for Rainy City Roller Derby team, the region's first and finest all-female roller derby team.

## Population

Office for National Statistics Mid-Year Estimates for 2016 (the most up to date figures available) reported that Oldham's estimated population was 232,724 with the age profile as presented below, this is forecast to grow to 245,000 by 2034 (ONS) :



Oldham has a relatively young age profile, with higher than average levels of children under 15; especially younger children and lower than average numbers of working age and over 75's. The trend compared to National and GM comparators is illustrated in the chart below:



## The Challenges Facing Oldham

Oldham today is a unique place with a mix of the challenges, changes and opportunities which exemplify the changing face of modern Britain. We do not believe Oldham's future is pre-determined or inevitable. The potential for lasting change is huge and this is what inspires and motivates us to do 'our bit' for Oldham and to encourage others to do the same. The challenges facing Oldham are being faced by Local Authorities across the UK, and Oldham's co-operative response is helping meet these challenges.

The age structure of Oldham's population is younger than the England and Wales average and it is expected that the number of older people in the Borough will grow by 42% within the next 20 years. In line with national trends this will bring challenges for adult social care and health provision. In addition changes in Oldham's ethnic composition is likely to affect patterns of residence within Oldham and there may be an increased need to support community relations, particularly within neighbourhoods where the mix is shifting rapidly

The Boroughs two main employers are the Council and the NHS, together providing more than 20% of the jobs in the region. Improving business survival rates and encouraging businesses to relocate to the Borough alongside increased start-up rates is a key requirement in increasing private sector employment in Oldham. In December 2017 the Council approved a Business Growth and Investment Review which outlines how the Council will engage to optimise business engagement and provide a competitive business support offer to maximize business growth and investment in the Borough.

High levels of employment are a key indication that an economy is in good health. The employment rate in Oldham (68.4%) has fluctuated over time but still remains lower than the GM (70.1%) and national averages (74.1%). To address this, Oldham has continued to improve the skills base and attainment rates across the Borough, however adult skill levels still remain a concern.

The arrival of Metrolink has undoubtedly improved transport connectivity within the Borough, however, some areas remain isolated in terms of regular, reliable public transportation, limiting some communities economically and socially. The Council continues to press for improvements to public transport.

Life expectancy in Oldham, whilst increasing, is over two years less than England as a whole. There are strong links between deprivation and poor health and the level of deprivation within the Borough has a significant impact on health outcomes. Health in general and giving every child the best start in life (through the provision of services that are accessible and geared towards reducing health inequalities) is therefore a key challenge and priority within Oldham. The move to integrate health and social care is a key strand in improving the health outcomes for the population of Oldham.

The Borough has an unbalanced housing market with low proportions of detached properties and a very high proportion of terraced homes with a definite need for larger family accommodation. In addition the general growth in Oldham's population will increase demand for all tenures of housing including supported accommodation, not just large affordable family housing. Furthermore rising energy prices and energy-inefficient housing means a high proportion of households in Oldham are in fuel poverty.

Key to addressing the housing challenges within the Borough is the Devolution Agreement; a new £300.000m fund for housing – enough for an extra 15,000 new homes over the next 10 years across Greater Manchester. Additionally, the Greater Manchester Spatial Framework plans for portions of Oldham to be renovated and 13,500 additional new homes built over the next 20 years.

Oldham children have a challenging start in life, and levels of development in Early Years are poor. A poor start in life impacts on attainment and life chances, and this is not easy for even excellent schools to completely counter. Despite this, Primary schools in the Borough perform well according to Ofsted. Secondary schools perform less well and growth in secondary numbers presents an additional challenge, it may though also create opportunities for reframing the secondary offer. The outcomes at age 16-18 from individual colleges can initially look poor, however, Oldham sees higher than expected proportions of young people gaining level 3 qualifications.

The Education sector is experiencing significant change, and Oldham is well placed to positively exploit these openings. The Oldham Education and Skills Commission has created a new dialogue and momentum, and together with the Department for Education Opportunity Area programme and the reorganisation of 16-18 provision these represent a chance for positive change.

The Councils Medium Term Financial Strategy together with good financial management are supporting the Council in utilising its resource so that these challenges can be addressed.

### **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 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 2017/18 Municipal year**

The Council is made up of 60 Councillors from 20 wards across the Borough. No local election took place in May 2017 as it was a fallow year. The political make-up of the Council was:

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

The absence of elections meant that there was no change to 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 the driving ethos of a Co-operative Council. As a result of unforeseen occurrences during the year there were three vacant seats, pending the local elections on 3 May 2018.

The Council has adopted the 'Strong' 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 2017/18, including the setting of a balanced budget for 2018/19, has been undertaken by either the:

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

Throughout the 2017/18 Municipal year the then Council Leader (Councillor Jean Stretton) continued to promote the current local political ambitions and priorities, including physical and social regeneration.

Following the Local Elections on 3 May 2018 the Labour Group retained control of the Council, this was followed, on 23 May 2018 by a change of Leader with Councillor Sean Fielding assuming the role previously occupied by Councillor Jean Stretton. The change in Leader will result in some reprioritisation of the Administrations aims and objectives with the emphasis being on cleanliness, highways infrastructure, community safety and regeneration, including a review of the Town Centre Masterplan.

## **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. The financial management reporting arrangements of the Council is determined by the operating/management structure.

During 2017/18 the Executive Management Team (EMT) comprised the Chief Executive (the Head of Paid Service) and three Executive Directors, and included the statutory responsibility for Adults, Children's and Education services. EMT members were the:

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

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, with the Director of Public Health and other Directors also attending 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.

At the end of 2017/18, the Executive Director for Health and Wellbeing left the Council. The management structure will therefore be revised for 2018/19 to reflect new operating arrangements but also as Dr Carolyn Wilkins OBE, in addition to undertaking the role of Chief Executive for Oldham Council, has from 1 April 2018, also been appointed to the role of Accountable Officer for NHS Oldham CCG. To reflect the dual roles and to further the pursuance of the health and social care integration agenda, the management and reporting structure of both the Council and CCG are being aligned as the two organisations operate

under an alliance agreement. Financial information will be prepared to meet the alliance reporting arrangements whilst also continuing to meet all the reporting requirements of the Council.

## **Council Employees**

At the start of April 2017 the Council employed 2,773 people (excluding school-based employees). By March 2018 this had increased by 0.65% to 2,791. The Council is currently delivering its People Strategy and its quest to be the employer of choice and an anchor institution in Oldham; through a robust infrastructure, both within the Council and in collaboration with partners which offers true Value for Money in these times of fiscal restraint; through the development and redesign of the Council's operating model to best meet the needs of Oldham residents and through building organisational capability through real cooperative partnerships with other employers and community members alike.

## **The Oldham Plan and the Corporate Plan**

As a Co-operative Council since 2011, the Council is committed to its ambition for a co-operative future where everyone does their bit to create a confident and ambitious Borough and to develop a different relationship with citizens, partners and staff. This means being a Council that listens, responds and engages as locally as possible and has strong civic and community leadership.

Working with communities at a neighbourhood level, the Council is continuing to enable residents to take greater control over their own lives and over the services and amenities that matter most to them. The Oldham Plan and Corporate Plan were both refreshed in July 2017 and they set out the vision for Oldham and the Council.

The Oldham Plan, the Oldham Partnership's plan for the Borough, was endorsed by Council in July 2017. It is a collective action statement covering the period 2017 to 2022 and sets out the areas where the Oldham Partnership will add the most value as a partnership to achieve the ambition for Oldham to be a productive and co-operative place with healthy, aspirational and sustainable communities.

The Oldham Plan is based around the Oldham Model; three change platforms, enabled and complemented by public service reform and empowering communities. As referred to earlier these are:

- **Inclusive Economy**  
The vision is for Oldham to become Greater Manchester's Inclusive Economy capital by making significant progress in living standards, wages and skills for everyone.
- **Co-operative Services**  
The vision is to collaborate, integrate and innovate to improve outcomes for residents and create the most effective and seamless services in Greater Manchester.
- **Thriving Communities**  
The vision is for people and communities to have the power to be healthy, happy and able to make positive choices and both offer and access insightful and responsive support when required.

The Corporate Plan is the Council's key strategic document and outlines the Council's contribution to achieving the vision and outcomes detailed in the Oldham Plan, as well as priority areas of focus and delivery for the organisation to continue to take forward the vision of a co-operative future where everyone does their bit to create a confident and ambitious Borough. The Corporate Plan 2015 to 2020 was refreshed and updated to sharpen its focus and ensure alignment with the Oldham Plan and was approved by Council, alongside the

Oldham Plan, in July 2017. The Corporate Plan sets out how everyone can do their bit to support delivery of the ambitions and outcomes:

**#ourbit** is what Oldham Council is doing or contributing to help improve something.

**#yourbit** is how local people, businesses and partners are helping to make change happen.

The **#result** is how we are all benefiting from working together.

The Corporate Plan Objectives and their contingent parts are shown in the following diagram:

## Corporate Plan Objectives

### An Inclusive Economy

where people and enterprise thrive

**#ourbit:** Attracting investment and encouraging business and enterprise to thrive

**#yourbit:** Supporting and promoting local businesses and ventures

**#result:** Oldham is open for business

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**#ourbit:** Delivering key regeneration projects that are growing our business base, creating jobs and transforming opportunities

**#yourbit:** Visiting the attractions and promoting them as ambassadors

**#result:** A regenerating and confident borough

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**#ourbit:** Working with partners to create quality work prospects - and ensuring all residents can access new skills and opportunities and be work-ready

**#yourbit:** Making the most of the education and skills offer and aiming to better yourself

**#result:** An ambitious and socially mobile borough

### Thriving Communities

where everyone is empowered to do their bit

**#ourbit:** Increasing the sense of involvement and ownership of issues that affect people and they care about

**#yourbit:** Getting involved in your community: actively sharing ideas and experience with others about things you are passionate about

**#result:** Engaging and resilient communities

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**#ourbit:** Working proactively with residents and partners in promoting healthy, independent lifestyles and providing the right level of care at the right time

**#yourbit:** Living well, eating healthily, inspiring others and getting the right support at the right time and place

**#result:** Healthier communities

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**#ourbit:** Nurturing and safeguarding strong neighbourhoods that work together to improve their lives and the communities around them

**#yourbit:** Working with other residents to build strong networks that are shaping the future where you live

**#result:** Safer, stronger and striving communities

### Co-operative Services

with people and social value at their heart

**#ourbit:** Building a sustainable co-operative workforce that innovates based on the principle of being equal partners and co-creators

**#yourbit:** Taking an active role by working with others in shaping better outcomes and making them happen

**#result:** A co-operative workforce

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**#ourbit:** Putting social value and transformational outcomes at the heart of all our services

**#yourbit:** Telling us where services are not delivering the right outcomes for you and your community

**#result:** Outcome-driven services

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**#ourbit:** Reforming public services and encouraging innovation, leading to better outcomes and delivery

**#yourbit:** Getting involved and having your say in designing future public services

**#result:** Empowering the positive reform of public services

Together these objectives and ambitions reflect the on-going commitment to ensuring the Council and its partners work with the residents of Oldham to bring about positive change and provide strong leadership for a co-operative Borough.

## **Devolution**

The Greater Manchester Devolution Agreement was signed with the Government in November 2014. It brings both the decision making powers and control of finance far closer to the people of Greater Manchester. This gives them and their local representatives control over decisions which have until now been taken at a national or regional level.

Taking this forward the Cities and Local Government Devolution Act 2016 provides the legislative context which allows the Greater Manchester Combined Authority (GMCA) to assume responsibilities performed and delivered by other public bodies. The key element of this is that such assumption of powers would only be with the agreement of the public agencies involved e.g. Local Authority and Health Authority functions.

The election of the Mayor of Greater Manchester in May 2017 is another step in the developing the ambitions of devolution in the region.

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**

Oldham Council and the Oldham CCG have jointly developed a Locality Plan for Health and Social Care Transformation covering the period 2016/17 to 2020/21. The successful delivery of this Locality Plan will mean that both organisations have worked together to redesign the way that Health and Social Care services are delivered in the Borough to improve services and outcomes for residents and patients, and to meet a forecast budget gap. Together with Pennine Care NHS Foundation Trust (PCFT) and Pennine Acute Hospitals NHS Trust (PAT) the organisations are adopting to a joint commissioning approach to minimise duplication and improve standards.

The Council and the CCG aim to establish a Local Care Organisation. The structure of such an organisation is now being finalised and interim operating arrangements have been initiated. Both organisations will initially work together under the banner of 'Oldham Cares' an alliance arrangement around a pooled budget via a Section 75 agreement and with a strategic joint Commissioning Partnership Board. In 2017 the Oldham locality successfully bid for GM Transformation Funding, the final award of £21.322m which will be held by Oldham CCG on behalf of all parties, will be used over the four financial years 2017/18 to 2020/21 to support the transitional arrangements, facilitate new ways of working and the implementation of the change mandated in the Locality Plan.

- **Greater Manchester (GM) 100% Business Rates Retention Pilot Scheme**

On 1 April 2017, the GMCA, Oldham Council and the nine other GM districts commenced a pilot scheme for the 100% local retention of Business Rates. The participants agreed to pilot full Business Rates retention on the basis that no district would be worse off than they would have been under the original '50/50' arrangements whereby Business Rates revenues are shared between Central Government and the Local Authority sector. This has become known as the 'no detriment' principle. Under the pilot scheme, additional rates income is offset by reductions in other funding streams such as the Revenue Support Grant (RSG) and Public Health grant. In its first year of operation, the pilot scheme has already delivered fiscal benefits for its participants. Business rates funding generated in 2017/18 has been used to support the 2018/19 budget. In 2018/19 and the longer term, it is hoped that the pilot will continue to deliver similar fiscal benefits as well as deliver significant economic benefits for the GM region and for the Oldham locality.



- **Greater Manchester Spatial Framework**

The districts of Greater Manchester are working together to produce a joint plan to manage the supply of land for jobs and new homes across Greater Manchester. The Greater Manchester Spatial Framework (GMSF) will ensure that the right land in the right places delivers the homes and jobs needed up to 2035, along with identifying the need for supporting infrastructure (such as roads, rail, Metrolink and utility networks) required to achieve this. It will be the overarching development plan within which Greater Manchester's ten local planning authorities can identify more detailed sites for jobs and homes in their own area. As such, the GMSF will not cover everything that a local plan would cover and individual Districts will continue to produce their own local plans. Nonetheless, the plan will have a significant long term influence on local revenue streams (Council Tax and Business Rates), capital investment and demand for services from local residents. In 2017 all GM Authorities consulted with residents on the proposals included in the plan and following this, the second draft of the plan will be developed to take account of the concerns raised. An initial draft plan originally scheduled for June 2018 has now been delayed until October 2018 (following publication of revised population estimates) after which there will be a further 12-week consultation with the public.

### The 2017/18 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.

Following on from successful processes adopted in previous years, the approach taken for budget setting was to focus on the first two years of the MTFS period, 2017/18 and 2018/19, but with specific emphasis on 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. The initial revenue budget reduction target for 2017/18 was £20.235m. After a review of the forecasts and assumptions underpinning the budget reduction target the figure was revised by £0.080m to £20.315m.

Proposals to address the budget gap were initially reviewed by EMT to ensure they were robust, viable and in line with the Council's corporate priorities. Following EMT approval, proposals were presented to the Leadership budget review forum which was chaired by the Leader of the Council and 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.

The budget for 2017/18 was considered at two Council meetings and subject to scrutiny by the Overview and Scrutiny Performance and Value for Money Select Committee on two occasions (10 November 2016 and 26 January 2017). An initial report showing a £20.315m gap was presented to the Budget Council meeting of 14 December 2016 where budget reduction proposals of £5.774m and use of reserves of £0.373m were approved (a total saving of £6.147m). This left a balance to address of £14.168m.

Further adjustments were made to the budget estimates using local information and following the announcement of the 2017/18 Local Government Finance Settlement which included updated grant notifications, including the one-off allocation support for Adult Social Care at a value of £1.127m, the overall budget reduction was recalculated and the requirement was reduced from £20.315m to £14.984m.

Having already approved £6.147m of budget reductions, this meant that that the Budget Council meeting of 1 March 2017 approved recommendations to address the remaining budget gap of £8.837m and hence set a balanced budget.

New budget reductions of £2.766m were approved (including £0.266m use of reserves), a further £0.585m (including £0.150m use of reserves) in relation to budget reductions initially considered but not agreed at the December Council meeting and a use of corporate reserves of £5.486m.

The total use of reserves supporting the 2017/18 budget was £6.525m when taking into account the £0.250m that had been agreed when the 2016/17 budget was set.

The March Budget Council meeting also approved the level of fees and charges, the Capital Strategy and Capital Programme for 2017 to 2022, the Treasury Management Strategy for 2017/18 and the Housing Revenue Account Estimates for 2016/17 to 2020/21.

An important development shortly after the 2017/18 revenue budget was approved was the Chancellor of the Exchequer announcing the Improved Better Care Fund, a three year programme of funding to address the funding pressures in Adult Social Care. The Oldham share of the £2bn cash injection was £5.095m in 2017/18, a total of £9.882m over the three years to 2019/20. This clearly alleviated the pressures on Adults Social Care in 2017/18.

### Council Tax

In 2017/18, the Government allowed Councils to increase the Adult Social Care Precept (introduced in 2016/17) by up to 3% in 2017/18 and 3% in 2018/19 provided there was no further increase in 2019/20 (as the Adult Social Care Precept increases must remain at or below 6% for the remainder of the spending review period, i.e. to 2019/20).

The revenue raised from the Adult Social Care Precept must be ring-fenced to support the increased costs of Adult Social Care, in part caused by Government sanctioned increases in the National Living Wage and the consequent impact on the cost for provision of care.

The Council increased the general rate of Council Tax by 1.99% and to help reduce the impact on residents then opted to charge the Adult Social Care Precept but at an increase of 2% resulting in an overall 3.99% increase in 2017/18.

The comparison of Council Tax Band D levels from 2016/17 to 2017/18 for Oldham is shown in the following table, together with that for the precepting bodies that prevailed at the start of 2017/18, the Police and Crime Commissioner for Greater Manchester (PCCGM), the Greater Manchester Fire and Rescue Authority (GMFRA) and the two Parish Councils.

<b>Band D Council Tax by Tax Raising body</b>	<b>2016/17 £</b>	<b>2017/18 £</b>	<b>Change %</b>
Oldham Council	1,444.48	1,502.11	3.99
PCCGM	157.30	162.30	3.18
GMFRA	58.78	59.95	1.99
<b>Total Band D Council Tax</b>	<b>1,660.56</b>	<b>1,724.36</b>	<b>3.84</b>
Saddleworth Parish Council	19.35	20.35	5.17
Shaw and Crompton Parish Council	15.70	16.05	2.23

The approved tax base for 2017/18 was an increase of 499 properties from 54,406 to 54,905. This higher tax base in part reflects the Councils support for local house building and the regeneration of the Borough.

With the 3.99% increase in Council Tax and the increase in tax base, Council Tax income generated for Oldham Council was £83.490m, of this £3.115m was as a result of the Adult Social Care Precept.

### **Projected Level of Balances**

Once again a significant issue, both in relation to the MTFS and also the 2017/18 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 1 March 2017 Council meeting, the recommended balances (prepared using a risk based analysis) were approved as £14.739m for 2017/18 and £13.290m for 2018/19, reducing to £12.832m in 2019/20.

On 28 February 2018 Council approved the revision of the recommended balances for 2018/19 to £13.991m, for 2019/20 to £13.832m and for 2020/21 to £13.123m. This Statement of Accounts reflects the recommended levels of balances demonstrating there are sufficient resources in place to support the 2018/19 budget, in accordance with the calculated risk assessment.

### **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 monitoring budget savings and acting as an early warning that any approved budget savings are at risk of not being delivered. The more rigorous management and monitoring of budgets and savings implemented in 2016/17 has been consolidated and refined during 2017/18 to further 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 2017/18 the Select Committee considered, amongst other things, reports on the Public Health Transformation Fund Savings and Children's Social Care.

Throughout 2017/18, as in 2016/17, the Health and Wellbeing Directorate remained the subject of close operational and financial scrutiny. Reflecting national trends, the emerging issue locally was the level of spending on Children's Social Care, replacing Adult Social Care as the area of primary focus; the latter having benefitted from the significant injection of Government and local funding.

The monitoring reports presented to Cabinet in 2017/18 indicated that if left unaddressed there would be a significant year-end adverse variance on 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 established in 2016/17 continued to meet with a shift in emphasis towards Children's Social Care with a continued watching brief over Adult Services and the remainder of the Health and Wellbeing Directorate.

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. In the first instance and in tandem with agreed management actions to address the spending pressures this led to an injection of £5.216m of reserves, followed by an agreed level of overspending within Children's Social Care that would be supported by offsetting underspends elsewhere within the Council. The deployment of reserves and the adverse variance in 2017/18 indicated that action was required to ensure that a balanced budget could be prepared for 2018/19. This led to an increase in recurrent resource allocation in excess of £8.000m in 2018/19 to address the significant continuing increase in spend primarily resulting from increased demand within Children's Social Care.

In addition the budget monitoring process kept other emerging issues under review, which whilst not having an impact within the financial year pose a potential material future financial risk, significant

amongst which were homelessness and the application of the National Minimum Wage for social care sleep in arrangements.

### Revenue Outturn 2017/18

The Council's 2017/18 revenue outturn position is shown in the table below. The original budget set at the Council meeting on 1 March 2017 was £209.868m. 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 practice. This resulted in an increase to the budget of £9.220m being reported to Members at month 9, primarily relating to the receipt of additional Government grant funding; the Improved Better Care Fund allocation of £5.095m being by far the largest single contributor and also the inclusion of Capital Grants totalling £2.227m. The budget had increased by a further £44.500m to £263.587m at the end of month 12, mainly as a result of accounting adjustments relating to capital financing and private finance initiatives (PFI).

The Council achieved a surplus for the year of £0.150m before the transfer to earmarked reserves of £0.903m to support Council expenditure in 2018/19. Therefore the net General Fund movement is a deficit of £0.753m for the financial year when comparing budgeted (£263.587m) and actual expenditure (£264.340m).

	Budget £000	Actual £000	Variance after reserve adjustments £000
<b>Net revenue expenditure</b>			
Economy, Skills and Neighbourhoods	116,206	116,860	654
Health and Wellbeing	119,701	123,581	3,880
Corporate and Commercial Services	7,030	6,759	(271)
Chief Executive	3,044	3,041	(3)
Capital, Treasury and Technical Accounting	11,213	7,706	(3,507)
Corporate and Democratic Core	6,087	6,087	-
Parish Precepts	306	306	-
<b>Total net expenditure</b>	<b>263,587</b>	<b>264,340</b>	<b>753</b>
<b>Financed by:</b>			
Council Tax Payers	(80,375)	(80,375)	-
Adult Social Care Precept - Council Tax Payers	(3,115)	(3,115)	-
Retained Business Rates	(51,939)	(51,939)	-
Business Rates Top Up	(54,747)	(54,747)	-
Grants in Lieu of Business Rates	(5,961)	(5,961)	-
Private Finance Initiative Grant	(9,468)	(9,468)	-
Capital Grants	(33,632)	(33,632)	-
Other Non Ringfenced Government Grants	(1,764)	(1,764)	-
Housing and Council Tax Benefit Administration Grant	(1,294)	(1,294)	-
New Homes Bonus	(2,784)	(2,784)	-
Education Services Grant	(740)	(740)	-
Adult Social Care Support Grant	(1,127)	(1,127)	-
Independent Living Fund	(2,748)	(2,748)	-
Improved Better Care Fund	(716)	(716)	-
Additional Better Care Fund Element	(5,095)	(5,095)	-
Opportunity Area Grant	(1,557)	(1,557)	-
Use of Reserves	(6,525)	(6,525)	-
<b>Total financing</b>	<b>(263,587)</b>	<b>(263,587)</b>	<b>-</b>
<b>Transfer to earmarked reserve to support Council expenditure</b>	<b>-</b>	<b>(903)</b>	<b>(903)</b>
<b>Current net underspend</b>	<b>-</b>	<b>(150)</b>	<b>(150)</b>

The year-end Directorate outturns (with the exception of Capital, Treasury and Technical Accounting) were very close to the position reported to Members at month 9, with adverse variances for Economy, Skills and Neighbourhoods and also Health and Wellbeing. Smaller favourable variances were reported for Corporate and Commercial Services and the Chief Executive's Directorates. The performance of the individual Directorates is summarised below.

The Expenditure and Funding Analysis at Note 1 shows how annual expenditure is used and funded from resources (Government Grants, Rents, Council Tax and Business Rates) by Local Authorities in comparison with those resources consumed or earned by Authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally

accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### **Economy, Skills and Neighbourhoods**

The overall objective of the Economy, Skills and Neighbourhoods (ESN) Directorate is to grow the economy of Oldham and support the Councils commitment to neighbourhood working. This is done in many ways - by delivering services that maintain and improve the public realm and by creating the right environment for growth, by focusing on key place making regeneration projects which will act as a catalyst for wider economic activity and investment which will create jobs – and by enabling residents to gain the necessary education and skills to be able to access employment opportunities both within the Borough.

The ESN Directorate recorded actual expenditure of £116.860m against a budget of £116.206m; an adverse variance of by £0.654m for the 2017/18 financial year, which is within 1% of the revised budget. The pressure was principally due to an increase in the maintenance costs of Council buildings and the additional costs associated with the introduction of the Oldham Living Wage, particularly in relation to the Catering and Cleaning services. A further contributing factor was the high cost of Home to School transportation in the Education and Early Years Directorate. The pressures were in part offset by a positive adjustment to the Councils Carbon Reduction Commitment (CRC) obligations.

### **Health and Wellbeing**

The Health and Wellbeing Directorate is broad ranging covering Adults and Children's Social Care, Public Health and Leisure, Culture and Arts services.

The Adults division within the Directorate can be split into four broad strands of care management/ social work intervention, adult provider services, client support services and commissioning.

The Children's Social Care and Early Help service ensures the Council meets its statutory requirements as an Authority in respect of children and young people's welfare.

The Council has a number of public health commissioning responsibilities together with overall responsibility for improving health at a Borough level. The national Public Health outcomes framework sets out key outcomes of interest for partners in improving health.

Actual expenditure of £123.581m compared to a budget of £119.701m meant that there was an adverse variance across the directorate of £3.880m, this is after the use of £6.414m of reserves, attributable in the main to Children's Social Care (£5.216m). The principal reason for the over spend is related to the increase in numbers of Looked After Children, the cost of commissioning services for children with disabilities and also the cost of adoption and fostering. Whilst creating a financial and service challenge in Oldham, these issues reflect pressures and trends being experienced nationally. In addition there was an adverse variance within Public Health, relating to the inclusion of a provision for the settlement of historic outstanding NHS related premises costs.

In 2018/19 the Health and Wellbeing Directorate will cease to exist. The implementation of the integrated health agenda and other reorganisations will see services divided and realigned to better fit the revised reporting arrangements that are being introduced.

## **Corporate and Commercial Services**

This Directorate comprises the majority of support services including Finance, Legal, Commercial and Transformational services and People services. Actual expenditure (£6.759m) being less than the budget (£7.030m), the Directorate reported an under-spend of £0.271m.

### **Chief Executive**

This Directorate includes the budgets for the Council's Chief Executive's service area including the budget for the Council's Strategic Management Team. Actual expenditure of £3.041m was marginally less than the budget of £3.044m delivering a minor under spend of £0.003m.

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

This Service area includes the revenue budgets associated with the Council's Treasury Management activities including interest payable on loans and interest receivable on investments. It also includes the revenue budgets relating to technical accounting entries required by CIPFA and International Financial Reporting Standards such as the removal of depreciation and impairment charges from the Council's service budgets to ensure there is no impact on Council Tax and the replacement of this with a Minimum Revenue Provision, ensuring resources are set aside to repay the Council's debt. A favourable variance of £3.507m was achieved with expenditure of £7.706m being significantly lower than the budget (£11.213m) largely as a result of a reduction in the cost of borrowing following the re-profiling of capital projects into future years.

### **Corporate and Democratic Services**

Included within this service area are revenue budgets concerned with the executive management of the Council and Elected Member related activities including policy making, representing local interests and democratic representation.

### **Parish Precepts**

This service area is comprised of the budget for the payment of Parish Precepts together with top-up grant funding paid by the Council to support Parish Council functions.

### **Schools**

Schools may carry forward any surplus/ deficit in net expenditure from one financial year to the next. At the end of 2017/18 there were 73 maintained schools (4 secondary, 68 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 2017/18 were £5.545m which was a decrease compared to 2016/17 of £0.676m. Due to a deficit of £3.031m within the Dedicated Schools Budget, it has been necessary to reduce the level of school balances to a net £2.514m.

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 2017/18 there were two schools (both primary schools) with excess balances.

During 2017/18, three schools converted to academy status bringing the total of academies in Oldham to 29.

## Treasury Management

On 1 March 2017 the Council approved the Treasury Management Strategy for 2017/18. Treasury management performance is reported to Cabinet and Council with further detailed reviews undertaken by the Audit Committee. During the year the Council did not undertake any additional external borrowing and therefore as at the 31 March 2018 had total long and short term borrowings of £150.049m.

The Council continued its policy of investment diversification during the year linked to the implementation of its Income Strategy and invested an additional £10.000m into the Churches, Charities and Local Authorities (CCLA) Property Fund.

The Council managed all of its investments in house with the institutions listed in the Council's approved lending list. At the end of the financial year the Council had £58.650m of investments. The Council's cash and cash equivalents totalled £42.450m as at 31 March 2018, this is a decrease of £1.153m from the previous year (2016/17 £43.603m).

The Council's investment strategy was to maintain sufficient cash reserves to give it necessary liquidity, whilst trying to attain a benchmark average rate of return of London Interbank Bid Rate (LIBID) on the relevant time deposit multiplied by 5%, whilst ensuring funds were invested in institutions which were the most secure.

The table below shows the returns by the relevant time period:

	Benchmark LIBID Return %	Actual Return %
7 Day	0.225%	0.294%
1 Month	0.245%	0.452%
3 Month	0.300%	0.489%
6 Month	0.421%	0.513%
12 months	0.636%	0.860%
<b>Average Return</b>		<b>0.434%</b>

As can be seen, the Council's overall average performance on its cash investments exceeded its LIBID benchmark in all periods. The Council's Property Fund investment dividends in year were £0.381m with an average return of 4.56%.

The outlook for investment returns for 2018/19 is likely to remain low but expected to be on a gently rising trend over the next few years.

The Ministry for Housing, Communities and Local Government (MHCLG) 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). During the year the Council made no amendments to its 2017/18 Minimum Revenue Provision (MRP) policy, although the policy approved for 2018/19 at the February 2018 Budget Council was revised to reflect the updated MHCLG statutory guidance 'Capital Finance; Guidance on Minimum Revenue Provision (fourth edition)' issued on 2nd February 2018.



**Capital Strategy and Capital Programme 2017/18 to 2021/22**

The Capital Strategy and Capital Programme 2017/18 to 2021/22 was approved at the Council meeting of 1 March 2017 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 2017/18 to 2020/21.

<b>Capital Spending</b>	<b>Actual 2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Economy, Skills and Neighbourhoods	37,622	53,113	51,112	29,936	7,593
Health and Wellbeing	2,056	2,518	600	600	600
Corporate and Commercial Services	1,947	3,904	2,849	2,249	1,249
Housing Revenue Account	1,248	2,848	-	-	-
Funds Yet to be Allocated	-	7,400	1,400	-	-
<b>Total Expenditure</b>	<b>42,873</b>	<b>69,783</b>	<b>55,961</b>	<b>32,785</b>	<b>9,442</b>
<b>Total Funding</b>	<b>(42,873)</b>	<b>(69,783)</b>	<b>(55,961)</b>	<b>(32,785)</b>	<b>(9,442)</b>

The planned spend for the Capital Programme in 2017/18 was £69.783m matched by funding available. This was significantly reduced to an outturn position of £25.803m.

As 2017/18 progressed, the initial spending and financing plans were revised to incorporate expenditure re-profiled from the previous year, new assumptions, approvals and scheme updates. During the year the proposed expenditure was significantly reduced. A number of major schemes were re-phased into future years.

The Funds Yet to be Allocated budget saw re-profiling of £7.400m because there were no specific calls for new resources during 2017/18.

The resources allocated to the regeneration scheme the Eastern Gateway Improvements (Prince's Gate) of £9.906m was re-phased and re-allocated into future years. The scheme originally envisaged by the Council is currently being redesigned due to changes in market conditions and resources remain available to support the project. The vision for the site continues to be a retail-led scheme with residential and commercial components, for which market demand continues to be strong.

Several schools schemes totalling £18.911m were re-phased into future years. This included the basic needs unallocated provision of £7.931m, the new builds at Saddleworth School and Greenfield Primary and expansions at Crompton House and Oldham Academy North.

Other regeneration developments totalling £1.105m were re-phased due to delays to the approval of final schemes and consequently the start on site. Revisions to the formulation of the final detailed ICT Strategy 2017-2020 resulted in further re-phasing of £2.440m.

Investment in the regeneration of the Borough continued to be a high priority. During 2017/18 the Council announced the Town Centre Masterplan. This is now the key focus of regeneration plans. The Council has undertaken consultation around a Town Centre Masterplan encompassing a range of key Town Centre assets. The plans are now being reviewed. The extent of capital funding required by the Council is as yet uncertain but will evolve as the development plans are finalised. The funding requirement will therefore need to be kept under review and developments will be included in the 2019/20 Capital Strategy.

Investment will continue in ICT systems, highways, schools and the corporate estate. The next major project, the construction stage of a new Heritage and Arts Centre linked to the provision of a new Coliseum theatre is now expected to commence in 2018/19.

**Capital Outturn 2017/18**

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

	2017/18 Forecast £000	2017/18 Actuals £000	Variance £000
<b>Capital Expenditure</b>			
Economy, Skills and Neighbourhoods	23,050	22,058	(992)
Health and Wellbeing	1,637	1,493	(144)
Corporate and Commercial Services	1,707	1,463	(244)
Housing Revenue Account	751	789	38
<b>Total Expenditure</b>	<b>27,145</b>	<b>25,803</b>	<b>(1,342)</b>
<b>Total Funding</b>	<b>(27,145)</b>	<b>(25,803)</b>	<b>1,342</b>

The Council spent £25.803m on its Capital Programme in 2017/18 compared to the revised forecast spend of £27.145m. The variance between the forecast and the outturn was £1.342m (4.94%). This has required the re-profiling of £1.342m of planned expenditure into 2018/19 together with the associated financing.

Capital expenditure for 2017/18 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 resources and cash balances instead of using external borrowing. The change in funding will therefore reduce the on-going financing cost of the Capital Programme and support future year's budgets.

**The Medium Term Financial Strategy 2018/19 to 2021/22**

The Medium Term Financial Strategy (MTFS) is an assessment of the Council's current financial position and a determination of the financial position the Council wishes to be in over the medium term, given the environment in which the Council operates and its ambitions. This MTFS therefore enables the Council to plan how it can secure the delivery of essential public services, but also makes sure it is in a sustainable position to do so over the medium term and beyond. Looking to the future, the current MTFS period for financial policy and planning purposes is the four years 2018/19 to 2021/22,

The MTFS considers the following:

- Relevant international, national and regional influences on Oldham Council.
- Local factors which influence policy within the Council including the Administration's priorities of regenerating the Borough and creating jobs.
- The impact of Government policy, finance legislation and associated announcements.
- Key Council policy initiatives

The current approved MTFS is summarised in the table below, it identifies that after delivering a balanced position for 2018/19, there is currently a significant budget gap of £17.986m for 2019/20, with smaller but still sizeable budget gaps of £7.817m and £7.470m in 2020/21 and 2021/22 respectively; a total cumulative gap of £33.273m across the three years. Work is already underway to identify budget reductions for 2019/20.

Estimated revenue position 2018/19 to 2021/22	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000
<b>Prior Year Net Revenue Budget</b>	<b>218,235</b>	<b>209,657</b>	<b>208,365</b>	<b>206,209</b>
Adjustments to the Base	(17,735)	3,417	(1,165)	104
<b>Revised Base Position</b>	<b>200,500</b>	<b>213,074</b>	<b>207,200</b>	<b>206,313</b>
Net Budget Amendments	23,107	16,017	10,226	16,265
Approved Budget Reductions	(6,686)	(2,490)	(3,400)	(2,500)
<b>Total Expenditure</b>	<b>216,921</b>	<b>226,601</b>	<b>214,026</b>	<b>220,078</b>
<b>Funded by:</b>				
Government Grant Funding	(71,088)	(63,816)	(56,078)	(55,698)
Locally Generated Income	(138,569)	(144,549)	(150,131)	(156,910)
<b>Revised Budget Funding</b>	<b>(209,657)</b>	<b>(208,365)</b>	<b>(206,209)</b>	<b>(212,608)</b>
<b>Budget Gap</b>	<b>7,264</b>	<b>18,236</b>	<b>7,817</b>	<b>7,470</b>
Use of Reserves	(7,264)	(250)	-	-
<b>Net Gap/Budget Reduction Requirement</b>	<b>-</b>	<b>17,986</b>	<b>7,817</b>	<b>7,470</b>
<b>Cumulative Total</b>	<b>-</b>	<b>17,986</b>	<b>25,803</b>	<b>33,273</b>

The Budget Report approved at the Council meeting on 28 February 2018 has identified a number of issues for the coming financial years, however uncertainty about Government funding beyond the current Spending Review period is the most significant factor. Other than announcing an intention to move to 75% Business Rates retention nationally and undertaking the Fair Funding review, the Government has provided virtually no indication of the level of funding Local Authorities can expect to receive for 2020/21 and beyond. In the context of how HM Treasury manage the spending review process this is understandable but it means the development and provision of longer term financial forecasts is extremely challenging.

In addition to uncertainty surrounding Government funding, there are challenges in forecasting how developments in the wider economy will impact on the Council's finances. The performance of the global economy and Brexit both carry potentially significant implications for the UK economy and public finances. Inflation and interest rates in particular will influence the level of cost pressure the Council will face in the medium term; something which is always challenging to deal with in an uncertain economic environment.

Other key areas for consideration over the medium term include;

### Devolution

As previously outlined devolution to the Greater Manchester region will have an increasing influence on the budget setting process. Key areas of devolution previously discussed are;

- Health and Social Care Integration
- Greater Manchester (GM) 100% Business Rates Retention Pilot Scheme
- Greater Manchester Spatial Framework

### Homelessness

The Homelessness Reduction Bill received Royal Assent on 27 April 2017. There are many implications arising out of the new legislation. In order to assist in addressing new responsibilities the Government has awarded grant support, but it is not clear as to the extent to which this grant income will fully support the resultant pressure. The 2018/19 budget included £0.412m of additional resources to support anticipated spending (a combination of Government grant and Council funding).

### **The Improved Better Care Fund**

The Improved Better Care Fund was first announced in the 2015 spending review, a second tranche of funding was confirmed by the Chancellor of the Exchequer in the March 2017 Spring budget. In total the funding amounts to £21.287m over the period 2017/18 to 2019/20. The continuation of this resource beyond the current spending review period is uncertain and should it cease from 2019/20 it would present a significant challenge for the Council to address.

### **Social Care Green Paper**

On 16 November 2017, the Government announced that it would publish a Green Paper on care and support for older people by the summer 2018. The Health and Social Care Secretary has subsequently announced a further delay to the Autumn of 2018 following the announcement that a 10 year plan for the NHS would be developed. The paper will set out plans for how Government proposes to improve care and support for older people and tackle the challenge of an ageing population, it is intended that the proposals to be included in the Green Paper will build on the additional Improved Better Care Fund grant (detailed above). Clearly the outcome of this Green Paper will shape the financial policy landscape for 2018/19 and beyond and is therefore keenly awaited.

### **Opportunity Area (OA) Funding**

Oldham is one of twelve Opportunity Areas that are receiving a share of £72.000m to boost opportunities for young people in the community. The OA programme is a key part of the Government's priority to boost social mobility. Oldham was identified as one of the localities most challenged in this area, however it has been recognised as already having built the necessary momentum and capacity for improvement. As an OA, Oldham will also receive a share of a further £22.000m through the new Essential Life Skills programme. This funding will be targeted toward helping disadvantaged young people to develop life skills. The estimated total investment into Oldham is currently around £10.000m over the next few years.

### **Adult Education Funding Devolution**

From 2019/20, Mayoral Combined Authorities (MCAs) will take on more responsibility to deliver quality adult education in their local areas when adult education funding is devolved, subject to agreed readiness conditions. A transitional year for MCAs will be created for the 2018/19 academic year to give Authorities time to learn the skills for success, strengthen their relationships with providers and test out mechanisms before Adult Education Budget (AEB) devolution comes fully into force. As it is currently unclear what if any impact this will have on adult education in the Borough, a watching brief will be maintained.

### **Commercial Property Investment Strategy**

On 18 December 2017 Cabinet approved the Council's Commercial Property Investment Strategy. The strategy sets out the framework to secure long term investments and to generate a sustainable income stream for the Council by way of rental income from new property assets and from its existing non-operational property portfolio held specifically for income generation purposes. The strategy aims to improve the financial resilience of the Council over time and to offset some of the financial pressures created by the continued reduction in Central Government grants.

### **Income Strategy**

On 18 September 2017 Cabinet approved an Income Strategy for the Council, thereby formalising the approach to income activities. The strategy details the approach that the Council is taking in regard to income generation and covers all material sources of revenue that finance day to day service provision including:

- Government Grants;
- Council Tax;
- Business Rates; and
- Fees, Charges and Other Contributions.

The strategy also considers investment opportunities linked to the Commercial Property Investment Strategy, opportunities relating to traded services and other chargeable activities and the process for setting charges and collection efficiency.

## Non-Financial Performance of the Council 2017/18

### **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 2017/18. A number of these achievements are set out below:

- For those people already in work, the Council launched a pioneering Career Advancement Service. This will help 400 people in employment to get the mentoring and support they need to get a promotion or increase their skills and salaries.
- The Council's Skills for Employment programme is also helping residents improve their skills and confidence to find sustainable employment. Since launching in April 2016 more than 50 per cent of residents given a placement have since found work and the Council's achievement was recognised with a recent 'Employer of the Year' award from the Growth Company.
- October 2017 saw the opening of the new Audi showroom of Jardine Motors at Chadderton – creating 90 good quality jobs, with new stores, including B&M and Aldi opposite at Gateway Retail Park.
- Agreement to move forward a new parcel delivery depot at Greengate for a 57,500 sq. ft. building that will create 350 new jobs and is another example of top companies and market leaders seeing the Borough as a place to do business and invest.
- Agreement of a new development at Hollinwood Junction, which is a hugely important strategic site. This will create 150,000 sq. ft. of new homes, employment opportunities and retail and leisure facilities with a projected 760 new jobs.
- The Council's new Digital Enterprise Hub was opened in July 2017 as home to Wayra UK's Open Future North and Hack Oldham.
- Warm Homes Oldham has now lifted over four and a half thousand local homes out of fuel poverty by installing boilers and cavity and loft insulation. This has generated an average saving of £800 per home, plus the additional savings benefits to health and local services.
- Throughout the financial year the Council's Welfare Rights Officers have helped in excess of 1,700 residents claim an extra £2.900m that they are entitled to in Personal Independence Payments, Employment and Support Allowance, Attendance Allowance and Child Tax Credits.
- Oldham Council has been named the North West's energy efficiency Council of the Year for the innovative work being carried out across the Borough
- National recognition for the Old Town Hall cinema complex with 14 design awards, including Building of the Year at the Building of the Year Awards held by Greater Manchester Chamber of Commerce and over 300,000 visitors to the Odeon cinema in its first year of operation.
- A Council employee won the LGC '2018 rising star in Local Government' award
- Oldham archives were saved for future use following the closure of the Oldham Chronicle enabling this valuable local historical asset to be made available at Oldham Heritage and Arts centre.
- The Council approved a £6.200m investment in upgrading the Borough's roads as part of its Highways Improvement Programme for 2018, the first phase of an £18.235m three year planned investment programme.

## 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 performance information available for the full year up to the end of Quarter 4 (2017/18) was reported to Cabinet on 25 June 2018. The report highlighted that:

- 57% of the corporate performance measures were being met
- 78% of the corporate action plans were either on track or have been completed
- Of the 68 Directorate Business Plan actions 40% were complete and 47% are on track to be completed within agreed timelines.

Further details on the Quarter 4 performance results are available in the Council Performance Report March 2018 presented to Cabinet on the 'Agenda and Minutes' page at the Council's website.

### Corporate Risks

The Council has an embedded process to manage risks and assist in the achievement of its objectives, alongside national and local performance targets. The Corporate Risk Register plays an integral role by 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 are:

- Implementation of changes to how financial transactions are managed;
- 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;
- Improving the administration of pensions processing;
- Strengthening key functions to improve internal control;
- 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.

### Main Changes to the Core Statements and Significant Transactions in 2017/18

The actuarial valuation of the Council's pension scheme liabilities shown on the Balance Sheet has reduced by £34.168m during the year, mainly as a result of the upfront payment discussed below. There have also been changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). 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.

In April 2017 the Council made an upfront payment of £41.544m to the Greater Manchester Pension Fund (GMPF) for the Council's employer contributions relating to the full triennial period 2017/18 to 2019/20. This has allowed the Council to generate a corporate saving as a result of a lower employer contribution rate than would have otherwise been calculated. The accounting has resulted in the Pension Reserve and liability having an imbalance which will be resolved at the end of the triennial period. Further details are given in Note 30.



As shown on the Cash Flow Statement there has been a reclassification of some debtor and creditor balances between operating, investing and financing activities. This has not resulted in a restatement of year end balances.

The Council has followed the guidance in the CIPFA Code of Practice on Local Authority Accounting 2017/18 and the CIPFA Bulletin 01 Closure of the 2017/18 Financial Statement issued in February 2018 for the production of its 2017/18 Statement of Accounts, however there is one area where, in order to achieve a true and fair view, the Council has departed from this guidance. This relates to the accounting treatment for the depreciation charge on Housing Revenue Account (HRA) dwellings. Details are provided in Section 4.1.3 to the Accounts.

Changes to the CIPFA Code of Practice on Local Authority Accounting 2017/18 have been minimal however 2018/19 will see a significant change to the core statement as a result of the implementation of IFRS 9 Financial Instruments, (see Note 35 Accounting Standards Issued not Adopted).

### **Summary Position 2017/18**

It is clear that the Council's financial and non-financial performance in 2017/18 continues to be good. The overall revenue outturn underspend of £0.150m (before the transfer to earmarked reserves to support the 2018/19 budget) is in line with expectations, the 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 2018/19 and future years.

In 2017/18, the Council has faced and dealt successfully with significant change. This trend will continue and indeed accelerate as the devolution and health integration 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 and challenges as well as opportunities as highlighted throughout this report, 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 2018/19.

### **Basis of Preparation and Presentation of the Statement of Accounts**

The Council prepares its Statement of Accounts on a going concern basis, under the assumption that it will continue in existence into the foreseeable future. Disclosures are included within the Statement of Accounts based on an assessment of their materiality. A disclosure is considered material if through an omission or a misstatement the decisions made by users of the accounts would be influenced. This could be due to the value or the nature of the disclosure.

The Council considers disclosures against an internally calculated materiality threshold which is reviewed each year, however individual items of income and expenditure over £6.000m which are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES) are considered to be significant and are disclosed in Note 7. Some disclosures are included due to their nature even if the value of transactions is not over the materiality threshold, an example of this is Note 9 Officer's Remuneration.

The assessment of materiality also influences the Council's decision to produce Group Accounts. Each year the Council assesses the entities it exerts control or significant influence over to identify which fall into the group boundary. If the value of transactions for the group as a whole is material or qualitative indicators are significant Group Accounts are produced. The accounts for 2017/18 therefore consolidate Miocare Community Interest Company into the Councils Group Accounts.

## Statements to the Accounts

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:

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

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

## 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 (CIES)** shows the cost of providing services in the year in accordance with International Financial Reporting Standards. The top part of the CIES provides an analysis by Directorate and reflects the Council's local reporting format. The bottom half of the statement deals with corporate transactions and funding.

**Balance Sheet** shows the value of the Council's assets and liabilities and reserves at a point in time.

**Cash Flow Statement** shows the changes in the Council's cash and cash equivalents during the year and quantifies the movements in balances attributable to day to day running of the Council (operating activities), investing activities or financing activities.

**Housing Revenue Account (HRA)** shows the in-year economic cost of providing housing services in accordance with generally accepted accounting practices.

**Collection Fund 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 in 2017/18, the Council Tax precepting bodies were the Police and Crime Commissioner for Greater Manchester and the Greater Manchester Fire and Rescue Authority.

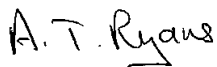
## [Receipt of Further Information](#)

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



## 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 BA (Hons) FCPFA  
Director of Finance

## 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 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

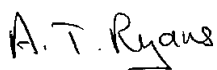
In preparing this Statement of Accounts, the Director of Finance has:

- 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 2018 and its income and expenditure for the year then ended.

Signed



Anne Ryans  
Director of Finance, Section 151 Officer.  
Dated: 30 April 2018

#### 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 16 July 2018.

Signed



Councillor Fazlul Haque  
Chair of Audit Committee  
Dated: 16 July 2018

## 2.2 Auditors Report

### Independent auditor's report to the members of Oldham Council

#### Report on the Audit of the Financial Statements

##### Opinion

###### Our opinion on the financial statements is unmodified

We have audited the financial statements of Oldham Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement in the Housing Revenue Account, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and all notes to the financial statements including the summary of significant accounting policies to the core financial statements and the group accounts. 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 2017/18.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2018 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.


##### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group’s or the Authority’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

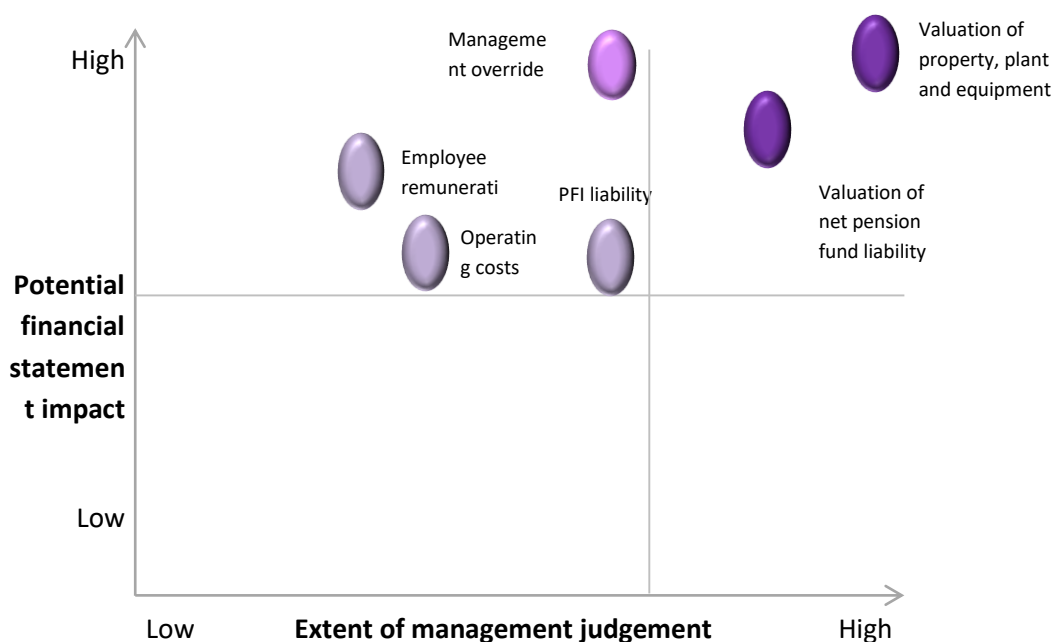


**Overview of our audit approach**

- Overall materiality: £11.1 million, which represents 2% of the group's gross expenditure ;
- Key audit matters were identified as
  - Valuation of property, plant and equipment
  - Valuation of net pension fund liability
- We performed a full scope audit of the Authority and analytical procedures on Miocare Group Community Interest Company (CIC) (its wholly owned subsidiary)

**Key audit matters**

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Key Audit Matter – Group and Authority**

**How the matter was addressed in the audit – Group and Authority**

**Risk 1 Valuation of property, plant and equipment (PPE)**

The Authority revalues its property, plant and equipment on a rolling basis over a five yearly basis to ensure that the carrying value is not materially different from current value at the financial statements date. This represents a significant estimate by management in the core financial statements and the group accounts due to the significant value of property and annual revaluations.

The Authority's financial statements include £52.9 million of revaluation movements, of which £50.9 million is in respect of Land and Buildings.

We therefore identified the valuation of property, plant and equipment, in particular Land and Buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- updating our understanding of the processes put in place by management to ensure the revaluation measurements are reasonable and evaluating the design of the associated controls
- evaluating the competence, capabilities and objectivity of the valuation expert (the valuer);
- challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- assessing the overall reasonableness of the valuation movements;
- evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and
- revaluating the Authority's consideration of any relevant indicators of asset impairment.

The Authority's accounting policy on valuation of property, plant and equipment is shown in note 34 (1.2) to the core financial statements and related disclosures are included in note 17 to the core financial statements.

**Key observations**

We obtained sufficient audit assurance to conclude that:

- the basis of the valuation was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and
- the valuation of property, plant and equipment disclosed in the financial statements is reasonable.

**Risk 2 Valuation of the net pension fund liability**

The Authority's net pension fund liability, as reflected in its balance sheet, represents a significant estimate in the core financial statements and group accounts due to its significant value and the sensitivity of the underlying assumptions made.

We therefore identified valuation of the Authority's net pension fund liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- gaining an understanding of the processes and controls put in place by management to ensure that the Authority's net pension fund liability is not materially misstated and evaluating the design of the associated controls;
- evaluating the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- undertaking procedures to confirm the reasonableness of the actuarial assumptions made
- considered the adequacy, completeness and relevance of the source data provided to the pension fund actuary by the pension fund administering authority on behalf of the Authority
- assessed the reasonableness of the pension fund gross asset valuation and the Authority's share thereof.

The Authority's accounting policy on the valuation of the net pension fund liability is shown in note 34 (1.10) to the core financial statements and related disclosures are included in note 30 to the core financial statements and note G4 to the group accounts.

**Key observations**

**Key Audit Matter – Group and Authority**

**How the matter was addressed in the audit – Group and Authority**

We obtained sufficient audit assurance to conclude that:

- the basis of the valuation was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and
- the valuation of the Authority’s net pension fund liability disclosed in the financial statements is reasonable.

**Our application of materiality**

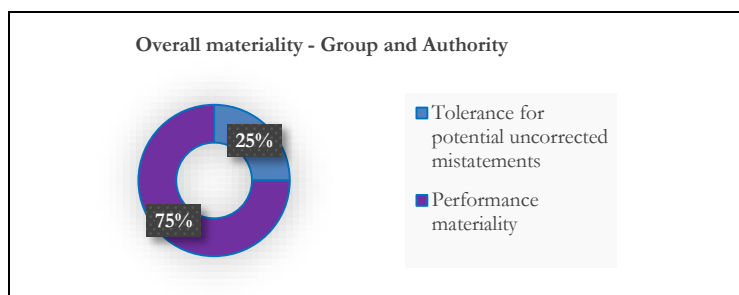
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

Materiality was determined as follows:

<b>Materiality Measure</b>	<b>Group</b>	<b>Authority</b>
Financial statements as a whole	<p>£11.1 million which is 2% of the Group’s total gross expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Group has expended its revenue and other funding.</p> <p>In previous years the Authority has produced its financial statements in advance of most other local authorities. The Authority’s timetable for producing its financial statements is now in line with other local authorities which, in our view, has reduced the audit risk. Materiality for the current year is therefore at a higher percentage level of gross expenditure than we determined for the year ended 31 March 2017.</p>	<p>Materiality of £11.0 million was based on 2% of the Authority’s 2016/17 gross expenditure (net of one off items), which was higher than the level we determined for the year ended 31 March 2017.</p> <p>Although this is a slightly lower percentage of the Authority’s 2017/18 gross expenditure (1.98%) this materiality level is considered to be appropriate as it represents 99% of group materiality.</p> <p>This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority has expended its revenue and other funding.</p>
Performance materiality used to drive the extent of our testing	75% of financial statement materiality	75% of financial statement materiality
Specific materiality		<p>Disclosure of senior officers’ remuneration and exit packages (based on final reported values, over £50,000 due to public interest in disclosures).</p> <p>Related party disclosures (over £50,000 and also the significance of the value to the other</p>

		party which may be lower when related to individuals).
Communication of misstatements to the Audit Committee	£550,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£550,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



### An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Evaluation by the group audit team of identified components to assess the significance of each component and to determine the planned audit response based on a measure of materiality. A full scope or analytical approach was taken for each component based on their relative materiality to the group and our assessment of audit risk;
- Gaining an understanding of and evaluating the Authority's internal controls environment including its financial and IT systems and controls;
- Full scope audit procedures on the Authority whose transactions, due to its relative size within the Group, represent all of the group's material income, expenditure, assets and liabilities. Our testing covered all of the Authority's material balances, transactions and disclosures;
- Performing analytical procedures on Miocare Group CIC. This wholly owned subsidiary's transactions represent less than 1% of the group's income, expenditure its total assets.

### Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 2 to 160, other than the group and Authority financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material



misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

#### Our opinion on other matter required by the Code of Audit Practice is unmodified

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

#### Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [set out on page 34], the Authority is required to 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 this authority, that officer is the Director of Finance. 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 2017/18, which give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for



its continued existence or when policy decisions have been made that affect the services provided by group or the Authority.

The Audit Committee is Those Charged with Governance.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Other matters which we are required to address

We were appointed by Public Sector Audit Appointments on 26 July 2012. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the Authority and we remain independent of the group and the Authority in conducting our audit.

We provided the following services to the Authority:

- Teachers' Pension 2016/17 return
- Place analytics research and intelligence on socio-economic data (by a separate advisory team)

A separate audit team within Grant Thornton UK LLP provide audit services for the Miocare Group CIC.

Our audit opinion is consistent with the additional report to the Audit Committee.

#### Report on other legal and regulatory requirements - Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### **Responsibilities of the Authority**

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.

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Report on other legal and regulatory requirements - 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 Local Audit and Accountability Act 2014 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 2018. 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 2018.

In addition, we cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2018 until we have completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that this matter 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 2018.

*John Farrar*

John Farrar  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

18 July 2018

# Core Financial Statements and Explanatory Notes

### 3.0 Core Financial Statements and Explanatory Notes

#### 3.1 Comprehensive Income and Expenditure Statement

2016/17				Note	2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
303,021	(209,444)	93,577	Economy, Skills and Neighbourhoods		282,023	(209,882)	72,141
163,717	(61,481)	102,236	Health and Wellbeing		164,815	(39,509)	125,306
91,832	(86,631)	5,201	Corporate and Commercial Services		80,899	(75,614)	5,285
3,624	(837)	2,787	Chief Executive		3,411	(1,019)	2,392
3,835	(919)	2,916	Capital, Treasury and Technical Accounting		3,681	(4,280)	(599)
5,277	-	5,277	Corporate and Democratic Core		6,087	-	6,087
59	-	59	Central Services		49	-	49
12,564	(28,221)	(15,657)	Housing Revenue Account		14,693	(28,058)	(13,365)
<b>583,929</b>	<b>(387,533)</b>	<b>196,396</b>	<b>Cost of Services</b>		<b>555,658</b>	<b>(358,362)</b>	<b>197,296</b>
			Other Operating Expenditure				
246			Parish Council precepts		257		
-			Payments to the government housing capital receipts pool		56		
33,556			Levies		34,326		
1,703			(Gains)/losses on the disposal of non-current assets		(1,947)		
		<b>35,505</b>	<b>Total Other Operating Expenditure</b>				<b>32,692</b>
		59,543	Financing and Investment Income and Expenditure	3			35,330
	(223,758)		Taxation and Non-Specific Grant Income	4			(257,415)
		<b>67,686</b>	<b>Deficit on Provision of Services</b>				<b>7,904</b>
			Other Comprehensive Income and Expenditure				
	(78,116)		Revaluation gains on non-current assets	16a			(76,774)
	1,321		Impairment losses on non-current assets	16a			906
	(3,833)		Surplus on revaluation of available for sale financial assets	16d			(7,998)
	19,121		Remeasurement of the net defined benefit liability	30			(28,981)
	(61,507)		<b>Total Other Comprehensive Income and Expenditure</b>				<b>(112,847)</b>
		<b>6,179</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(104,943)</b>

3.2 Movement in Reserves Statement

2017/18	Note	Usable Reserves								Unusable Reserves	Total 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 Reserve		
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April Brought Forward</b>		(14,744)	(94,838)	<b>(109,582)</b>	(18,366)	(4,164)	(522)	(16,056)	<b>(148,690)</b>	78,244	<b>(70,446)</b>
<b>Movement in reserves during 2017/18</b>				-					-		-
Total Comprehensive Income and Expenditure		9,907	-	<b>9,907</b>	(2,002)	-	-	-	<b>7,904</b>	(112,847)	<b>(104,943)</b>
Adjustments between accounting basis and funding basis under regulations	14	(6,321)	-	<b>(6,321)</b>	207	(4,583)	(44)	(22,811)	<b>(33,553)</b>	33,553	-
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>		<b>3,586</b>	-	<b>3,586</b>	<b>(1,795)</b>	<b>(4,583)</b>	<b>(44)</b>	<b>(22,811)</b>	<b>(25,649)</b>	<b>(79,294)</b>	<b>(104,943)</b>
Transfers to/from Earmarked Reserves	15	(2,833)	2,833	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in Year</b>		<b>753</b>	<b>2,833</b>	<b>3,586</b>	<b>(1,795)</b>	<b>(4,583)</b>	<b>(44)</b>	<b>(22,811)</b>	<b>(25,649)</b>	<b>(79,294)</b>	<b>(104,943)</b>
<b>Balance at 31 March carried forward</b>		<b>(13,991)</b>	<b>(92,005)</b>	<b>(105,996)</b>	<b>(20,162)</b>	<b>(8,747)</b>	<b>(566)</b>	<b>(38,867)</b>	<b>(174,339)</b>	<b>(1,050)</b>	<b>(175,389)</b>

2016/17	Note	Usable Reserves							Unusable Reserves	Total 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 Reserve
		£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Balance at 1 April Brought Forward</b>		(18,548)	(107,481)	(126,029)	(17,284)	(6,643)	(481)	(9,454)	(159,891)	83,266	(76,625)
<b>Movement in reserves during 2016/17</b>				-					-		-
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	-
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>		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	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in Year</b>		3,803	12,643	16,446	(1,082)	2,479	(41)	(6,602)	11,200	(5,021)	6,179
<b>Balance at 31 March carried forward</b>		(14,744)	(94,838)	(109,582)	(18,366)	(4,164)	(522)	(16,056)	(148,690)	78,244	(70,446)

## 3.3 Balance Sheet

31 March 2017 £000		Note	31 March 2018 £000
708,661	Property, Plant and Equipment	17	754,633
19,783	Heritage Assets	18	19,783
16,138	Investment Property	19	15,749
4,362	Intangible Assets		4,136
50,644	Long Term Investments	21	68,642
10,917	Long Term Debtors	22	9,822
<b>810,505</b>	<b>Long Term Assets</b>		<b>872,765</b>
19,613	Short Term Investments	21	13,166
680	Inventories		588
38,236	Short Term Debtors	22	43,183
43,603	Cash and Cash Equivalents	23	42,450
4,799	Assets Held For Sale (less than one year)		7,785
<b>106,931</b>	<b>Current Assets</b>		<b>107,172</b>
(1,685)	Short Term Borrowing	21	(1,668)
(56,101)	Short Term Creditors	24	(51,414)
(14,672)	Short Term Provisions	25	(17,051)
	Short Term Liabilities		
(6,849)	- Private Finance Initiatives	21,28	(8,970)
(254)	- Finance Leases		(247)
(961)	- Transferred Debt		(1,009)
<b>(80,522)</b>	<b>Current Liabilities</b>		<b>(80,359)</b>
(14,336)	Long Term Provisions	25	(16,079)
(148,389)	Long Term Borrowing	21	(148,381)
	Other Long Term Liabilities		
(346,748)	- Pension Liabilities	30	(312,580)
(251,173)	- Private Finance Initiatives	21,28	(242,203)
(311)	- Finance Leases		(304)
(4,400)	- Transferred Debt		(3,383)
(17)	- Deferred Credits		(17)
(1,094)	Capital Grants Receipts In Advance		(1,242)
<b>(766,468)</b>	<b>Long Term Liabilities</b>		<b>(724,189)</b>
<b>70,446</b>	<b>Net Assets</b>		<b>175,389</b>
(148,690)	Usable Reserves	MiRS MiRS,	(174,339)
78,244	Unusable Reserves	16	(1,050)
<b>(70,446)</b>	<b>Total Reserves</b>		<b>(175,389)</b>

These financial statements replace the unaudited financial statements authorised for issue by the Director of Finance on 30 April 2018.

*A. T. Ryans*

A T Ryans BA (Hons) FCPFA, Director of Finance

### 3.4 Cash Flow Statement

	Notes	Reclassified* 2016/17 £000	2017/18 £000
Net deficit on the provision of services		(67,686)	(7,904)
Adjustment to surplus or deficit on the provision of services for non-cash movements	31	110,812	41,695
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	31	(30,308)	(42,826)
<b>Net cash flows from operating activities</b>		<b>12,818</b>	<b>(9,035)</b>
Net Cash flows from Investing Activities	32	8,666	21,085
Net Cash flows from Financing Activities	33	(5,808)	(13,203)
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>15,676</b>	<b>(1,153)</b>
Cash and cash equivalents at the beginning of the reporting period		27,927	43,603
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>43,603</b>	<b>42,450</b>

\*There has been a reclassification of debtor and creditor balances between operating, investing and financing activities for 2016/17. This has not resulted in a restatement of year end balances.



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### 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 2017/18 (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 2017/18 (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

2017/18 Service Area	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	116,860	(82,726)	34,134	38,007	72,141
Health and Wellbeing	123,581	(5,675)	117,906	7,400	125,306
Corporate and Commercial Services	6,759	(4,150)	2,609	2,676	5,285
Chief Executive	3,041	(1,268)	1,773	619	2,392
Capital, Treasury and Technical Accounting	7,706	(22,480)	(14,774)	14,175	(599)
Corporate and Democratic Core	6,087	-	6,087	-	6,087
Central Services	(5,866)	5,915	49	-	49
Housing Revenue Account	-	(18,207)	(18,207)	4,842	(13,365)
<b>Net cost of services</b>	<b>258,168</b>	<b>(128,591)</b>	<b>129,577</b>	<b>67,719</b>	<b>197,296</b>
Other income and expenditure	(257,415)	129,629	(127,787)	(61,605)	(189,392)
<b>Surplus or Deficit</b>	<b>753</b>	<b>1,038</b>	<b>1,790</b>	<b>6,114</b>	<b>7,904</b>

The table below shows the comparative information for 2016/17.

2016/17 Service Area	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)
<b>Net cost of services</b>	<b>227,561</b>	<b>(143,609)</b>	<b>83,953</b>	<b>112,445</b>	<b>196,397</b>
Other income and expenditure	(223,758)	155,170	(68,588)	(60,123)	(128,711)
<b>Surplus or Deficit</b>	<b>3,803</b>	<b>11,561</b>	<b>15,365</b>	<b>52,322</b>	<b>67,686</b>

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	2016/17 £000	2017/18 £000
Opening General Fund and HRA Balance as at 1 April	(143,313)	(127,948)
Deficit on General Fund and HRA Balance in Year	15,365	1,790
<b>Closing General Fund and HRA Balance as at 31 March</b>	<b>(127,948)</b>	<b>(126,158)</b>

**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 2017/18			
	Movement in Reserves	Other Adjustments	Total to arrive at amount charged to the General Fund & HRA	Adjustment for capital purposes	Net change for pension adjustment	Other Differences	Total Adjustments
	£000	£000	£000	(i & ii) £000	(iii) £000	(iv) £000	£000
Economy, Skills and Neighbourhoods	2,956	(85,682)	(82,726)	32,356	5,651	-	38,007
Health and Wellbeing	2,262	(7,937)	(5,675)	2,701	4,699	-	7,401
Corporate and Commercial Services	(1,749)	(2,401)	(4,150)	807	1,869	-	2,676
Chief Executive	29	(1,296)	(1,268)	19	600	-	619
Capital, Treasury and Technical Accounting	(6,836)	(15,644)	(22,480)	4,486	9,689	-	14,175
Corporate and Democratic Core	-	-	-	-	-	-	-
Central Services	6,172	(257)	5,915	-	-	-	-
Housing Revenue Account	(1,796)	(16,411)	(18,207)	4,842	-	-	4,842
<b>Net cost of services</b>	<b>1,038</b>	<b>(129,628)</b>	<b>(128,591)</b>	<b>45,211</b>	<b>22,509</b>	<b>-</b>	<b>67,720</b>
Other income and expenditure from the Expenditure and Funding Analysis	-	129,628	129,628	(59,211)	-	(2,394)	(61,606)
<b>Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement surplus/deficit</b>	<b>1,038</b>	<b>-</b>	<b>1,038</b>	<b>(14,001)</b>	<b>22,509</b>	<b>(2,394)</b>	<b>6,114</b>

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments between Accounting Basis and Funding Basis 2016/17						
	Movement in Reserves	Other Adjustments	Total to arrive at amount charged to the general fund & HRA	Adjustment for capital purposes	Net change for pension adjustment	Other Differences	Total Adjustments
	£000	£000	£000	(i & ii) £000	(iii) £000	(iv) £000	£000
Economy, Skills and Neighbourhoods	6,990	(107,113)	(100,123)	58,990	169	-	59,159
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
<b>Net cost of services</b>	<b>11,561</b>	<b>(155,170)</b>	<b>(143,609)</b>	<b>98,863</b>	<b>13,583</b>	<b>-</b>	<b>112,446</b>
Other income and expenditure from the Expenditure and Funding Analysis	-	155,170	155,170	(62,687)	-	2,564	(60,123)
<b>Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement surplus/deficit</b>	<b>11,561</b>	<b>-</b>	<b>11,561</b>	<b>36,176</b>	<b>13,583</b>	<b>2,564</b>	<b>52,322</b>

### **(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

	2016/17 £000	2017/18 £000
<b>Expenditure</b>		
Employee benefit expenses	199,641	203,868
Other service expenses	326,997	325,224
Depreciation, amortisation and impairment	66,147	35,333
Interest payments	40,181	38,014
Precepts and levies	33,801	34,584
Payments to the housing capital receipts pool	-	56
(Profit)/Loss on the disposal of assets	1,703	(1,947)
Loss on transfer of schools to academy status	27,586	6,410
<b>Total expenditure</b>	<b>696,056</b>	<b>641,542</b>
<b>Income</b>		
Fees, charges and other service income	(79,448)	(83,883)
Interest and investment income	(5,817)	(7,145)
Income from Council Tax and Business Rates	(104,611)	(132,313)
Government grants and contributions	(411,105)	(390,099)
Other grants and contributions	(27,388)	(20,198)
<b>Total income</b>	<b>(628,370)</b>	<b>(633,638)</b>
<b>Deficit on the Provision of Services</b>	<b>67,686</b>	<b>7,904</b>

## 3. Financing and Investment Income and Expenditure

	2016/17 £000	2017/18 £000
Interest payable and similar charges	29,153	28,652
Net interest on the net defined benefit liability	11,028	9,362
Interest receivable and similar income	(1,542)	(1,475)
Income and expenditure in relation to investment properties and changes in their fair value	(2,407)	(1,949)
Other investment income	(4,275)	(5,670)
Loss on transfer of schools to academy status	27,586	6,410
<b>Total</b>	<b>59,543</b>	<b>35,330</b>



#### 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 2017/18 were:

	2016/17 £000	2017/18 £000
Council Tax Income - General Purposes	(77,829)	(80,375)
Council Tax Income - Adult Social Care Precept	(1,515)	(3,115)
Revenue Support Grant	(40,543)	-
Retained Business Rates	(26,783)	(51,939)
Business Rates Top Up	(30,237)	(54,891)
Grants in Lieu of Business Rates	(2,399)	(6,169)
Private Finance Initiative (PFI) Grant	(9,870)	(9,468)
Other Capital Grants and Contributions	(23,905)	(33,632)
Other Non Ringfenced Government Grants	(668)	(1,765)
Housing and Council Tax Benefit Administration Grant	(1,490)	(1,294)
New Homes Bonus	(2,902)	(2,784)
Education Services Grant	(2,776)	(740)
Adult Social Care Support Grant	-	(1,127)
Independent Living Fund	(2,841)	(2,748)
Improved Better Care Fund	-	(716)
Additional Better Care Fund Element	-	(5,095)
Opportunity Area Grant	-	(1,557)
<b>Total</b>	<b>(223,758)</b>	<b>(257,415)</b>

**5. Grant Income Credited to Services**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

	2016/17 £000	2017/18 £000
Dedicated Schools Grant (DSG)	(157,318)	(154,198)
Dedicated Schools Grant (DSG) - Schools Contribution to Capital	643	583
Housing Benefit Subsidy - Rent Allowances	(72,300)	(61,980)
Housing Benefit Subsidy - Rent Rebates	(5,210)	(5,180)
Education and Skills Funding Agency (ESFA) - 6th Form	(42)	-
Education and Skills Funding Agency (ESFA) - Adult and Community Learning Income	(3,091)	(3,028)
Pupil Premium	(11,092)	(10,341)
Private Finance Initiative (PFI) Credit	(22,217)	(22,601)
Other Government Grants	(6,057)	(6,892)
Other Grants	(2,682)	(1,404)
Reform Investment Funding	-	(540)
Public Health Grant	(17,775)	-
Discretionary Housing Payments	(474)	(683)
<b>Total</b>	<b>(297,615)</b>	<b>(266,264)</b>

## 6. Dedicated Schools' Grant (DSG)

The Council's expenditure on schools is financed primarily by Dedicated Schools Grant (DSG) provided by the Education and Skills Funding Agency. DSG is ring-fenced and can only be used to finance expenditure that is included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each Council maintained school.

Details of the deployment of the DSG receivable for 2017/18 are as follows:

		2017/18		
		Central Expenditure	Individual Schools Budget	Total
Note		£000	£000	£000
A	Final DSG before academy recoupment			232,530
B	Academy Recoupment			(78,332)
C	<b>Total DSG after academy recoupment</b>			<b>154,198</b>
D	Balance Brought Forward			(1,702)
				<b>152,496</b>
E	Agreed initial budget distribution	20,854	131,648	152,502
F	In year adjustments	(470)	464	(6)
G	<b>Final budget distribution</b>	<b>20,384</b>	<b>132,112</b>	<b>152,496</b>
H	Less: Central expenditure	(22,338)		(22,338)
I	Less: ISB deployed to schools		(133,189)	(133,189)
J	<b>Carried forward</b>	<b>(1,954)</b>	<b>(1,077)</b>	<b>(3,031)</b>

- A: Final DSG figure before any amount has been recouped from the Council
- B: Amount recovered from the Council in 2017/18 by the Department for Education (DfE) for the conversion of maintained schools into academies.
- C: Total figure after academy recoupment for 2017/18.
- D: Figure brought forward from 2016/17 as agreed with the DfE.
- E: Budgeted distribution of DSG as agreed with the schools forum.
- F: Changes to the initial distribution.
- G: Budgeted distribution of DSG as at the end of the financial year.
- H: Actual amount of central expenditure items in 2017/18.
- I: Amount of ISB actually distributed to schools.
- J: Carry-forward to 2018/19

This deficit of £3.013m is netted off against the cumulative level of schools balances and hence reduces the Schools Reserve to £2.514m as shown at Note 15.

## 7. Material Items of Income and Expenditure

This note identifies material items of income and expenditure that are not disclosed on the face of the Comprehensive Income and Expenditure Statement. For the purposes of this Note the Council considers material items to be those greater than £6.000m.

There are no material items of Income and Expenditure in 2017/18 that meet this criteria.

## 8. Members' Allowances

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

	2016/17 £000	2017/18 £000
Allowances	1,006	1,005
Expenses	1	1
<b>Total</b>	<b>1,007</b>	<b>1,006</b>

## 9. Officers' Remuneration

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

	2016/17				2017/18				Note
	Salary, Fees and Allowances £000	Expenses Allowances £000	Pension Contribution £000	Total £000	Salary, Fees and Allowances £000	Expenses Allowances £000	Pension Contribution £000	Total £000	
C Wilkins, Chief Executive, Head of Paid Service and Clerk to the GMWDA	165	-	30	<b>195</b>	172	1	27	<b>200</b>	
Executive Director: Corporate and Commercial Services	46	-	9	<b>55</b>	122	-	24	<b>146</b>	A
Executive Director: Corporate and Commercial Services	59	1	3	<b>63</b>	-	-	-	-	B
Executive Director: Health and Wellbeing (Director of Adults' Social Services & Director of Children's Services, Chief Education Officer)	121	-	23	<b>144</b>	122	-	24	<b>146</b>	C
Executive Director: Economy, Skills and Neighbourhoods	121	-	23	<b>144</b>	121	-	24	<b>145</b>	
Director of Finance and Chief Financial Officer (Section 151 Officer)	90	-	17	<b>107</b>	91	-	18	<b>109</b>	
Director of Legal Services and Monitoring Officer	95	1	18	<b>114</b>	98	-	19	<b>117</b>	
Director of Public Health	82	1	12	<b>95</b>	55	-	8	<b>63</b>	D
Director of Public Health	-	-	-	-	21	-	4	<b>25</b>	E
Director of Children's Services	-	-	-	-	22	-	-	<b>22</b>	F

Senior Officers served for the whole of 2017/18 and 2016/17 unless stated below:

Notes:

- A The Executive Director: Corporate and Commercial Services was permanently appointed to post on 14 November 2016.
- B The Executive Director: Corporate and Commercial Services left on the 6 May 2016.
- C The Executive Director: Health and Wellbeing left the Council on the 31 March 2018.
- D The Director of Public Health: left the Council on the 31 December 2017.
- E The Director of Public Health: was appointed on an interim basis from the 1 January 2018.
- F The Director of Children's Services: was appointed on an interim basis from the 5 March 2018.

The Chief Executive provides services for both the Council and the Greater Manchester Waste Disposal Authority (GMWDA), for which an allowance of £14,666 (2016/17 £14,796) was paid. This allowance is included in the figures provided within the table.

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:

	2016/17 Number of Employees Including Severance or Other Related Payments	2017/18 Number of Employees Including Severance or Other Related Payments
£50,000 - £55,000	58	66
£55,001 - £60,000	62	54
£60,001 - £65,000	33	38
£65,001 - £70,000	14	18
£70,001 - £75,000	17	16
£75,001 - £80,000	6	8
£80,001 - £85,000	7	2
£85,001 - £90,000	7	7
£90,001 - £95,000	3	3
£95,001 - £100,000	-	2
£100,001 - £105,000	1	2
£105,001 - £110,000	1	1
£110,001 - £115,000	-	-
£115,001 - £120,000	2	-
£120,001 - £125,000	1	4
£125,001 - £130,000	-	1
£130,001 - £135,000	-	-
£135,001 - £140,000	-	-
£140,001 - £145,000	-	-
£145,001 - £150,000	-	-
£150,001 - £155,000	-	-
£155,001 - £160,000	-	-
£160,001 - £165,000	-	-
£165,001 - £170,000	1	-
£170,001 - £175,000	-	1
<b>TOTAL</b>	<b>213</b>	<b>223</b>



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)	2016/17		2017/18		2016/17		2017/18		2016/17		2017/18	
									Total cost of exit packages in each band			
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band				£	£		
£0 - £20,000	12	15	49	37	61	52	406,234	362,022				
£20,001 - £40,000	1	-	9	9	10	9	306,341	252,265				
£40,001 - £60,000	1	1	4	8	5	9	235,674	429,983				
£60,001 - £80,000	-	1	1	2	1	3	78,444	207,115				
£80,001 - £100,000	-	-	1	1	1	1	83,152	81,795				
£100,001 - £150,000	-	-	1	-	1	-	117,094	-				
<b>Total</b>	<b>14</b>	<b>17</b>	<b>65</b>	<b>57</b>	<b>79</b>	<b>74</b>	<b>1,226,939</b>	<b>1,333,180</b>				

## 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):

	2016/17 £000	2017/18 £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	16	13
Other Services	5	5
<b>Total</b>	<b>157</b>	<b>154</b>

## 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	2016/17	2017/18		
	(Surplus)/ Deficit	Turnover	Expenditure	(Surplus)/ Deficit
	£000	£000	£000	£000
Highways Maintenance	-	(2,388)	2,388	-
Catering	503	(7,661)	8,542	881
Cleaning	324	(2,264)	2,792	528
Fleet Management	(8)	(119)	122	3
Trade Waste	(39)	(1,386)	1,347	(39)
Markets	372	(1,358)	1,651	293
Parking	506	(1,808)	1,796	(12)
Non-Operational Property	201	(3,265)	5,947	2,682
Public Halls	837	(731)	1,412	681
Building Control	229	(349)	576	227
Cemeteries and Crematoria	(252)	(1,743)	1,603	(140)
Security Services	(646)	(2,157)	1,600	(557)

## 12. Pooled Budgets

### Better Care Fund incorporating Improved 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) incorporating Improved Better Care Fund	2016/17	2017/18
	£000	£000
<b>Funding provided to the pooled budget:</b>		
Council	(1,618)	(7,577)
Oldham CCG	(16,330)	(16,869)
	<b>(17,948)</b>	<b>(24,446)</b>
<b>Expenditure met from the pooled budget:</b>		
Council	11,219	16,313
Oldham CCG	6,461	6,709
	<b>17,680</b>	<b>23,022</b>
<b>Net surplus arising on the pooled budget during the year</b>	<b>(268)</b>	<b>(1,424)</b>

### 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 shows 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 2017/18 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 are shown in the following table.

Levying Body	31 March 2017 £000	31 March 2018 £000
Greater Manchester Waste Disposal Authority (GMWDA)	17,607	25,525
Greater Manchester Combined Authority (GMCA)	15,848	8,699
Environment Agency	101	102
<b>Total</b>	<b>33,556</b>	<b>34,326</b>

The original levy charged by GMWDA was £24.664m but additional payments of £0.861m for waste disposal were subsequently incurred in year leading to a final balance of £25.525m.

In 2017/18 there was an adjustment of £7.368m between the GMWDA original levy and the GMCA to support a savings programme which is anticipated to save the GMWDA significant sums in annual costs in future years. This is a one year adjustment with equivalent sums being transferred back between the two Authorities in 2018/19.

**Entities Controlled or Significantly Influenced by the Council**

Related Party Transactions	Details of Arrangement	2016/17			2017/18		
		Receipts	Payments	Outstanding Balances / Commitments	Receipts	Payments	Outstanding Balances / Commitments
		£000	£000	£000	£000	£000	£000
<b>Subsidiaries</b>							
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)).	(2,466)	14,139	44	(1,093)	13,043	72
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.	-	-	-	-	-	-
<b>Associates</b>							
Unity Partnership Limited (Unity)	Unity came into being on 2 May 2007. The company 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 shares and consequently has one third of the voting rights of Unity.	(480)	20,967	98	(283)	17,326	(954)
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.	-	-	-	-	-	-
<b>Joint Ventures</b>							
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.	(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	-	2,688	-
	<b>Total</b>	<b>(2,950)</b>	<b>35,106</b>	<b>144</b>	<b>(1,376)</b>	<b>33,057</b>	<b>(883)</b>

### 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.

	2016/17						2017/18					
	Usable Reserves					Movements in Usable Reserves	Usable Reserves					Movements in Usable 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	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>												
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>												
Charges for depreciation of non-current assets	(25,541)	(4,486)	-	-	-	30,027	(27,989)	(5,278)	-	-	-	33,267
Charges for impairment of non-current assets	(3,327)	-	-	-	-	3,327	(877)	(733)	-	-	-	1,610
Revaluation losses on Property, Plant and Equipment	(33,756)	2,778	-	-	-	30,978	62	1,111	-	-	-	(1,173)
Movements in the fair value of Investment Properties	882	-	(347)	-	-	(535)	591	-	(275)	-	-	(316)
Amortisation of intangible assets	(1,191)	-	-	-	-	1,191	(1,422)	-	-	-	-	1,422
Capital grants and contributions applied	12,680	-	-	-	-	(12,680)	5,720	-	-	-	-	(5,720)
Revenue expenditure funded from capital under statute	(3,829)	(1,106)	-	-	-	4,934	(6,172)	(42)	-	-	-	6,214
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	(7,759)	-	-	-	-	7,759	(6,268)	(8)	-	-	-	6,276
Amounts written off on disposal of Academy Schools to the Comprehensive Income and Expenditure Statement	(27,586)	-	-	-	-	27,586	(6,410)	-	-	-	-	6,410
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>												
Statutory provision for the financing of capital investment	2,742	-	-	-	-	(2,742)	2,742	-	-	-	-	(2,742)
Voluntary provision for the financing of capital investment	14,701	4,295	-	-	-	(18,996)	10,118	4,260	-	-	-	(14,378)
Capital expenditure charged against the General Fund and HRA balances	15,523	1,267	-	-	-	(16,790)	7,458	744	-	-	-	(8,202)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>												
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	11,225	-	-	-	(11,225)	-	27,912	-	-	-	(27,912)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	4,624	(4,624)	-	-	-	-	5,101	(5,101)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>												
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,930	1	(3,931)	-	-	-	8,809	109	(8,918)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	8,780	-	-	(8,780)	-	-	6,780	-	-	(6,780)
Repayment of Long Term Loans	-	-	-	-	-	-	-	-	(90)	-	-	90
Transfer from Deferred Capital Receipts reserve upon receipt of cash	-	-	(2,023)	-	-	2,023	-	-	(2,080)	-	-	2,080

	2016/17						2017/18					
	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	
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>												
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,125	-	-	-	-	(2,125)	(695)	-	-	-	-	695
<b>Adjustments primarily involving the Major Repairs Reserve:</b>												
Transfer of Excess of Depreciation over Notional MRA to MRR	-	(4,445)	-	4,445	-	-	-	(5,234)	-	5,234	-	-
Credit MRR with a sum equal to HRA Depreciation	-	4,486	-	(4,486)	-	-	-	5,278	-	(5,278)	-	-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>												
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	213	-	-	-	-	(213)	212	-	-	-	-	(212)
<b>Adjustments primarily involving the Pensions Reserve:</b>												
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 30)	(31,351)	-	-	-	-	31,351	(39,582)	-	-	-	-	39,582
Employer's pension contributions and direct payments to pensioners payable in the year	17,768	-	-	-	-	(17,768)	17,073	-	-	-	-	(17,073)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>												
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	(1,263)	-	-	-	-	1,263	2,052	-	-	-	-	(2,052)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>												
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	(1,301)	-	-	-	-	1,301	344	-	-	-	-	(344)
<b>Total Adjustments</b>	<b>(55,113)</b>	<b>2,791</b>	<b>2,479</b>	<b>(41)</b>	<b>(6,601)</b>	<b>56,486</b>	<b>(6,321)</b>	<b>207</b>	<b>(4,583)</b>	<b>(44)</b>	<b>(22,811)</b>	<b>33,553</b>



## 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 2016/17 and 2017/18. All Earmarked Reserves are managed in accordance with the Council's reserve policy.

	Balance as at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance as at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance as at 31 March 2018 £000
Integrated Working Reserve	(6,638)	3,377	(1,131)	(4,392)	2,559	(2,500)	(4,333)
Transformation Reserve	(14,921)	3,438	(4,250)	(15,733)	6,971	(2,342)	(11,104)
Adverse Weather Reserve	(1,600)	-	-	(1,600)	555	(455)	(1,500)
Regeneration Reserve	(14,320)	11,510	(540)	(3,350)	20	(250)	(3,580)
Demand Changes Reserve	(4,952)	2,687	-	(2,265)	265	-	(2,000)
Emergency and External Events Reserve	(2,500)	-	-	(2,500)	164	(335)	(2,671)
Levy Reserve	(2,643)	1,233	-	(1,409)	851	-	(558)
Council Initiatives Reserve	(5,839)	1,642	(1,726)	(5,924)	1,750	(1,005)	(5,179)
Fiscal Mitigation Reserve	(7,990)	2,534	(2,959)	(8,415)	10,565	(19,310)	(17,160)
Life Cycle Costs Reserve	(11,699)	-	(625)	(12,324)	7,233	(1,520)	(6,611)
Insurance Reserve	(12,968)	186	-	(12,782)	-	(2,151)	(14,933)
Directorate Reserve	(5,555)	1,130	(1,088)	(5,513)	3,081	(2,045)	(4,477)
Balancing Budget Reserve	-	-	(6,525)	(6,525)	6,525	(7,264)	(7,264)
Revenue Grants Reserve	(5,863)	2,232	(1,529)	(5,160)	2,229	(3,829)	(6,760)
Schools Reserve	(7,474)	9,326	(6,371)	(4,519)	9,352	(7,347)	(2,514)
Other Earmarked Reserves	(2,520)	508	(415)	(2,427)	1,459	(392)	(1,360)
<b>Total</b>	<b>(107,482)</b>	<b>39,803</b>	<b>(27,160)</b>	<b>(94,838)</b>	<b>53,579</b>	<b>(50,746)</b>	<b>(92,005)</b>

**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 revenue budget for 2018/19 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 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 as 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, pressures resulting from legislative change and the potential requirement to support performance improvement in selected services.

**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.

**Balancing Budget Reserve** – this holds the sum of reserves required to balance the 2018/19 budget approved by Council on 28 February 2018. It will be used in 2018/19.

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 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 netted down by the value of the deficit on the DSG.

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. During 2017/18 Business Units were decommissioned with resources being allocated as agreed by the Executive Management Team.

**Taxation/Treasury Reserve** – this represents funding set aside for any future taxation liabilities e.g. from HM Revenue and Customs or treasury management issues.

## 16. Unusable Reserves

	Note	31 March 2017 £000	31 March 2018 £000
Revaluation Reserve	16a	(236,049)	(296,913)
Capital Adjustment Account	16b	(11,354)	(15,483)
Pensions Reserve	16c	346,748	340,276
Available for Sale Financial Instruments Reserve	16d	(33,246)	(41,245)
Financial Instruments Adjustment Account	16e	9,205	8,993
Collection Fund Adjustment Account		345	(1,707)
Short Term Compensated Absences Account		5,370	5,029
Deferred Capital Receipts		(2,775)	-
<b>Total Unusable Reserves</b>		<b>78,244</b>	<b>(1,050)</b>

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.

	2016/17 £000	2017/18 £000
<b>Balance at 1 April</b>	<b>(173,480)</b>	<b>(236,049)</b>
Upward revaluation of assets	(80,124)	(81,668)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,329	5,800
Difference between fair value depreciation and historic cost depreciation	7,515	10,750
Accumulated gains on non-current assets sold or decommissioned (excluding Academies)	1,477	1,394
Accumulated gains on Academy assets sold or decommissioned	5,234	2,860
<b>Balance at 31 March</b>	<b>(236,049)</b>	<b>(296,913)</b>

**(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.

	2016/17 £000	2017/18 £000
Balance at 1 April	(37,781)	(11,354)
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Charges for depreciation of non-current assets	30,027	33,267
Charges for impairment of non-current assets	3,327	1,610
Revaluation (gains)/losses on Property, Plant and Equipment	30,978	(1,173)
Amortisation of intangible assets	1,191	1,422
Revenue expenditure funded from capital under statute	4,934	6,212
Amounts of non-current assets written off on disposal or sale as part of the (gains)/loss on disposal to the Comprehensive Income and Expenditure Statement (excluding Academies)	7,759	6,276
Amounts written off on disposal or sale as part of the (gains)/loss on disposal of Academies to the Comprehensive Income and Expenditure Statement	27,586	6,410
Adjusting amounts written out of the Revaluation Reserve	(14,226)	(15,004)
Repayment of Long Term Debtors	-	90
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts reserve to finance new capital expenditure	(8,780)	(6,780)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(12,680)	(5,720)
Application of grants to capital financing from the Capital Grants Unapplied Account	(4,624)	(5,101)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,742)	(2,742)
Voluntary provision for the financing of capital investment	(18,996)	(14,378)
Capital expenditure charged against the General Fund and HRA balances	(16,790)	(8,202)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(535)	(316)
<b>Balance at 31 March</b>	<b>(11,354)</b>	<b>(15,483)</b>

**(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.

	2016/17 £000	2017/18 £000
Balance at 1 April	314,044	346,748
Remeasurement of net defined benefit liability	19,121	(28,981)
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	31,351	39,582
Employer's pension contributions and direct payments to pensioners payable in the year	(17,768)	(17,073)
<b>Balance at 31 March</b>	<b>346,748</b>	<b>340,276</b>

**(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.

	2016/17 £000	2017/18 £000
<b>Balance at 1 April</b>	(29,413)	(33,246)
Revaluation of Shareholding in Manchester Airport Holdings Limited	(3,900)	(8,200)
Revaluations – Other	67	201
<b>Balance at 31 March</b>	<b>(33,246)</b>	<b>(41,245)</b>

**(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.

	2016/17 £000	2017/18 £000
<b>Balance at 1 April</b>	9,418	9,205
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
<b>Balance at 31 March</b>	<b>9,205</b>	<b>8,993</b>

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account is used to manage 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**

2017/18	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
<b>Cost or Valuation</b>								
<b>At 1 April 2017</b>	<b>67,201</b>	<b>494,028</b>	<b>28,654</b>	<b>242,273</b>	<b>3,297</b>	<b>1,819</b>	<b>3,728</b>	<b>841,001</b>
Additions	-	10,523	2,448	5,284	-	2	444	<b>18,701</b>
Revaluation Increases/(decreases) to Revaluation Reserve	2,082	50,920	-	-	(48)	(30)	-	<b>52,924</b>
Revaluation Increases/(decreases) to Surplus/Deficit on the Provision of Services	1,025	(762)	-	-	-	(40)	-	<b>223</b>
Derecognition-Disposals	(76)	(11,992)	(917)	-	-	(250)	-	<b>(13,235)</b>
Reclassified to/from Held for Sale	-	(3,559)	-	-	-	-	-	<b>(3,559)</b>
Other Reclassifications	1,804	(3,096)	-	-	-	1,292	-	-
<b>At 31 March 2018</b>	<b>72,036</b>	<b>536,062</b>	<b>30,185</b>	<b>247,557</b>	<b>3,249</b>	<b>2,793</b>	<b>4,172</b>	<b>896,055</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2017</b>	<b>4,447</b>	<b>11,539</b>	<b>22,686</b>	<b>90,368</b>	<b>3,297</b>	-	<b>3</b>	<b>132,340</b>
Depreciation Charge	5,191	18,403	2,010	7,663	-	-	-	<b>33,267</b>
Depreciation written out on revaluation	(4,359)	(17,869)	-	-	-	(8)	-	<b>(22,236)</b>
Depreciation written out to Surplus/Deficit on the Provision of Services	(85)	(755)	-	-	-	-	-	<b>(840)</b>
Impairment losses/reversals to Revaluation Reserve	-	(1,114)	-	-	(48)	-	-	<b>(1,162)</b>
Impairment losses/reversals to Surplus/Deficit on the Provision of Services	-	1,604	-	-	-	-	-	<b>1,604</b>
Derecognition-Disposals	-	(591)	(887)	-	-	-	-	<b>(1,478)</b>
Eliminated on reclassification to Held for Sale	-	(73)	-	-	-	-	-	<b>(73)</b>
Other Reclassifications	1,698	(1,706)	-	-	-	8	-	-
<b>At 31 March 2018</b>	<b>6,892</b>	<b>9,438</b>	<b>23,809</b>	<b>98,031</b>	<b>3,249</b>	-	<b>3</b>	<b>141,422</b>
<b>Net Book Value</b>								
<b>At 31 March 2018</b>	<b>65,144</b>	<b>526,624</b>	<b>6,376</b>	<b>149,526</b>	-	<b>2,793</b>	<b>4,169</b>	<b>754,633</b>
<b>At 31 March 2017</b>	<b>62,754</b>	<b>482,489</b>	<b>5,968</b>	<b>151,905</b>	-	<b>1,819</b>	<b>3,726</b>	<b>708,661</b>



**Comparative Movements in 2016/17**

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
<b>Cost or Valuation</b>								
<b>At 1 April 2016</b>	<b>57,458</b>	<b>491,683</b>	<b>28,219</b>	<b>235,272</b>	<b>3,297</b>	<b>24</b>	<b>6,907</b>	<b>822,859</b>
Additions	53	21,628	932	7,002	-	-	6,455	36,070
Revaluation	7,185	46,291	-	-	-	980	-	54,456
Increases/(decreases) to Revaluation Reserve								
Revaluation	2,670	(34,426)	-	-	-	-	-	(31,756)
Increases/(decreases) to Surplus/Deficit on the Provision of Services								
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
<b>At 31 March 2017</b>	<b>67,201</b>	<b>494,028</b>	<b>28,654</b>	<b>242,273</b>	<b>3,297</b>	<b>1,819</b>	<b>3,728</b>	<b>841,001</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2016</b>	<b>3,687</b>	<b>13,416</b>	<b>21,033</b>	<b>82,880</b>	<b>3,297</b>	<b>-</b>	<b>3</b>	<b>124,316</b>
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)
Impairment losses/reversals to Surplus/Deficit on the Provision of Services	-	3,322	-	-	-	-	-	3,322
Derecognition-Disposals	(165)	(2,196)	(497)	-	-	-	-	(2,858)
Derecognitions-Other								-
Eliminated on reclassification to Held for Sale	-	368	-	-	-	-	-	368
Other Reclassifications	-	(898)	-	-	-	162	-	(736)
<b>At 31 March 2017</b>	<b>4,447</b>	<b>11,539</b>	<b>22,686</b>	<b>90,368</b>	<b>3,297</b>	<b>-</b>	<b>3</b>	<b>132,340</b>
<b>Net Book Value</b>								
<b>At 31 March 2017</b>	<b>62,754</b>	<b>482,489</b>	<b>5,968</b>	<b>151,905</b>	<b>-</b>	<b>1,819</b>	<b>3,726</b>	<b>708,661</b>
<b>At 31 March 2016</b>	<b>53,771</b>	<b>478,267</b>	<b>7,186</b>	<b>152,391</b>	<b>-</b>	<b>24</b>	<b>6,904</b>	<b>698,544</b>

## 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 2018 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. Similarly, there were no outstanding commitments as at 31 March 2017.

## Effects of Changes in Estimates

In 2017/18 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

## 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 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.

In addition the Council 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. As a result of this review, desktop valuations were conducted for all assets that are valued on a DRC basis.

	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	-	603	30,185	247,558	3,249	-	4,172	285,767
Valued at fair value as at:								
31 March 2018	70,120	458,589	-	-	-	2,793	-	531,502
31 March 2017	45	10,056	-	-	-	-	-	10,101
31 March 2016	73	22,611	-	-	-	-	-	22,684
31 March 2015	-	38,573	-	-	-	-	-	38,573
31 March 2014	1,798	5,629	-	-	-	-	-	7,427
<b>Total Cost or Valuation</b>	<b>72,036</b>	<b>536,061</b>	<b>30,185</b>	<b>247,558</b>	<b>3,249</b>	<b>2,793</b>	<b>4,172</b>	<b>896,054</b>

## 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 1,400 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 2017/18 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.

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.

However, in March 2018 a flood occurred at Gallery Oldham. Conservation specialists were brought in to make an initial visual assessment of all items and undertake 'first-aid' work to stabilise any affected items. They are also providing a more detailed written assessment and identifying priority conservation needs. A specialist Art Assessor has also been instructed by the Loss Adjusters to assess the damage. These initial actions will provide an over-view of the impact of the flood on the collections and identify priorities for the programme of conservation which could take 12-24 months to complete. The full details and costs of the flood will not be known until each piece has been assessed in more detail by conservation specialists. However, it has been confirmed that no items from the collections have been deemed completely lost or destroyed.

The following table summarises balances relating to Heritage Assets for which there were no movements during the year:

	Art Collection £000	Civic Regalia £000	Total Assets £000
<b>Cost or Valuation</b>			
Balance at 1 April 2016	18,711	1,072	19,783
Revaluation Gains/(Losses) Recognised in the Revaluation Reserve	-	-	-
<b>Balance at 31 March 2017</b>	<b>18,711</b>	<b>1,072</b>	<b>19,783</b>
<b>Cost or Valuation</b>			
Balance at 1 April 2017	18,711	1,072	19,783
Revaluation Gains/(Losses) Recognised in the Revaluation Reserve	-	-	-
<b>Balance at 31 March 2018</b>	<b>18,711</b>	<b>1,072</b>	<b>19,783</b>

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:

	2016/17 £000	2017/18 £000
Rental Income From Investment Properties	(2,120)	(3,396)
Direct Operating Expenses (including repairs and maintenance)	595	2,107
<b>Net Gain</b>	<b>(1,525)</b>	<b>(1,289)</b>

### 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).

	2016/17 £000	2017/18 £000
<b>Balance at 1 April</b>	<b>16,006</b>	<b>16,138</b>
Additions: Subsequent Expenditure	53	25
Disposals	(72)	(228)
Net Gain from Fair Value Adjustments	608	544
Transfers to Other Land and Buildings	(457)	(730)
<b>Balance at 31 March</b>	<b>16,138</b>	<b>15,749</b>

### 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 2018 by officers of the Unity Partnership on behalf of the Council 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

The total value of capital expenditure incurred during the year is disclosed in the table below, with last year for comparison (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.

	2016/17 £000	2017/18 £000
<b>Opening capital financing requirement</b>	<b>543,232</b>	<b>521,790</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	36,070	18,701
Investment Assets	53	25
Revenue Expenditure Funded from Capital Under Statute	4,934	6,214
Long Term Investment	15	-
Intangible Assets	1,816	1,194
Long Term Debtors	265	-
Assets Held for Sale	17	49
<b>Sources of Finance</b>		
Capital Receipts	(8,780)	(6,780)
Government Grants And Other Contributions	(17,304)	(10,821)
Sums set aside from Revenue	(38,528)	(25,323)
<b>Closing capital financing requirement</b>	<b>521,790</b>	<b>505,049</b>
<b>Explanation of movements in year</b>		
Increase in Need to Borrow Supported by Government Financial Assistance	(2,742)	(2,742)
Increase in Need to Borrow Unsupported by Government Financial Assistance	(18,997)	(14,378)
Assets Acquired Under Finance Leases	297	379
<b>Decrease in capital financing requirement</b>	<b>(21,442)</b>	<b>(16,741)</b>

## 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 2017 £000	Current 31 March 2017 £000	Long Term 31 March 2018 £000	Current 31 March 2018 £000
<b>Investments</b>				
Loans and Receivables - Investments (Principal)	-	16,000	-	13,000
Loans and Receivables - Investment Accrued Interest	-	36	-	16
Loans and Receivables - Cash and Cash Equivalents (CCE)	-	43,588	-	42,416
Loans and Receivables - CCE Accrued Interest	-	15	-	34
Available for sale financial assets	50,644	3,577	68,642	150
<b>Total Investments</b>	<b>50,644</b>	<b>63,216</b>	<b>68,642</b>	<b>55,616</b>
<b>Debtors</b>				
Loans and receivables	10,917	17,805	9,822	13,400
<b>Total included in Debtors</b>	<b>10,917</b>	<b>17,805</b>	<b>9,822</b>	<b>13,400</b>
Debtors that are not financial Instruments	-	20,431	-	29,783
<b>Total Debtors</b>	<b>10,917</b>	<b>38,236</b>	<b>9,822</b>	<b>43,183</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost - Loans (Principal)	147,583	283	147,583	268
Financial liabilities at amortised cost - Loans Accrued Interest	-	1,402	-	1,400
Financial liabilities at amortised cost - Market Loans Effective Interest Rate Adjustment	806	-	798	-
<b>Total included in Borrowings</b>	<b>148,389</b>	<b>1,685</b>	<b>148,381</b>	<b>1,668</b>
<b>Other Long Term Liabilities (OLTL)</b>				
PFI, finance lease and transferred debt	255,884	8,063	245,890	10,226
<b>Total included in Other Long Term Liabilities</b>	<b>255,884</b>	<b>8,063</b>	<b>245,890</b>	<b>10,226</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	-	38,638	-	36,053
<b>Total included in Creditors</b>	<b>-</b>	<b>38,638</b>	<b>-</b>	<b>36,053</b>
Creditors that are not financial instruments	-	17,463	-	15,361
<b>Total Creditors</b>	<b>-</b>	<b>56,101</b>	<b>-</b>	<b>51,414</b>

Borrowings	Long Term	Current	Long Term	Current
	31 March 2017 £000	31 March 2017 £000	31 March 2018 £000	31 March 2018 £000
Public Works Loans Board	15,482	97	15,482	97
Lender Option Borrower Option Loans	86,306	901	86,298	897
Other market debt	46,601	687	46,601	674
<b>Total Borrowings</b>	<b>148,389</b>	<b>1,685</b>	<b>148,381</b>	<b>1,668</b>

### 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:

	2016/17				2017/18			
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	(29,153)	-	-	(29,153)	(28,652)	-	-	(28,652)
Interest and Dividend income	-	1,542	4,275	5,817	-	1,475	5,670	7,145
Gain/(Loss) on revaluation	-	-	3,833	3,833	-	-	7,999	7,999
<b>Net gain/(loss) for the year</b>	<b>(29,153)</b>	<b>1,542</b>	<b>8,108</b>	<b>(19,503)</b>	<b>(28,652)</b>	<b>1,475</b>	<b>13,669</b>	<b>(13,508)</b>



### 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 2017 Fair value £000	31 March 2018 Fair value £000
Available for Sale - Manchester Airport Holdings Limited	Level 2	Earnings Based	43,700	51,900
Available for Sale - Certificates of Deposit	Level 1	Unadjusted quoted prices in active markets for identical shares	3,527	-
Available for Sale – CCLA units	Level 1	Unadjusted quoted prices in active markets for identical shares	4,761	14,559
			<b>51,988</b>	<b>66,459</b>

\* 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 2015, 2016 and 2017 along with interim 6 month reports for the period ending 30 September 2017. These shares are subject to an annual valuation. In 2017/18 this has seen an increase in value of £8.200m.

The Council also holds units within the CCLA Property Fund, the fair value has been calculated using quoted share prices. In order to increase returns on investments, in 2017/18 an additional investment of £10.000m was made in the property fund. 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 2018 is £2.183m.

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, new loan 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 premature repayment 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;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31 March 2017		31 March 2018	
	Carrying Amount £000	Restated Fair Value* £000	Carrying Amount £000	Fair Value £000
PWLB	15,579	17,795	15,579	17,382
Market Loans	134,496	209,670	134,470	205,217
Short-term creditors	38,638	38,638	36,053	36,053
<b>Total</b>	<b>188,713</b>	<b>266,103</b>	<b>186,102</b>	<b>258,652</b>

\* The fair value shown above are based on the new loan rate. The position at 31 March 2017 has been restated for the disclosure change.

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 2018) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans based on the premature repayment rate of £19.001m 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 used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £19.001m, which is calculated using an early repayment discount rates. The Council has no contractual obligation to pay these costs and would not incur any additional cost if the loans run to their planned maturity date.

	31 March 2017		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Fixed Term Investments	16,000	16,040	13,016	13,016
Cash and Cash Equivalents	43,587	43,603	42,450	42,450
Long-term debtors	10,917	10,917	9,822	9,822
Short-term debtors	17,805	17,805	13,400	13,400
	<b>88,309</b>	<b>88,365</b>	<b>78,688</b>	<b>78,688</b>

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 its 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 Link 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 2017/18 was approved by Council on 1 March 2017 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 £58.650m deposited with a number of financial institutions at 31 March 2018. 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 2018 that this was likely to crystallise.

A summary of the credit quality of the Council's investments at 31 March 2018 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.

	Link Asset Services - Colour banding	Fitch - Rating	Moody's - Rating	Standard and Poors - Rating	Amount at 31 March 2018	Historical Experience of Default	Estimated maximum exposure to default and uncollectability at 31 March 2018
					£000	%	£000
<b>Deposits with Banks and Financial Institutions</b>							
Bank of Scotland	Orange	F1	P-1	A-1	10,000	0.005%	1
Bank of Scotland	Orange	F1	P-1	A-1	2,500	0.015%	-
Eastleigh Borough Council	Yellow				5,000	0.007%	-
Federated (Primerate) Money Market Fund	Yellow	AAA	Aa1	AAA	6,950	0.000%	-
Glasgow City Council	Yellow				5,000	0.001%	-
Greater Manchester Combined Authority (GMCA)	Yellow				5,000	0.006%	-
Goldman Sachs International Bank	Red	F1	P-1	A-1	5,000	0.004%	-
Santander	Red	F1	P-1	A-1	2,500	0.028%	1
Standard Life Money Market Fund	Yellow	AAA	Aa1	AAA	6,700	0.000%	-
Suffolk County Council	Yellow				2,000	0.001%	-
Suffolk County Council	Yellow				5,000	0.003%	-
Surrey Heath Borough Council	Yellow				3,000	0.003%	-
CCLA Property Fund					14,559		-
Customer Debtors					23,222	0.96%	276
					<b>96,431</b>		<b>278</b>

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 2017 £000	31 March 2018 £000
Less than 3 months	2,361	2,271
3 - 6 months	228	244
6 - 12 months	1,669	2,004
more than 12 months	2,960	3,735
	<b>7,218</b>	<b>8,254</b>

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 (£58.650m) 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 2017	31 March 2018
	£000	£000
Less than 1 year	40,323	37,721
1 - 2 years	-	-
2 - 5 years	241	6,841
5 - 10 years	6,600	7,500
More than 10 years	140,742	133,242
	<b>187,906</b>	<b>185,304</b>

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 £55.500m 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 49 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 40% 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:

	2017/18 £000
Decrease in fair value of fixed rate investment assets	587
Impact on Other Comprehensive Income and Expenditure	587
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)	1,853

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 £68.642m 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 £68.642m 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 £3.432m gain or loss being recognised in the Available for Sale Reserve for 2017/18.

In 2017/18 the Council's holding in Manchester Airport, was re-valued resulting in a gain of £8.200m that was recognised in the Available for Sale Reserve. A loss of £0.441m was also recognised in 2017/18 in relation to the increased holding in the property fund as an increase in units were purchased late on in the year.

## 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 short term debtors (net of the provision for bad and doubtful debts) are as follows:

	31 March 2017 £000	31 March 2018 £000
Central Government Bodies	6,963	9,212
Other Local Authorities	560	1,547
NHS Bodies	3,437	2,530
Capital Debtors	5,355	4,766
Other entities and individuals	17,478	20,081
Payments in Advance	4,442	5,047
<b>Total</b>	<b>38,236</b>	<b>43,183</b>

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

	31 March 2017 £000	31 March 2018 £000
Mortgages	1,028	6
Loans to Trusts, Community Interest Groups and Third Sector Organisations	978	908
Other Capital Loans and Advances	8,911	8,909
<b>Total</b>	<b>10,917</b>	<b>9,823</b>



### 23. Cash and Cash Equivalents

	31 March 2017 £000	31 March 2018 £000
Cash held by the Council	124	118
Bank Current Accounts	51,037	47,877
Bank Overdraft	(7,558)	(5,545)
<b>Total</b>	<b>43,603</b>	<b>42,450</b>

### 24. Creditors

The Council's short term creditors are as follows:

	31 March 2017 £000	31 March 2018 £000
Central Government Bodies	(8,776)	(4,942)
Other Local Authorities	(2,237)	(2,411)
NHS Bodies	(1,288)	(503)
Capital Creditors	(3,637)	(2,171)
Other entities and individuals	(31,366)	(31,269)
Accumulated Absences	(5,371)	(5,029)
Receipts in Advance	(3,426)	(5,089)
<b>Total</b>	<b>(56,101)</b>	<b>(51,414)</b>

### 25. Provisions

	Short Term			
	Insurance Provision	Pay and Reward Provision	Other Provisions	Total
	£000	£000	£000	£000
<b>Balance at 1 April 2017</b>	(6,493)	(250)	(7,929)	(14,672)
Additional provisions made in 2017/18	-	-	(6,460)	(6,460)
Amounts used in 2017/18	2,188	250	1,643	4,081
<b>Balance at 31 March 2018</b>	<b>(4,305)</b>	-	<b>(12,746)</b>	<b>(17,051)</b>

	Long Term			
	Insurance Provision	Pay and Reward Provision	Other Provisions	Total
	£000	£000	£000	£000
<b>Balance at 1 April 2017</b>	(10,600)	(1,750)	(1,986)	(14,336)
Additional provisions made in 2017/18	(1,613)	(251)	-	(1,864)
Amounts used in 2017/18	-	-	121	121
<b>Balance at 31 March 2018</b>	<b>(12,213)</b>	<b>(2,001)</b>	<b>(1,865)</b>	<b>(16,079)</b>

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 2018.

### **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 2018, there remains £2.873m 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 2018, there remains £2.739m 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 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 4 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 has received cumulative VAT savings of £3.091m to 31 March 2018 and will continue to receive payments up to £15.000m. 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 2018.

### **1) Manchester Airport Holdings Limited (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) 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.

### **3) 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 2018 loans totalling £5.550m have been advanced.

The risk of the indemnity being called upon is considered to be low.

#### **4) 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 undertaken to enter 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 2018 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.

#### **5) 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.

#### **6) Greater Manchester Housing Investment Fund**

The Greater Manchester Devolution Agreement provides for a Housing Investment Fund of £300m 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 £60.000m).

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 2018 the amount drawn down was £44.127m

It is not currently anticipated that there will be any call on this indemnity.

#### **7) Legal Case**

The Council has received a legal claim regarding damages it has been 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 2017/18 was the thirteenth 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 contractor'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 2017/18 was the twelfth 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 2017/18 was the seventh of a 25 year PFI contract for the management of 631 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 148 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 contractors' outstanding debt attributable to the contracts. There have been no changes to the arrangements during the financial year.

#### **Chadderton Wellbeing Centre**

The financial year 2017/18 was the ninth 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 2017/18 was the seventh 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 payable being made 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 2017/18 was the eleventh 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 2017/18 was the sixth 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 table below.

Oldham Council 2017/18 Statement of Accounts

		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
2018/19	Repayment of Liability	466	2,549	2,159	106	922	1,882	886	<b>8,970</b>
	Interest	1,053	7,063	4,447	770	1,956	3,322	2,885	<b>21,496</b>
	Service Charges	1,650	5,397	2,044	254	1,429	3,101	1,403	<b>15,278</b>
	<b>Total</b>	<b>3,169</b>	<b>15,009</b>	<b>8,650</b>	<b>1,130</b>	<b>4,307</b>	<b>8,305</b>	<b>5,174</b>	<b>45,744</b>
2019/20 to 2022/23	Repayment of Liability	2,320	11,493	8,113	521	3,394	8,544	4,057	<b>38,442</b>
	Interest	3,760	26,909	16,018	3,228	6,909	11,581	10,723	<b>79,128</b>
	Service Charges	6,989	23,547	11,387	1,060	7,469	13,953	6,409	<b>70,815</b>
	<b>Total</b>	<b>13,069</b>	<b>61,949</b>	<b>35,518</b>	<b>4,809</b>	<b>17,772</b>	<b>34,078</b>	<b>21,189</b>	<b>188,384</b>
2023/24 to 2027/28	Repayment of Liability	4,756	17,952	10,483	298	2,464	12,660	6,964	<b>55,577</b>
	Interest	3,277	29,682	16,453	4,176	5,942	10,097	11,382	<b>81,009</b>
	Service Charges	9,261	34,281	19,700	2,245	15,088	21,942	9,337	<b>111,854</b>
	<b>Total</b>	<b>17,294</b>	<b>81,915</b>	<b>46,636</b>	<b>6,719</b>	<b>23,494</b>	<b>44,699</b>	<b>27,683</b>	<b>248,440</b>
2028/29 to 2032/33	Repayment of Liability	3,836	22,352	17,915	813	4,148	18,195	9,035	<b>76,294</b>
	Interest	1,115	25,032	13,695	4,893	4,245	4,217	7,384	<b>60,581</b>
	Service Charges	5,366	39,811	17,815	1,896	11,481	23,276	12,757	<b>112,402</b>
	<b>Total</b>	<b>10,317</b>	<b>87,195</b>	<b>49,425</b>	<b>7,602</b>	<b>19,874</b>	<b>45,688</b>	<b>29,176</b>	<b>249,276</b>
2033/34 to 2037/38	Repayment of Liability	-	25,534	19,238	1,262	9,284	-	11,217	<b>66,535</b>
	Interest	-	12,632	6,900	5,404	3,865	-	2,799	<b>31,600</b>
	Service Charges	-	26,220	12,108	1,934	9,123	-	13,170	<b>62,555</b>
	<b>Total</b>	<b>-</b>	<b>64,386</b>	<b>38,246</b>	<b>8,600</b>	<b>22,272</b>	<b>-</b>	<b>27,186</b>	<b>160,689</b>
2038/39 to 2039/40	Repayment of Liability	-	-	-	5,355	-	-	-	<b>5,355</b>
	Interest	-	-	-	1,777	-	-	-	<b>1,777</b>
	Service Charges	-	-	-	705	-	-	-	<b>705</b>
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,837</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,837</b>
	<b>Repayment of Liability- Total</b>	<b>11,378</b>	<b>79,880</b>	<b>57,908</b>	<b>8,355</b>	<b>20,212</b>	<b>41,281</b>	<b>32,159</b>	<b>251,173</b>
	<b>Interest- Total</b>	<b>9,205</b>	<b>101,318</b>	<b>57,513</b>	<b>20,248</b>	<b>22,917</b>	<b>29,217</b>	<b>35,173</b>	<b>275,591</b>
	<b>Service Charges- Total</b>	<b>23,266</b>	<b>129,256</b>	<b>63,054</b>	<b>8,094</b>	<b>44,590</b>	<b>62,272</b>	<b>43,076</b>	<b>373,609</b>
	<b>Grand total</b>	<b>43,849</b>	<b>310,454</b>	<b>178,475</b>	<b>36,697</b>	<b>87,719</b>	<b>132,770</b>	<b>110,408</b>	<b>900,373</b>

**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:

<b>Scheme</b>	<b>Liability 31 March 2016 £000</b>	<b>Repayments £000</b>	<b>Liability 31 March 2017 £000</b>	<b>Repayments £000</b>	<b>Liability 31 March 2018 £000</b>
Library and Lifelong Learning Centre	<b>12,444</b>	<b>(573)</b>	11,871	<b>(492)</b>	<b>11,379</b>
Sheltered Housing	<b>84,437</b>	<b>(2,336)</b>	82,101	<b>(2,221)</b>	<b>79,880</b>
Gateways to Oldham	<b>61,905</b>	<b>(1,959)</b>	59,946	<b>(2,039)</b>	<b>57,907</b>
Chadderton Wellbeing Centre	<b>8,517</b>	<b>(50)</b>	8,467	<b>(112)</b>	<b>8,355</b>
Street Lighting	<b>21,809</b>	<b>(752)</b>	21,057	<b>(846)</b>	<b>20,211</b>
Schools	<b>43,295</b>	<b>(1,659)</b>	41,636	<b>(355)</b>	<b>41,281</b>
Building Schools for the Future	<b>33,734</b>	<b>(790)</b>	32,944	<b>(785)</b>	<b>32,159</b>
<b>Total</b>	<b>266,141</b>	<b>(8,118)</b>	<b>258,023</b>	<b>(6,850)</b>	<b>251,173</b>



**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
<b>Cost Or Valuation</b>								
As at 31 March 2016	12,147	33,502	17,605	9,052	24,457	44,083	23,263	164,108
Additions	-	34	19	-	-	-	-	53
Revaluations recognised in Revaluation Reserve	1,538	4,467	2,492	880	-	18,652	-	28,029
Revaluations recognised in Surplus/Deficit on Provision of Services	-	1,051	499	-	-	-	-	1,549
<b>As at 31 March 2017</b>	<b>13,685</b>	<b>39,053</b>	<b>20,614</b>	<b>9,932</b>	<b>24,457</b>	<b>62,735</b>	<b>23,263</b>	<b>193,739</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
As at 31 March 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/Defecit on the provision of services	-	(107)	-	-	-	-	-	(107)
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	(130)	-	-	-	-	(130)
<b>As at 31 March 2017</b>	<b>-</b>	<b>3,271</b>	<b>1,173</b>	<b>-</b>	<b>1,737</b>	<b>-</b>	<b>1,531</b>	<b>7,712</b>
<b>Net Book Value at 31 March 2016</b>								
<b>Restated</b>	<b>12,147</b>	<b>31,027</b>	<b>16,559</b>	<b>9,052</b>	<b>23,336</b>	<b>42,130</b>	<b>22,498</b>	<b>156,749</b>
<b>Net Book Value at 31 March 2017</b>	<b>13,685</b>	<b>35,782</b>	<b>19,441</b>	<b>9,932</b>	<b>22,720</b>	<b>62,735</b>	<b>21,732</b>	<b>186,026</b>
<b>Cost Or Valuation</b>								
As at 31 March 2017	13,685	39,053	20,614	9,932	24,457	62,735	23,263	193,739
Additions	-	-	-	-	-	-	-	-
Revaluations recognised in Revaluation Reserve	2,077	1,090	745	1,064	-	8,381	10,967	24,324
Revaluations recognised in Surplus/Deficit on Provision of Services	-	84	-	-	-	-	-	84
Derecognition-disposals	-	-	(68)	-	-	-	-	(68)
<b>As at 31 March 2018</b>	<b>15,762</b>	<b>40,227</b>	<b>21,291</b>	<b>10,996</b>	<b>24,457</b>	<b>71,116</b>	<b>34,230</b>	<b>218,079</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
As at 31 March 2017	-	3,271	1,173	-	1,737	-	1,531	7,712
Depreciation Charge	626	3,954	1,236	465	616	3,309	765	10,971
Depreciation Written out to Revaluation Reserve	(626)	(3,186)	(1,173)	(465)	-	(3,309)	(2,296)	(11,055)
Depreciation written out to the surplus/Defecit on the provision of services	-	(85)	-	-	-	-	-	(85)
<b>As at 31 March 2018</b>	<b>-</b>	<b>3,954</b>	<b>1,236</b>	<b>-</b>	<b>2,353</b>	<b>-</b>	<b>-</b>	<b>7,543</b>
<b>Net Book Value at 31 March 2017</b>	<b>13,685</b>	<b>35,782</b>	<b>19,441</b>	<b>9,932</b>	<b>22,720</b>	<b>62,735</b>	<b>21,732</b>	<b>186,026</b>
<b>Net Book Value at 31 March 2018</b>	<b>15,762</b>	<b>36,273</b>	<b>20,056</b>	<b>10,996</b>	<b>22,103</b>	<b>71,116</b>	<b>34,230</b>	<b>210,536</b>

## 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 2017/18, the Council paid £7.684m (2016/17 £8.258m) to the Teachers Pensions Agency in respect of teachers' retirement benefits, representing 15.52% (2016/17 15.56%) 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.

## 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:

	2016/17 £000	2017/18 £000
<b>Service Cost</b>		
Current service cost	(18,670)	(29,893)
Past service cost (including curtailments)	(1,653)	(327)
<b>Total service cost</b>	<b>(20,323)</b>	<b>(30,220)</b>
<b>Financing and Investment Income and Expenditure</b>		
Interest income on scheme assets	27,537	23,061
Interest cost on defined benefit obligation	(38,565)	(32,423)
<b>Total net interest</b>	<b>(11,028)</b>	<b>(9,362)</b>
<b>Total Post Employment Benefits Charged to the Deficit on the Provision of Services</b>	<b>(31,351)</b>	<b>(39,582)</b>
<b>Remeasurements of the Net Defined Liability Comprising:</b>		
Return on plan assets excluding amounts included in net interest	92,423	5,103
Actuarial losses arising from changes in financial assumptions	(189,635)	23,184
Other experience and actuarial adjustments	78,091	694
<b>Total remeasurements recognised in other Comprehensive Income</b>	<b>(19,121)</b>	<b>28,981</b>
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(50,472)</b>	<b>(10,601)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the deficit on the provision of services	13,583	(5,055)
<b>Employers' Contributions Payable to the Scheme</b>	<b>(17,768)</b>	<b>(44,637)</b>

### 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:

	2016/17 £000	2017/18 £000
Fair value of plan assets	900,979	944,049
Present value of funded liabilities	(1,199,766)	(1,211,222)
Present value of unfunded liabilities	(47,961)	(45,407)
<b>Net Liability Arising From Defined Benefit Obligation</b>	<b>(346,748)</b>	<b>(312,580)</b>

**Reconciliation of the Movements in Fair Value of Scheme Assets**

	2016/17 £000	2017/18 £000
Opening fair value of scheme assets	793,514	900,979
Interest income	27,537	23,061
<b>Remeasurement loss</b>		
Return on plan assets excluding amounts included in net interest	92,423	5,103
Contributions from employer into the scheme	17,768	44,769
Contributions from employees into the scheme	5,012	5,084
Benefits paid	(35,275)	(34,947)
<b>Closing Fair Value of Scheme Assets</b>	<b>900,979</b>	<b>944,049</b>

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)**

	2016/17 £000	2017/18 £000
Opening fair value of scheme liabilities	1,107,558	1,247,727
Current service cost	18,670	29,893
Interest cost	38,565	32,423
Contributions from scheme participants	5,012	5,084
<b>Remeasurement gain</b>		
Actuarial (gains)/losses arising from changes in financial assumptions	189,635	(23,184)
Other experience and actuarial adjustments	(78,091)	(694)
Past service cost	1,653	327
Benefits paid	(35,275)	(34,947)
<b>Closing Fair Value of Scheme Liabilities</b>	<b>1,247,727</b>	<b>1,256,629</b>

## Pension Scheme Assets

	Period Ended 31 March 2017				Period Ended 31 March 2018			
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	% Total of Asset	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	% Total of Asset
<b>Equity Securities</b>								
Consumer	73,231	-	<b>73,231</b>	8%	53,861	-	<b>53,861</b>	6%
Manufacturing	74,985	-	<b>74,985</b>	8%	64,614	-	<b>64,614</b>	7%
Energy and Utilities	59,977	-	<b>59,977</b>	7%	51,163	-	<b>51,163</b>	5%
Financial Institutions	92,107	-	<b>92,107</b>	10%	77,742	-	<b>77,742</b>	8%
Health and Care Information	32,326	-	<b>32,326</b>	4%	24,125	-	<b>24,125</b>	3%
Technology	22,890	-	<b>22,890</b>	3%	15,129	-	<b>15,129</b>	2%
Other	15,348	-	<b>15,348</b>	2%	9,233	-	<b>9,233</b>	1%
<b>Debt Securities</b>								
Corporate Bonds (investment grade)	42,743	-	<b>42,743</b>	5%	34,989	-	<b>34,989</b>	4%
UK Government	11,854	-	<b>11,854</b>	1%	8,179	-	<b>8,179</b>	1%
Other	28,463	-	<b>28,463</b>	3%	26,267	-	<b>26,267</b>	3%
<b>Private Equity</b>								
All	-	25,599	<b>25,599</b>	3%	-	31,587	<b>31,587</b>	3%
<b>Real Estate</b>								
UK Property	-	24,707	<b>24,707</b>	3%	-	32,317	<b>32,317</b>	3%
<b>Investment Funds and Unit Trusts</b>								
Equities	225,570	-	<b>225,570</b>	25%	255,416	-	<b>255,416</b>	27%
Bonds	64,310	-	<b>64,310</b>	7%	122,390	-	<b>122,390</b>	13%
Infrastructure	-	20,773	<b>20,773</b>	2%	-	24,440	<b>24,440</b>	3%
Other	16,157	44,906	<b>61,063</b>	7%	24,857	53,083	<b>77,940</b>	8%
<b>Cash and Cash Equivalents</b>								
All	25,034	-	<b>25,034</b>	3%	34,657	-	<b>34,657</b>	4%
<b>Totals</b>	<b>784,995</b>	<b>115,985</b>	<b>900,980</b>	<b>100%</b>	<b>802,622</b>	<b>141,427</b>	<b>944,049</b>	<b>100%</b>

## 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 2018.

The significant assumptions used by the actuary have been:

	2016/17	2017/18
<b>Mortality assumptions:</b>		
<b>Longevity at 65 for current pensioners:</b>		
men	21.5	21.5
women	24.1	24.1
<b>Longevity at 65 for future pensioners:</b>		
men	23.7	23.7
women	26.2	26.2
Rate of inflation	2.40%	2.40%
Rate of increase in salaries	2.50%	2.50%
Rate of increase in pensions	2.40%	2.40%
Rate for discounting scheme liabilities	2.60%	2.70%

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 2016/17.

Change in Assumptions at 31 March 2018	Approximate % Increase to Employee Liability	Approximate Monetary Amount £000
0.5% decrease in real discount rate	10%	120,605
0.5% increase in the salary increase rate	1%	15,357
0.5% increase in the pension increase rate	8%	104,005

### 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 2020.

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

In April 2017 the Council made an upfront payment of £41.544m to the Greater Manchester Pension Fund (GMPF) for the Council's employer contributions relating to the full triennial period 2017/18 to 2019/20.

The upfront payment allowed the Council to generate corporate savings as result of a lower employer contribution rate than would have otherwise been calculated. This reduced employer contribution rate was achievable based on the fact that upfront funds received by the GMPF were immediately being used to generate investment returns. Based on the calculations supporting the upfront payment the Council anticipates “notional” contributions to the scheme in 2018/19 of £13.848m (£41.544m split equally across 3 years).

**31. Cash Flow Statement – Operating Activities**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:	Reclassified 2016/17 £000	2017/18 £000
Depreciation	30,027	33,267
Impairment and downward valuations	34,305	437
Amortisation	1,192	1,421
Increase/(decrease) in creditors	369	692
(Increase)/decrease in debtors	(4,851)	(5,511)
(Increase)/decrease in inventories	(47)	92
Movement in pension liability	13,583	(5,187)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	35,345	12,686
Other non-cash items charged to the net surplus or deficit on the provision of services	889	3,798
	<b>110,812</b>	<b>41,695</b>
The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,403)	(9,194)
Any other items for which the cash effects are investing or financing cash flows	(23,905)	(33,632)
	<b>(30,308)</b>	<b>(42,826)</b>
The cash flows for operating activities include the following items:		
Interest received	1,648	1,422
Interest paid	(29,171)	(28,661)
Dividends received	4,275	5,670
	<b>(23,248)</b>	<b>(21,569)</b>

### 32. Cash Flow Statement – Investing Activities

	Reclassified 2016/17 £000	2017/18 £000
Purchase of property, plant and equipment, investment property and intangible assets	(41,550)	(21,151)
Purchase of short-term and long-term investments	(34,515)	(52,500)
Other payments for investing activities	(567)	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,301	11,274
Proceeds from short-term and long-term investments	57,000	49,000
Other receipts from investing activities	21,997	34,461
<b>Net cash flows from investing activities</b>	<b>8,666</b>	<b>21,084</b>

### 33. Cash Flow Statement – Financing Activities

	Reclassified 2016/17 £000	2017/18 £000
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(8,445)	(7,150)
Repayments of short-term and long-term borrowing	(1,160)	(984)
Other payments for financing activities	3,797	(5,069)
<b>Net cash flows from financing activities</b>	<b>(5,808)</b>	<b>(13,203)</b>

### 34. Accounting Policies

#### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. 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 2017/18 (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.

Unless otherwise stated the convention used in this document is to round to amounts to the nearest thousand pounds. All totals are the rounded totals of unrounded figures and, therefore, may not be the strict sums of the figures presented in the text or tables. Throughout the Statements all credit balances are shown with parentheses e.g. (£1,234).



## 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 Directorate 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 Directorate line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant Directorate 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).

Depreciation 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's 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 Accumulated Absence 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 current accounting year. 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 Directorate 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 Directorate 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 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.

Certain reserves are held to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council. These reserves are further explained in the relevant policies.

### **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 principal 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 accordance 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 which has the nature of a subsidiary and therefore group accounts have been prepared. In the Council's single-entity accounts the Council's interest in companies and other entities 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. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years. Accounting changes that are introduced in the 2018/19 code are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

For 2018/19 it is anticipated that the introduction of IFRS 9 - Financial Instruments may have a material impact on the Council's core financial statements. IFRS 9 has changed the accounting for local authority investment and the new standard will introduce a new model for financial assets including new classifications. In accordance with the aims of the standard, fair value gains and losses should be reported transparently and fairly that are consistent with all other accounting entities in the UK and overseas.

Under IFRS 9 the Council has financial assets which may be measured at fair value through profit and loss unless it is classed as either financial assets measured at amortised cost or at fair value through other comprehensive income and expenditure. Changes in the value of financial assets measured at fair value through profit and loss have an effect on the Council's income and expenditure and the Council's usable reserves. The Council has a small number of investments that are likely to fall into this category.

However, the Council can make an irrevocable decision at initial recognition to designate particular investments as fair value through other comprehensive income and expenditure so subsequent changes in value do not affect the Council's usable reserves. An assessment of the Council's investments will be made during the 2018/19 financial year.

One of the other main features of IFRS 9 is the change in the impairment loss model for financial assets from one based on incurred losses to one based on expected (credit) losses. This is not expected to have a material impact on the Council. There will be no impact on the group financial statements over and above the impact on the single entity statements. The Code requires implementation from 1 April 2018 and there is therefore no impact on the 2017/18 Statement of Accounts.

The other changes introduced by the 2018/19 Code are not expected to have a material impact on the Council.

### 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.

### Upfront pension payment

The Council is liable to make contributions towards the cost of post-employment benefits. For the 3 year period 2017/18 – 2019/20 the Council has agreed with the Greater Manchester Pension Fund (GMPF) that the employer contributions payable to the Local Government Pension Scheme (LGPS) can be paid as a single up-front payment. Subsequently, on 13 April 2017 the Council paid £41.544m based on an estimated pensionable payroll of £72.000m per annum in order to make a budget saving. In line with the Council's accounting policies the amount relating to 2017/18 has been accounted for in year, the amounts relating to 2018/19 and 2019/20 have been offset against the pension liability in the balance sheet. The pension reserve will be aligned with the pension liability in 2019/20 as the up-front payment arrangements are accounted for. For further details see Note 30 Defined Benefit Pension Schemes.

### 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	33	1	1	35
Voluntary Controlled (VC)	5	-	-	5
Voluntary Aided (VA)	29	1	-	30
Foundation/Foundation Trust	1	2	-	3
<b>Maintained Schools</b>	<b>68</b>	<b>4</b>	<b>1</b>	<b>73</b>
Academies	17	8	4	29
<b>Total</b>	<b>85</b>	<b>12</b>	<b>5</b>	<b>102</b>

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, one is a Foundation Trust school and the remaining school is an Academy. Whilst the land which the buildings are sited on has been transferred to the respective Diocese, Trust and Academy, 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. Four 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.

### **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 2017/18 the Council will continue to produce group accounts and will consolidate its subsidiary, Miocare Group Community Interest Company (Miocare).

Miocare is the only body consolidated within the group accounts for 2017/18. 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

Following the introduction of the Business Rates Retention Scheme in April 2013, Local Authorities are liable for a share of the cost of successful appeals by businesses against their rateable value in 2017/18 and earlier financial years. A provision has therefore been recognised in the statement of accounts. The provision estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date. The Council's share of the balance of business rate appeals provisions at 31 March 2018 was £6.994m.

### Debt Impairment

At 31 March 2018 the Council had a gross debtors balance of £76.767m. A review of significant balances suggested that an impairment of doubtful debts of £33.584m was appropriate leaving a net total of £43.183m. 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 Airport Holdings Limited (MAHL)

The Council's shareholding in Manchester Airport Holdings Limited (MAHL) is 3.22% as at 31 March 2018. 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 has been engaged by the Council to provide an independent valuation which includes reviewing the financial performance, stability and business assumptions of MAHL. 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 2018 the Council's valuers advised of an increase of £8.200m in the fair value Council share from £43.700m to £51.900m 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 about the assumptions to be applied.

During 2017/18 the Council's actuaries advised that the net pension liability had reduced by £34.168m to £312.580m. This comprises:

- £28.981m actuarial gain
- £5.187m gain arising from employer contributions of £44.769m being more than the pension obligations of £39.582m.

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 £120.605m. A 0.5% increase in the assumed salary increase rate would result in a £15.357m increase in the pension liability and an increase of 0.5% in the assumed pension rate would increase the pension liability by £104.005m.

### 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 2018 the balance of short term insurance provisions held amounted to £4.305m this has decreased by £2.188m from the previous year. Long term insurance provisions total £12.213m.

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 30 April 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events after the Balance Sheet date.

#### 4.0 Supplementary Financial Statements and Explanatory Notes

#### 4.1 Housing Revenue Account

#### 4.1.1 Housing Revenue Account Income and Expenditure Statement

HRA Income and Expenditure Statement	2016/17 £000	2017/18 £000
<b>Expenditure</b>		
Repairs and Maintenance	2,837	2,997
Supervision and Management	3,611	3,820
Rent, rates, taxes and other charges	3,158	2,759
Depreciation, impairment and revaluation losses of non-current assets	2,813	4,943
Debt management costs	145	145
Movement for the allowance of bad debts	-	30
<b>Total Expenditure</b>	<b>12,564</b>	<b>14,694</b>
<b>Income</b>		
Dwellings rents	(7,871)	(7,937)
Non-dwelling rents	(40)	(39)
Charges for services and facilities	(1,457)	(969)
Contributions towards expenditure	(55)	(315)
PFI Credits receivable	(18,799)	(18,799)
<b>Total Income</b>	<b>(28,222)</b>	<b>(28,059)</b>
<b>Net Surplus relating to HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(15,657)</b>	<b>(13,365)</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
Gain on sale of HRA non-current assets	(1)	(101)
Interest payable and similar charges	11,882	11,627
HRA Interest and investment income	(97)	(163)
<b>Surplus for the year on HRA Services</b>	<b>(3,873)</b>	<b>(2,002)</b>

#### 4.1.2 Statement of Movement in the Housing Revenue Account

Movement on the HRA Statement	2016/17 £000	2017/18 £000
Opening Balance	(17,284)	(18,366)
Surplus for the year on the HRA Income and Expenditure Statement	(3,873)	(2,002)
Adjustments between accounting basis and funding basis under statute	2,791	207
Increase in the HRA Balance	(1,082)	(1,795)
<b>Closing Balance</b>	<b>(18,366)</b>	<b>(20,162)</b>

Note to Movement on the HRA Statement	2016/17 £000	2017/18 £000
<b>Analysis of adjustments between accounting basis and funding basis under statute</b>		
Depreciation, impairment and revaluation losses of non-current assets	(2,813)	(4,951)
Minimum Revenue Provision	4,295	4,260
Gain or loss on sale of HRA fixed assets	1	109
Capital Expenditure funded by the HRA	1,267	744
Transfer to Major Repairs Reserve	41	44
<b>Net Adjustment</b>	<b>2,791</b>	<b>207</b>

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.

#### Note on the preparation of the Housing Revenue Account

The Council has followed the guidance in the CIPFA Code of Practice on Local Authority Accounting 2017/18 and the CIPFA Bulletin 01 Closure of the 2017/18 Financial Statements issued in February 2018 for the production of its 2017/18 Statement of Accounts. However there is one area where, in order to achieve a true and fair view, the Council has departed from the guidance this is discussed below.

From 2017/18 the transitional arrangements which allowed for the reversal of the depreciation charge from the Housing Revenue Account (HRA) came to an end. The new Item 8 Determination issued by the Ministry of Housing, Communities and Local Government (formerly the Department for Communities and Local Government) on 24 January 2017 confirms that depreciation should be charged to the HRA in accordance with proper accounting practices. Therefore from 2017/18 a charge equal to depreciation should be made to the HRA and passed to the Major Repairs Reserve (MRR) for the purpose of future repairs and maintenance.

However as all Council HRA dwellings are covered by Private Finance Initiative (PFI) contracts (until 2036), any future repairs and maintenance are already included within the unitary charge the Council pays on PFI schemes. The Council will therefore have no need to build up a MRR and the HRA would, in effect, be charged twice for repairs and maintenance of dwellings. If the Council began to charge the HRA with depreciation (without reversal) the HRA would quickly fall into deficit and build up a significant MRR that would not be required.

The financial impact of the accounting treatment prescribed by CIPFA is shown in the table below.

	Current 2017/18 Balance £000	Adjustment for new Item 8 Determination £000	Adjusted 2017/18 Balance £000
Housing Revenue Account	(20,162)	5,234	(14,928)
Major Repairs Reserve	(566)	(5,234)	(5,800)

Complying with the requirement would put the HRA business plan into deficit year on year and put the HRA reserve into a negative balance after a number of years, neither of which is permitted.

The Council has continued with the accounting treatment previously permitted under the transitional arrangements and has reversed the depreciation charge from the HRA to the Capital Adjustment Account.

Management have concluded that the financial statements present a true and fair view of the Council's financial position, financial performance and cash flows, the Council have complied with the CIPFA Code of Practice in all areas except that which is described above.

#### 4.1.3 Explanatory Notes to the Housing Revenue Account

##### H1. Housing Stock – Numbers

At 31 March 2018, the Council had a total housing stock of 2,063 dwellings. This was made up of 1,229 Houses and Bungalows, and 834 Flats and Maisonettes.

The Balance Sheet value of HRA assets was as follows:

	31 March 2017 £000	31 March 2018 £000
Dwellings	62,716	70,087
Other Operational Property	894	1,569
Plant and Machinery	273	961
<b>Total</b>	<b>63,883</b>	<b>72,617</b>

The Vacant Possession Dwellings valuation is £175.218m as at 31 March 2018. 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

Depreciation and impairment of Property, Plant and Equipment is shown below.

Depreciation	Operational Assets £000
Balance at 1 April 2017	4,504
Depreciation written off during the year	(4,467)
Depreciation during the year	5,278
<b>Balance at 31 March 2018</b>	<b>5,315</b>

The HRA assets are subject to an annual revaluation programme, as a result any impairments are written off against the revised revaluation and reflected in the gross value, there were no impairments identified as part of the 2017/18 revaluation programme.

4.2 Collection Fund

4.2.1 Collection Fund Statement

2016/17 Total £000		2017/18 Council Tax £000	2017/18 Business Rates £000	2017/18 Total £000	Note
	<b>Income</b>				
(93,637)	Council Tax Payers	(98,454)	-	(98,454)	C2
(58,810)	Income from Business Ratepayers	-	(60,019)	(60,019)	C3
<b>(152,448)</b>		<b>(98,454)</b>	<b>(60,019)</b>	<b>(158,473)</b>	
	<b>Expenditure</b>				
	Precepts:				
78,833	- Oldham Council	82,731		82,731	
8,558	- Greater Manchester Police and Crime Commissioner	8,911		8,911	
3,198	- Greater Manchester Fire and Rescue Authority	3,292		3,292	
	Release of Council Tax Surplus:				
2,956	- Oldham Council	-		-	
322	- Greater Manchester Police and Crime Commissioner	-		-	
122	- Greater Manchester Fire and Rescue Authority	-		-	
	Business Rates:				
29,048	- Payments to Oldham Council		53,526	53,526	C1
593	- Greater Manchester Fire and Rescue Authority		541	541	
29,641	- Payments to Central Government		-	-	
	Payments relating to Business Rates Deficit:				
(2,760)	- Payments from Oldham Council		-	-	
(56)	- Greater Manchester Fire and Rescue Authority		-	-	
(2,816)	- Payments from Central Government		-	-	
311	Cost of Collection	-	308	308	
1,126	Transitional Protection Payments Due for the Year	-	3,214	3,214	
1,868	Provision for bad and doubtful debt	2,523	305	2,828	
1,334	Write Offs	115	1,435	1,550	
572	Provision for appeals	-	(615)	(615)	
<b>152,850</b>		<b>97,571</b>	<b>58,713</b>	<b>156,285</b>	
<b>402</b>	<b>Deficit/(Surplus) for the year</b>	<b>(883)</b>	<b>(1,306)</b>	<b>(2,188)</b>	
	<b>Collection Fund Balance</b>				
1,152	Balance brought forward at 1 April	(1,093)	2,647	1,554	
402	Deficit/(Surplus) for the year	(883)	(1,306)	(2,189)	
<b>1,554</b>	<b>Balance carried forward at 31 March</b>	<b>(1,976)</b>	<b>1,341</b>	<b>(635)</b>	
	<b>Allocated to:</b>				
345	- Oldham Council	(1,713)	5	(1,708)	
(103)	- Greater Manchester Police and Crime Commissioner	(190)	-	(190)	
(11)	- Greater Manchester Fire and Rescue Authority	(74)	13	(61)	
1,324	- Central Government	-	1,324	1,324	
<b>1,554</b>		<b>(1,977)</b>	<b>1,342</b>	<b>(635)</b>	

## 4.2.2 Explanatory Notes to the Collection Fund

### C1. General

The Council is statutorily required to maintain a separate agency Collection Fund account into which all transactions relating to the collection of Business rates and Council Tax income from taxpayers and distribution to Local Government bodies and Central Government are made. 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 as at the 1 April 2017 the Council Tax precepting bodies were the Police and Crime Commissioner for Greater Manchester (PCCGM) and the Greater Manchester Fire and Rescue Authority (GMFRA), however following the election of the Mayor of Greater Manchester the functions of both bodies transferred to the Greater Manchester Combined Authority (GMCA) with effect from 8 May 2017.

Business rates surpluses or deficits are distributed in accordance with the relevant proportions set out in the localised business rate regulations. In 2017/18 Oldham Council became a member of the Greater Manchester 100% Business Rates Retention pilot. As a result of this membership in 2017/18 the Oldham Council share was 99% with the remainder paid to the GMCA for precept relating to Fire Services (1% share).

### C2. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 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 2017/18 was 54,905 (54,406 in 2016/17). 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 2017/18 was approved at the Cabinet meeting on 23 January 2017 and was calculated as follows:

Band	Chargeable Dwellings	Proportion of Band D Tax	Equivalent Band D Dwellings
A Reduced	118	5/9	66
A	43,361	6/9	28,907
B	15,339	7/9	11,930
C	14,603	8/9	12,980
D	6,285	9/9	6,285
E	3,060	11/9	3,740
F	1,449	13/9	2,093
G	812	15/9	1,354
H	50	18/9	100
Net effect of premiums and discounts			(10,787)
Tax Base before adjustment for collection rate			56,668
Estimated collection rate			96.89%
<b>Tax Base for the Calculation of Council Tax</b>			<b>54,905</b>

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 2017/18 was £98.454m (£93.637m 2016/17).

### **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 2017/18, the total non-domestic rateable value at 31 March 2018 is £158.183m (£159.402m in 2016/17). The national multipliers for 2017/18 were 46.6p for qualifying Small Businesses, and the standard multiplier being 47.9p for all other businesses (48.4p and 49.7p respectively in 2016/17).



## 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 (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.

2016/17				2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
303,021	(209,444)	93,577	Economy, Skills and Neighbourhoods	282,023	(209,882)	72,141
161,362	(58,613)	102,749	Health and Wellbeing	164,912	(38,347)	126,565
91,832	(86,631)	5,201	Corporate and Commercial Services	80,899	(75,614)	5,285
3,625	(837)	2,788	Chief Executive	3,411	(1,019)	2,392
3,835	(919)	2,916	Capital, Treasury and Technical Accounting	3,681	(4,280)	(599)
5,277	-	5,277	Corporate and Democratic Core	6,087	-	6,087
59	-	59	Central Services	49	-	49
12,564	(28,221)	(15,657)	Housing Revenue Account	14,693	(28,058)	(13,365)
<b>581,575</b>	<b>(384,665)</b>	<b>196,910</b>	<b>Cost of Services</b>	<b>555,755</b>	<b>(357,200)</b>	<b>198,555</b>
			Other Operating Expenditure			
246			Parish Council precepts	257		
			Payments to Housing capital receipts to government pool	56		
33,556			Levies	34,326		
1,703			(Gains)/losses on the disposal of non-current assets	(1,947)		
		<b>35,505</b>	<b>Total Other Operating Expenditure</b>			<b>32,692</b>
		59,543	Financing and Investment Income and Expenditure			35,330
		(223,758)	Taxation and Non-Specific Grant Income			(257,415)
		<b>68,200</b>	<b>Deficit on Provision of Services</b>			<b>9,163</b>
		13	Tax expense of Subsidiaries			(239)
		<b>68,213</b>	<b>Group Deficit</b>			<b>8,924</b>
		(78,116)	Other Comprehensive Income and Expenditure			
		1,321	Revaluation gains on non-current assets			(76,774)
		(3,833)	Impairment losses on non-current assets			906
		28,022	Surplus on revaluation of available for sale financial assets			(7,998)
		(1,513)	Remeasurement of the net defined benefit liability			(45,807)
		(54,119)	Deferred Tax relating to pension scheme			2,860
		<b>14,094</b>	<b>Total Other Comprehensive Income and Expenditure</b>			<b>(126,813)</b>
			<b>Total Comprehensive Income and Expenditure</b>			<b>(117,890)</b>

## 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.

2017/18	General fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	HRA	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	(14,744)	(94,838)	(109,582)	(18,366)	(4,164)	(522)	(16,056)	(148,690)	78,244	(70,446)	14,506	(55,940)
Movement in reserves during 2017/18			-									
Total Comprehensive Income and Expenditure	(2,094)	-	(2,094)	(2,002)	-	-	-	(4,096)	(112,847)	(116,943)	(944)	(117,888)
Adjustments Between Group Accounts and Authority Accounts	12,001	-	12,001	-	-	-	-	12,001	-	12,001	(12,001)	-
<b>Net (Increase)/Decrease before transfers</b>	<b>9,907</b>	<b>-</b>	<b>9,907</b>	<b>(2,002)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,904</b>	<b>(112,847)</b>	<b>(104,943)</b>	<b>(12,945)</b>	<b>(117,888)</b>
Adjustments Between Accounting Basis and Funding Basis under regulations	(6,321)	-	(6,321)	207	(4,583)	(44)	(22,811)	(33,553)	33,553	-	-	-
<b>Net (Increase)/Decrease before transfers to Earmarked Reserves</b>	<b>3,586</b>	<b>-</b>	<b>3,586</b>	<b>(1,795)</b>	<b>(4,583)</b>	<b>(44)</b>	<b>(22,811)</b>	<b>(25,649)</b>	<b>(79,294)</b>	<b>(104,943)</b>	<b>(12,945)</b>	<b>(117,888)</b>
Transfers To/(From) Earmarked Reserves	(2,833)	2,833	-	-	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in year</b>	<b>753</b>	<b>2,833</b>	<b>3,586</b>	<b>(1,795)</b>	<b>(4,583)</b>	<b>(44)</b>	<b>(22,811)</b>	<b>(25,649)</b>	<b>(79,294)</b>	<b>(104,943)</b>	<b>(12,945)</b>	<b>(117,888)</b>
<b>Balance at 31 March</b>	<b>(13,991)</b>	<b>(92,005)</b>	<b>(105,996)</b>	<b>(20,162)</b>	<b>(8,747)</b>	<b>(566)</b>	<b>(38,867)</b>	<b>(174,339)</b>	<b>(1,050)</b>	<b>(175,389)</b>	<b>1,561</b>	<b>(173,827)</b>

2016/17	General fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	HRA	Usable Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Unusable 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)	-
<b>Net (Increase)/Decrease before transfers</b>	<b>71,560</b>	<b>-</b>	<b>71,560</b>	<b>(3,873)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,686</b>	<b>(61,507)</b>	<b>6,179</b>	<b>7,914</b>	<b>14,094</b>
Adjustments Between Accounting Basis and Funding Basis under regulations	(55,113)	-	(55,113)	2,791	2,479	(41)	(6,602)	(56,486)	56,486	-	-	-
<b>Net (Increase)/Decrease before transfers to Earmarked Reserves</b>	<b>16,446</b>	<b>-</b>	<b>16,446</b>	<b>(1,082)</b>	<b>2,479</b>	<b>(41)</b>	<b>(6,602)</b>	<b>11,200</b>	<b>(5,021)</b>	<b>6,179</b>	<b>7,914</b>	<b>14,094</b>
Transfers To/(From) Earmarked Reserves	(12,643)	12,643	-	-	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in year</b>	<b>3,803</b>	<b>12,643</b>	<b>16,446</b>	<b>(1,082)</b>	<b>2,479</b>	<b>(41)</b>	<b>(6,602)</b>	<b>11,200</b>	<b>(5,021)</b>	<b>6,179</b>	<b>7,914</b>	<b>14,094</b>
<b>Balance at 31 March</b>	<b>(14,744)</b>	<b>(94,838)</b>	<b>(109,582)</b>	<b>(18,366)</b>	<b>(4,164)</b>	<b>(522)</b>	<b>(16,056)</b>	<b>(148,690)</b>	<b>78,244</b>	<b>(70,446)</b>	<b>14,506</b>	<b>(55,939)</b>

### 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 2017 £000		31 March 2018 £000
708,661	Property, Plant and Equipment	754,633
19,783	Heritage Assets	19,783
16,138	Investment Property	15,749
4,362	Intangible Assets	4,136
50,644	Long Term Investments	68,642
13,970	Long Term Debtors	9,822
<b>813,558</b>	<b>Long Term Assets</b>	<b>872,765</b>
19,613	Short Term Investments	13,166
680	Inventories	588
34,336	Short Term Debtors	43,559
44,996	Cash and Cash Equivalents	43,803
4,799	Assets Held For Sale (Less than one year)	7,785
<b>104,424</b>	<b>Current Assets</b>	<b>108,902</b>
(1,685)	Short Term Borrowing	(1,668)
(53,222)	Short Term Creditors	(52,308)
(14,672)	Short Term Provisions	(17,051)
	Short Term Liabilities	
(6,849)	- Private Finance Initiatives	(8,970)
(254)	- Finance Leases	(247)
(961)	- Transferred Debt	(1,009)
<b>(77,643)</b>	<b>Current Liabilities</b>	<b>(81,253)</b>
(14,336)	Long Term Provisions	(16,079)
(148,389)	Long Term Borrowing	(148,381)
	Other Long Term Liabilities	
(364,680)	- Pension Liabilities*	(314,978)
(251,173)	- Private Finance Initiatives	(242,203)
(311)	- Finance Leases	(304)
(4,400)	- Transferred Debt	(3,383)
(17)	- Deferred Credits	(17)
(1,094)	Capital Grants Receipts In Advance	(1,242)
<b>(784,400)</b>	<b>Long Term Liabilities</b>	<b>(726,587)</b>
<b>55,939</b>	<b>Net Assets</b>	<b>173,827</b>
(134,183)	Usable Reserves	(172,778)
78,244	Unusable Reserves	(1,050)
<b>(55,939)</b>	<b>Total Reserves</b>	<b>(173,827)</b>

\* 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.

	Reclassified* 2016/17 £000	2017/18 £000
Net surplus or (deficit) on the provision of services	(68,211)	(8,923)
Adjustment to surplus or deficit on the provision of services for non-cash movements	111,145	42,675
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(30,308)	(42,826)
<b>Net cash flows from operating activities</b>	<b>12,626</b>	<b>(9,074)</b>
Net Cash flows from Investing Activities	8,666	21,084
Net Cash flows from Financing Activities	(5,808)	(13,203)
<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>15,484</b>	<b>(1,193)</b>
Cash and cash equivalents at the beginning of the reporting period	29,512	44,996
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>44,996</b>	<b>43,803</b>

\*There has been a reclassification of debtor and creditor balances between operating, investing and financing activities for 2016/17. This has not resulted in a restatement of year end balances.

## 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.

In the preparation of the Group Statements the Council has assessed whether the subsidiary has made any material transactions between the subsidiary balance sheet date and the Council's. If any such transactions are deemed to have occurred the subsidiary financial statements will be adjusted to reflect the changes before 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 2017/18 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 2017 have been summarised below, with comparator figures for the previous reporting period.

	Year ended 31 December 2016 £000	Year ended 31 December 2017 £000
Net Assets	(14,507)	(1,561)
Deficit - before tax	(512)	(1,259)
Deficit - after tax	(525)	(1,020)

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.

	2016/17 £000	2017/18 £000
<b>Service Cost</b>		
Current service cost	(19,983)	(31,657)
Past service cost (including curtailments)	(1,732)	(368)
<b>Total service cost</b>	<b>(21,715)</b>	<b>(32,025)</b>
<b>Financing and Investment Income and Expenditure</b>		
Interest income on scheme assets	28,642	24,041
Interest cost on defined benefit obligation	(40,002)	(33,915)
<b>Total net interest</b>	<b>(11,360)</b>	<b>(9,874)</b>
<b>Total Post Employment Benefits Charged to the Deficit on the Provision of Services</b>	<b>(33,075)</b>	<b>(41,899)</b>
<b>Remeasurements of the Net Defined Liability Comprising:</b>		
Return on plan assets excluding amounts included in net interest	96,946	14,398
Actuarial gains/(losses) arising from changes in financial assumptions	(203,044)	22,459
Other	78,076	8,950
<b>Total remeasurements recognised in other comprehensive income</b>	<b>(28,022)</b>	<b>45,807</b>
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(61,097)</b>	<b>3,908</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the deficit on the provision of services	14,265	3,763
<b>Employers' Contributions Payable to the Scheme</b>	<b>(18,810)</b>	<b>(38,136)</b>



### 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:

	2016/17 £000	2017/18 £000
Fair value of plan assets	935,471	989,855
Present value of funded liabilities	(1,252,190)	(1,259,426)
Present value of unfunded liabilities	(47,961)	(45,407)
<b>Net Liability Arising From Defined Benefit Obligation</b>	<b>(364,680)</b>	<b>(314,978)</b>

### Reconciliation of the Movements in Fair Value of Scheme Assets

	2016/17 £000	2017/18 £000
Opening fair value of scheme assets	821,312	935,471
Interest income	28,642	24,041
<b>Remeasurement loss</b>		
Return on plan assets excluding amounts included in net interest	96,946	14,398
Contributions from employer	18,810	45,794
Contributions from employees into the scheme	5,351	5,407
Benefits paid	(35,590)	(35,256)
<b>Closing Fair Value of Scheme Assets</b>	<b>935,471</b>	<b>989,855</b>

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

	2016/17 £000	2017/18 £000
Opening fair value of scheme liabilities	1,143,705	1,300,151
Current service cost	19,983	31,657
Interest cost	40,002	33,915
Contributions from scheme participants	5,351	5,407
<b>Remeasurement gain</b>		
Actuarial losses arising from changes in financial assumptions	203,792	(22,201)
Other	(78,824)	(9,208)
Past service cost	1,732	368
Benefits paid	(35,590)	(35,256)
<b>Closing Fair Value of Scheme Assets</b>	<b>1,300,151</b>	<b>1,304,833</b>

**Pension Scheme Assets**

	31 March 2017	31 March 2018
Equities	647,211	614,018
Bonds	152,544	199,154
Property	108,612	137,445
Cash	27,104	39,238
Derivatives	-	-
<b>Total</b>	<b>935,471</b>	<b>989,855</b>

**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 2017 for Miocare and 31 March 2018 for Oldham Council.

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

Miocare Services CIC	2016/17	2017/18
<b>Mortality assumptions:</b>		
<b>Longevity at 65 for current pensioners:</b>		
men	21.4	21.5
women	24.0	24.1
<b>Longevity at 65 for future pensioners:</b>		
men	24.0	23.7
women	26.6	26.2
Rate of inflation		
Rate of increase in salaries	3.80%	3.20%
Rate of increase in pensions	2.50%	2.40%
Rate for discounting scheme liabilities	2.80%	2.50%

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 2016.

<b>Miocare Group CIC Change in Assumptions at 31 December 2017</b>	<b>Approximate % Increase to Employee Liability</b>	<b>Approximate Monetary Amount £000</b>
0.5% decrease in real discount rate	12%	5,798
0.5% increase in the salary increase rate	3%	1,472
0.5% increase in the pension increase rate	9%	4,196

The significant assumptions used to assess the Council's Pension scheme assets and liabilities can be found in Note 30, along with an associated sensitivity analysis.

## 6.0 Annual Governance Statement 2017/18

### 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 (England and Wales) 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 the Statements of Account before they approve 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 (the designated Section 151 officer) attends the Executive Management Team for any items considered to require 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 2018/19 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, values and behaviours, 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<sup>st</sup> March 2018 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 both the Oldham Plan and the Corporate Plan which is aligned to establish a clear link between; Local, Central Government and Greater Manchester priorities including devolution of health. It establishes the Council priorities developed in partnership with key partners, the local community and core business of the Council. The Council endorsed this approach in July 2017. It is a collective action statement covering the period 2017/2022 and sets out the areas will add the most value as a partnership to achieve the ambition for Oldham to be a productive and co-operative place with healthy, aspirational and sustainable communities.

The Oldham Plan is based around the Oldham Model – three change platforms enabled and complemented by public service reform and empowering communities. These are

### **Inclusive Economy**

The vision is for Oldham to become Greater Manchester's Inclusive Economy capital by making significant progress in living standards, wages and skills for everyone.

### **Thriving Communities**

The vision is for people and communities to have the power to be healthy, happy and able to make positive choices and both offer and access insightful and responsive support when required.

## **Co-operative Services**

The vision is to collaborate, integrate and innovate to improve outcomes for residents and create the most effective and seamless services in Greater Manchester.

### **Co-operative Council in a Co-operative Borough**

Oldham has been a Co-operative Council since 2011 and the Council continues its commitment to delivering a co-operative future where everybody does their bit and everyone benefits. This is achieved by a real commitment to change and work closely with residents, partners and our wider communities to create a confident and ambitious Borough.

The Corporate Plan sets out how everyone can do their bit to support service delivery of the ambitions and outcomes:

**#our bit** is what Oldham Council is doing or contributing to improve something.

**#your bit** is how local people, businesses and partners are helping to make change happen.

The **#result** is how we are all benefiting from working together.

The ethos of the Co-operative Council sets the framework for key Council strategies.

### **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:

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#### **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 and dealt with in a proportionate 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 which meets when required to discuss appropriate matters. Any matters for Investigation supported by 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. This 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 is encouraged to produce an annual report which is then published on the Council's webpages.

The Council's has a clear set of values and behaviours which are shared Borough-wide with residents, partners and businesses. Internally these values and behaviours have been converted into five co-operative behaviours which outline the priority focus for staff at all levels. By living these values and behaviours it delivers real change so the Council can meet its vision of building a co-operative Borough.

Staff are assisted in this aspect by the Corporate Personal Performance Framework which has the corporate values of the Authority, such as those linked into the cooperative ethos, 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 gives staff the time and support to volunteer to do their bit.

The agreed Procurement Policy focuses on procurement activity which has the aim of ensuring the optimum balance between cost, quality and local service value, whilst also ensuring that any significant commercial risks are identified and mitigated at the commissioning stage.

The policy ensures value for money and social value outputs are measured in an integrated way, in order to support the Council's co-operative agenda. In this way, the Council ensures it secures the greatest social, economic and environmental benefit from the Council's purchasing power.

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 turning 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 which is now in its second year of operation 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). From the beginning of April 2018, the Council's Chief Executive became the Accountable Officer for the Clinical Commissioning Group in the Locality. The Executive Management structure is likely to be subject to further review as the Integration with health develops for the locality in 2018/19. Cabinet portfolios are assigned on a functional basis rather than by directorate and subject to appropriate officer support. Shadow Cabinet Members also meet with support officers 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 2018/19 budget, alternative proposals were presented and subject to Scrutiny.

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 for Computer Audit, and achieved compliance with Public Sector Internal Audit Standards as evidenced by the Independent External Review of the service, undertaken in 2017/18. The Head of Corporate Governance (Oldham Council) has direct access to all of EMT, SLT and all Members and has utilised this when appropriate.

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. If there are fundamental failures in internal control these are subject to investigation.

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 to appoint 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 any serious allegations into Members misconduct.

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### **Principle B. Ensuring openness and comprehensive stakeholder engagement**

The Authority at the Council meeting in July 2017 agreed 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 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. The Leader of the Council is a constituent member of the GMCA providing Leadership on Equality, Fairness and Inclusion across the conurbation.

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 & Standards Committees. These quarterly reports focus by exception and set out 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 the Organisational Development Team.

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 including companies where the Authorities are key shareholders.

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

In order to ensure its message is effectively communicated to its citizens the Council's 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. This was redesigned in 2017 and has received good reviews since its launch in January 2018.

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.

The Authority has spent its resources within the overall agreed budget for the financial year 2017/18. Consideration and approval by the Authority of its future budget for 2018/19 took place at its 28 February 2018 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 and a 1.99% increase for other services. The Councils Efficiency Plan which effectively planned year on year reductions to budgets arising from service transformation was initially agreed by Cabinet on 19 September 2016 and is now in the process of being delivered. This underpins the regular update of the Medium Term Financial Strategy of the Council to support the budget process. To support the financial resilience of the Authority, the Council holds reserves which are managed by reference to the approved Reserves Policy. This policy is regularly updated and has been amended which facilitates one off financial support to be provided to enable the transformation of both the Council and the Locality with implementation in a managed manner. The overall financial strategy enabled Council Tax rises to

be set at a level which balances the needs of the Council with affordability to residents. It has also enabled the Council to manage an unforeseen loss of grant in the 2018/19 Budget.

Appropriate consultation is considered in the production and design of the detailed Authority Strategies which aim to deliver appropriate co-operative solutions to benefit both present and future generations. The Get Oldham Working Initiative is now in Phase 2 and has helped to create around 7,250 work-related opportunities. This led to the development of the Oldham Work and Skills Strategy which has 4 strategic goals to support the Council's co-operative vision.

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

The Corporate Plan supported by individual Service Business Plans, the work of GMCA and the Oldham Locality Plan sets out the immediate and long term vision of the Council. The 2017/18 budget delivered within the agreed Resource Allocation supported this strategy as does the 2018/19 budget. The resources available to the Council are deployed to continue to improve performance and reflects the agreed Co-operative Council in a Co-operative Borough priorities 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. In advance of 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 and specific Risk Registers on key initiatives;
- 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;
- Directors of Finance and Legal Services
- Statutory Officers for Children's/ Adults and Public Health Services; and

- Internal/External Audit. In 2017/18 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 2017/18 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 with all budget high risk proposals being supported by an Employment Impact Assessment. It is also demonstrated in standard reports produced to support key decisions.

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

The management structure was realigned during 2017/18 to take account of both the Co-operative Vision, continual challenging financial targets of the Authority, integration with Health and specific service challenges. 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 which ensure the involvement of all relevant Parties 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 2018/19 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 28th February 2018 were considered in the budget report. An agreed Reserves Policy subject to regular review underpins the long term financial resilience of the Council and supports the vision of a Co-operative Council in a Co-operative Borough.

The Authority agreed an efficiency plan during 2016/17 with central government which upon the medium term financial strategy has been based. The efficiency plan has given certainty of government grant funding for future financial years and highlights a need to continue to identify efficiency savings. There have been 2 developments in 2017/18 to support the efficiency agenda:

- The Income Strategy
- The Commercial Property Investment Strategy

A Corporate Property Strategy is under development to further deliver efficiencies.

All meetings of the Cabinet and key Committees are included in the Council's Key Decision Document, 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 2017/18 and considered the progress made on issues highlighted in the Annual Governance Statement including specific reports on certain issues. 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 in 2017/18 were:

- Treasury Management matters including Council borrowing including investment and loans;
- Earmarked Reserves;
- Future Internal and External Audit Work
- The findings of both External and Internal Audit on control matters including payroll
- The Statement of Accounts for 2016/17 and associated external audit findings.
- Independent review of Internal Audit detailing compliance with Public Sector Internal Audit Standards
- The Audit Charter

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 supported by the Health and Wellbeing Board which met on a number occasions during 2017/18. This Board 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 Oldham Education and Skills Commission has been set up with a vision to create a "Self-improving education system where schools, colleges and all interested parties work together in a new collaborative partnership". The aim is to improve results in this area for the longer term so children and young people will be School Ready, Work Ready and Life Ready.

Additional resources have been agreed within the 2018/19 budget as funded growth to implement associated improvements identified by the 2018/19 Ofsted Inspections on Special Education Needs during the financial year.

Scrutiny of budget matters including those of the administration and opposition were, again, during 2017/18 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 a forward 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 2018/19 to continue be part of the Greater Manchester Business Rates Retention pilot scheme which will inform the introduction of 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 and Behaviours set out in the updated Corporate Plan set out the Authority requirements on social value.

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**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 recognising that staff are the Council’s greatest asset. 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 often utilising E-Learning within Organisational Development to support these policies such as ensuring appropriate consideration is given to the future capacity of the organisation. These training courses are aligned to the co-operative ambition and underpinned by the Council’s co-operative values and behaviours.

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 recently elected members (the Local Leaders Programme) continued to be delivered in 2017/18 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 review of its systems, operates an Internal Audit Service complying with best practice as set out by Public Sector Internal Audit Standards. The findings are reported to the Audit Committee which includes an annual opinion on the internal control environment. The overall opinion for 2017/18 is adequate indicating a well-managed Council. 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.

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. Appropriate matters identified are investigated with regard to due Council process.

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## **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 in the electoral cycle 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 Key Decision Document 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 Key Decision Document, 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. A further report is prepared at month 8 to inform the forthcoming budget setting process. In 2017/18 reports to Cabinet presented a specific financial challenge in Looked after Children which was offset by the use of reserves and an underspend on capital financing charges. The 2018/19 budget has been prepared with appropriate resources to manage this risk. 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. Overall there has been a small reduction in earmarked reserves under the direct control of the Council and the level remains appropriate to support the present budget strategy.

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 undertook 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 over the next 3 years.

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### **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 2017/18 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 Authorities
- 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 Greater Manchester wide level and within the 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 2017/18 to further support the Authority's preference for openness and transparency. This was approved for 2018/19 at Council as part of the budget.

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: regular staff survey, regular staff briefings, internal briefings, 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.

The Authority has recognised it needs to assist a key partner to improve processing on key transactions. As such throughout 2017/18 it has worked on a new service delivery model which will be implemented in 2018/19.

### **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 2017/18 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 3 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 aspirations as set out in the 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 2017/18 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 and embedded from 2016/17 through an annual refined 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 Strategy (MTFs), underpinned by the Reserves Policy to evidence and support financial resilience.

An internal audit programme is undertaken, which in 2017/18 has focused on key items in the Audit Plan such as financial systems, systems assurance, grant audit and providing data for the National Fraud Initiative. Reports to the Audit Committee are prepared in relation to the Governance, Treasury Management, Fundamental Financial systems and operational controls. Where specific matters were brought to the attention of Internal Audit these have been investigated in accordance with the Policies of the Council.

An external audit of the accounts year ending 31<sup>st</sup> 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. This meeting approved the accounts almost 3 months before the 30<sup>th</sup> September statutory deadline.

## Significant Governance Issues

The Annual Governance Statement identifies the following governance issues and major risks for the Authority. These are:

<b>2017/18 Issues</b>	<b>Planned Management Action to Reduce Risk</b>
The internal control environment on Adult Social Care systems improved in both 2016/17 and 2017/18 particularly on residential care. Issues were still identified from Internal Audit Work to improve the control environment on direct payments during 2017/18.	The joint work which has led to improvements between the Adults and Finance teams to improve and strengthen financial processes continues in 2017/18 linked into continued developments to the Mosaic system (which replaced Framework-I in 2017/18). 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 progress made in the last two financial years continues.
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 initiatives identified in the 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 subject to regular review to improve on-going financial resilience.

2017/18 Issues	Planned Management Action to Reduce Risk
	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 milestones in 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 associated with financing the capital plan 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 and 2017/18 there were significant efforts to improve the control environment and, whilst some improvement was demonstrated, it was not enough to improve the overall opinion and has been offset by emerging issues. Staff are paid on two separate systems, which further challenges resources on routine payroll processing, despite recent investment in upgrading the main payroll system. In addition a planned upgrade to the HR module on the schools' payroll system could not be implemented during the year.	The Authority is working closely with a key partner to better manage the payroll service from a planned date of May 2018. This will enable the Council to target both Partner and Council resource to deliver improvements. This will initially focus on routine processing in the short term and then in the long term consider the potential to rationalise processes for future efficiencies. Certain developments to the Agresso system are on-going during 2018/19 to enhance efficiency within the payroll function. These are to be implemented in a phased manner following robust testing. Certain third party providers are to be considered for any new payrolls which could transfer to the Council. The enhancement to the Education Payroll System is to be agreed to a timetable during 2018/19.
The Council is found open to criticism around the administration of pensions processing resulting in a fine	The Authority is planning to work in a different manner with a key partner to better manage all aspects of payroll processing including pensions administration going forward. The Director of Finance considers this risk as part of the closure of the 2017/18 Final Accounts.
There are potential challenges to the Council on improving a Service, which is key to effective future internal control.	The Authority follows due process to address and improve the Service following issues identified in 2017/18. The future operation of the Service to consider the discharge of a key role in public accountability. The Director of Finance considers this risk as part of the closure of the 2017/18 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 do not result in the efficiencies anticipated due to increased demand.	The risk is factored into the planning process for reforming Adult Social Care within the Oldham Locality which is moving on with pilots which will be expanded as more services are integrated.

## 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.



Councillor Sean Fielding  
Leader  
16 July 2018



Dr Carolyn Wilkins OBE  
Chief Executive  
16 July 2018

## 7.0 Glossary of Terms

### **Accruals Basis**

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

### **Agency Services**

These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

### **Appointed Auditors**

From 1 April 2015 the appointment of External Auditors to Local Authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. This role was previously undertaken by The Audit Commission. Grant Thornton is the Council's appointed Auditor.

### **Associate Companies**

An associate is an entity over which the Council has significant influence.

### **Association of Greater Manchester Authorities (AGMA)**

AGMA represents the ten local authorities in Greater Manchester and works in partnership with Central Government, regional bodies and other Greater Manchester public sector bodies.

### **Authorised Limit**

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

### **Balances**

The balances of the Authority represent the accumulated surplus of income over expenditure on any of the Funds.

### **Better Care Fund (BCF)**

The BCF was announced by Government in the June 2013 spending round to ensure a transformation in health and social care. The BCF creates a pooled budget between the Council and the Clinical Commissioning Group (CCG).

### **Capital Adjustment Account**

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

### **Capital Expenditure**

This is expenditure on the acquisition of a non-current asset, or expenditure, which adds to, and not merely maintains, the value of an existing non-current asset.

### **Capital Financing Charges**

This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

**Capital Receipts**

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

**Carrying Amount**

The Balance Sheet value recorded of either an asset or a liability.

**Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the leading professional accountancy body for public services.

**Collection Fund**

The Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions of the Council in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and the Government.

**Community Assets**

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

**Contingency**

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

**Contingent Liabilities or Assets**

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

**Co-operative Council**

This is the ethos of the Council embodied by the desire that citizens, partners and staff work together to improve the borough and create a confident and ambitious place.

**Council Tax Requirement**

This is the estimated revenue expenditure on General Fund services that will be financed from the Council Tax after deducting income from fees and charges, General Fund Balances, specific grants and any funding from reserves.

**Creditors**

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

**Current Service Cost**

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

**Current Value**

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

### **Curtailment**

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

### **Debtors**

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

### **Deferred Capital Receipts**

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

### **Defined Benefit Scheme**

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **Defined Contribution Scheme**

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **Ministry of Housing, Communities and Local Government (MHCLG)**

MHCLG is a Central Government department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

### **Depreciation**

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of property plant and equipment assets.

### **Derecognition**

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

### **Discounts**

Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

### **Earmarked Reserves**

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

### **External Audit**

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

### **Fair Value**

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **Finance Lease**

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

### **Financial Regulations**

These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

### **General Fund**

This is the main revenue fund of the Authority and includes the net cost of all services financed by local taxpayers and Government grants.

### **Greater Manchester Combined Authority (GMCA)**

Created by the Local Government, Economic Development and Construction Act, the Greater Manchester Combined Authority (GMCA) assumed its powers and duties on 1 April 2011. It took over the functions previously the responsibility of the Greater Manchester Integrated Transport Authority (GMITA), which it replaced. It also took over responsibility for transport planning, traffic control and wide loads, assumed responsibility for the transportation resources allocated to the Greater Manchester region and regional economic development functions.

### **Greater Manchester Waste Disposal Authority (GMWDA)**

This is a levying Authority that provides waste disposal strategy, policy and services to nine of the AGMA Councils.

### **Heritage Asset**

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

### **Housing Benefit**

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

### **Housing Revenue Account (HRA)**

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

### **Impairment**

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset's market value and evidence of obsolescence or physical damage to the asset.

### **Infrastructure Assets**

Non-current assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

### **Intangible Assets**

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

### **International Financial Reporting Standard (IFRS)**

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

### **Inventories**

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

### **Investment Properties**

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

### **Joint Venture**

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

### **Leasing Costs**

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.

### **Lender Option Borrower Option (LOBO)**

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every six months to 3 years), the lender has the ability to alter the interest rate. Should the lender make this offer, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum without penalty.

### **Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future.

Current liabilities are usually payable within one year of the Balance Sheet date.

### **Materiality**

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.



**Medium Term Financial Strategy (MTFS)**

This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA. In Oldham it usually covers a four year timeframe.

**Minimum Revenue Provision (MRP)**

MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

**Non Domestic Rates (NDR) (also known as Business Rates)**

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities.

**Net Book Value (NBV)**

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Net Debt**

Net debt is the Council's borrowings less cash and liquid resources.

**Net Realisable Value (NRV)**

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

**Operational Boundary**

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

**Operating Lease**

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

**Precept**

The amount levied by various Authorities that is collected by the Council on their behalf. The major precepting Authorities in Oldham are the Police and Crime Commissioner Greater Manchester and the Greater Manchester Fire and Rescue Authority. Parish precepts are also collected on behalf of Saddleworth and Shaw and Crompton Parish Councils.

**Premiums**

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

**Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

**Private Finance Initiative (PFI)**

A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities' participation.

**Projected Unit Method**

This is an accrued benefits valuation method in which pension scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which pension scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date.

### **Property, Plant and Equipment (PPE)**

PPE are tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

### **Provisions**

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

### **Public Works Loan Board (PWLB)**

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities

### **Related Parties**

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

### **Remeasurement of the Net Defined Benefit Liability**

Remeasurement of the Net Defined Benefit Liability (asset) comprises:

- a) actuarial gains and losses
- b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and
- c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

### **Reporting Standards**

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

### **Reserves**

Amounts set aside to help manage future risks, to provide working balances or that are earmarked for specific future expenditure priorities.

### **Revaluation Reserve**

The Reserve records the accumulated gains on the non-current assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

**Revenue Expenditure Funded From Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

**Subsidiary**

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by the Council.

**Transport for Greater Manchester (TfGM)**

A Committee of the GMCA delivering strategic transport functions.

**Treasury Management**

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

**Treasury Management Strategy (TMS)**

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

**Trust Funds**

These are funds administered by the Council on behalf of charitable organisations and/or specific organisations.

**Unsupported (Prudential) Borrowing**

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.