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AGENDA FOR

AUDIT COMMITTEE

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To: All Members of Audit Committee

Councillors : M Bailey, P Bury, E Fitzgerald (Chair), J Frith, M Hankey, P Heneghan, S Nuttall, Owen (Executive Director of Resources), K Rothwell and B Vincent

Dear Member/Colleague

Audit Committee

You are invited to attend a meeting of the Audit Committee which will be held as follows:-

Date:	Thursday, 22 August 2013
Place:	Room A& B Town Hall, Bury
Time:	7.00 pm
Briefing Facilities:	If Opposition Members and Co-opted Members require briefing on any particular item on the Agenda, the appropriate Director/Senior Officer originating the related report should be contacted.
Notes:	

AGENDA

1 AUDIT COMMITTEE TRAINING - HOW THE COUNCIL PROCURES ITS GOODS AND SERVICES

Sarah Janusz, Head of Procurement will give a presentation at the meeting.

2 DECLARATIONS OF INTEREST

Members of the Audit Committee are asked to consider whether they have an interest in any of the matters on the agenda and, if so, to formally declare that interest.

3 MINUTES OF THE LAST MEETING *(Pages 1 - 6)*

4 PUBLIC QUESTION TIME

Questions are invited from any members of the public present at the meeting on any matters for which this Committee is responsible.

5 AUDITED STATEMENT OF ACCOUNTS *(Pages 7 - 158)*

Report from the Assistant Director of Resources (Finance & Efficiency)

Audited Statement of Accounts

Annual Governance Statement

6 ISA 260 AND BURY'S RESPONSE *(Pages 159 - 178)*

ISA 260 – Report from KPMG

7 FINANCIAL MONITORING REPORT - APRIL 2013 TO JUNE 2013 *(Pages 179 - 184)*

Report from the Assistant Director of Resources (Finance and Efficiency).

8 QUARTERLY GOVERNANCE STATEMENT *(Pages 185 - 194)*

Report from the Head of Internal Audit.
Corporate Risk Register.

9 GIFTS AND HOSPITALITY *(Pages 195 - 198)*

Report from the Assistant Director of Resources (Finance and Efficiency)

10 EXTERNAL AUDIT PROGRESS REPORT

An update will be given at the meeting.

11 EXCLUSION OF PRESS AND PUBLIC

To consider passing the appropriate resolution under Section 100(A)(4) of the Local Government Act 1972 that the press and public be excluded from the meeting during consideration of the following items of business since they involve the likely disclosure of the exempt information stated.

12 INTERNAL AUDIT PROGRESS REPORT *(Pages 199 - 212)*

Report from the Head of Internal Audit.
Appendix A
Appendix B
Appendix C
Appendix D

13 INTERNAL AUDIT - MEMBERS' FEEDBACK *(Pages 213 - 216)*

Report from the Head of Internal Audit

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Minutes of: **AUDIT COMMITTEE**

Date of Meeting: 25 June 2013

Present: Councillor E FitzGerald(in the Chair);
Councillors P Bury, M Hankey, S Nuttall and K Rothwell.

Also in attendance: Rachel Lindley, KPMG
Trevor Rees (KPMG)

Apologies for Absence: Councillors M Bailey, J Frith, P Heneghan and B Vincent.

Public Attendance: -

AU.126 WELCOME AND THANKS

Councillor FitzGerald welcomed all those present to the first meeting of the Audit Committee for the 2013/2014 Municipal Year. Councillor FitzGerald asked that thanks to Councillor Anne Audin be recorded for her work in Chairing the Committee for the previous year.

Councillor FitzGerald explained that she had met with Steve Kenyon and Barrie Strothers to discuss the future work of the Audit Committee and it had been agreed that the Committee would carry out some work away from the statutory requirements of the Committee.

It was hoped that this would benefit Members and allow them to better understand the work of the Council and financial issues relating to it.

AU.127 DECLARATIONS OF INTEREST

There were no declarations of interest made in relation to any item on the agenda.

AU.128 PUBLIC QUESTION TIME

There were no members of the public present to ask questions at the meeting.

AU.129 MINUTES OF THE LAST MEETING

Delegated decision:

That the Minutes of the meeting of the Audit Committee held on 12 February 2013 be approved as a correct record and signed by the Chair.

AU.130 MATTERS ARISING

Councillor Nuttall referred to Minute AU.737 of the last meeting, Certification of Grants and asked for clarification on the qualification in relation to the Housing and Council Tax Benefit Claim.

Trevor Rees explained that this was not a significant issue, it had been a matter of a tick being placed in an incorrect box. It was explained that it was not something to be concerned about.

AU.131 ANNUAL GOVERNANCE STATEMENT 2012/2013

The Head of Internal Audit, Barrie Strothers, presented a report introducing the Annual Governance Statement.

It was explained that under the Accounts and Audit (England) Regulations 2011, the Council is required to produce an Annual Governance Statement which is one of the documents that supports the annual Statement of Accounts.

The Annual Governance Statement provides an assurance that the Governance Framework is operating effectively and reports any significant issues arising during the year. The Governance Framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community.

It was explained that it was a legal requirement for every Council to produce an annual statement; Bury produced a quarterly report in line with best practice.

Delegated decision:

That the Annual Governance Statement 2012/2013 be accepted.

AU.132 MEMBER TRAINING – STATEMENT OF ACCOUNTS

Steve Kenyon, Assistant Director of Resources explained that the Audit Committee would not be asked to approve the accounts at this meeting. The Committee would be asked to note the contents and then receive the audited Statement of Accounts at the August meeting. Steve gave a presentation explaining the Statement of Accounts.

It was explained that the draft Accounts gave a summary of the Council's financial performance for the year ended 31 March 2013 and set out the net worth in respect of assets and liabilities, were a key element of accountability and governance, contain a number of key financial statements and outline key responsibilities, policies and the audit opinion.

The Draft Accounts must be approved by the Council's s151 Officer no later than 30 June 2013. The Accounts would then be placed on the Council's website and open to public inspection between 30 June and 29 July. The audited accounts will then be represented to the Audit Committee at its meeting on 22 August 2013.

Steve gave an overview of the Council's financial position as set out in the Draft Accounts and explained the Revenue Budget, the Comprehensive Income and Expenditure Statement, the Housing Revenue Account Balance Sheet and the other statements within the document.

It was also explained that the Council had to complete the accounts in line with the International Financial Reporting Standard (IFRS) which was a common approach to allow comparisons across organisations, sectors and countries.

It was reported that a majority of Councils were not presenting their draft accounts to their Audit Committees as it was not now a statutory requirement. Steve explained that it was felt that it was good practice to present to the Audit Committee so Bury would continue to this.

It was explained that the Committee would be invited to attend a two hour session with lead officers in relation to the Statement of Accounts where Members would be given the opportunity to question the contents of the Statement of Accounts in more detail.

Delegated decision:

That the Assistant Director of Resources be thanked for his informative presentation.

AU.133 DRAFT STATEMENT OF ACCOUNTS

The Assistant Director of Resources (Finance and Efficiency), Steve Kenyon introduced a report from the Deputy Leader of the Council and Executive Member for Finance which set out the Draft Statement of Accounts.

It was explained that the 2013 Accounts and Audit Regulations, issued on 31 March 2013, stipulated that the pre-audited accounts must be approved on or before 30 June by the Responsible Finance Officer (S151 Officer) in place of the Chair of the Audit Committee. It was also explained that the Annual Governance Statement which was previously included as part of the Statement of Accounts was now to be published as a separate document to accompany the Statement.

The Draft Statement of Accounts was attached to the report and contained an introduction by the Deputy Leader of the Council and Executive Member for Finance, an explanatory foreword, Summary of the Council's Financial Results, Statement of Responsibilities, Accounting Policies, Core Financial Statements, Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, Notes to the Core Financial Statements, the Housing Revenue Account, the Collection Fund and the Group Accounts.

Also attached to the report was an aide memoir to help establish and provide evidence of a robust review of the accounts by the S151 officer and Members of the Committee.

Delegated decision:

That the Committee accept receipt of the Draft Statement of Accounts for the 2012/2013 financial year.

AU.134 RISK MANAGEMENT ANNUAL REPORT 2012/2013

Steve Kenyon presented a report providing Members with details of risk management activity that had taken place over the previous 12 months.

The report outlined the risk management policies and practices in place and highlighted the key issues that would be addressed during the coming financial year.

The report explained how risk management was implemented across the Council and within each of the directorates.

It was explained that Risk Assessment Action Plan Registers (RAAP's) were used across departments to record identified risks and opportunities and the actions being taken. The Council's risk management framework was outlined within the report and each of the department's progress against the risks was set out.

It was explained that as well as the department RAAP's there was the also Corporate RAAP which records the council's most significant risks. The Corporate RAAP is reviewed continually by the Management Board.

Member input was sought via the Corporate Risk Management Group and quarterly reports to the Audit Committee.

Delegated Decision:

1. That the Audit Committee re-affirms its support for the Council's

approach to Risk Management.

2. That the progress made throughout 2012/2013 and the actions planned for 2013/2014 be noted.

AU.135 INTERNAL AUDIT ANNUAL REPORT AND REVIEW OF EFFECTIVENESS OF INTERNAL CONTROL

The Head of Internal Audit, Barrie Strothers presented a report summarising the work undertaken by the Internal Audit Section during the 2012/2013 financial year. The report contained an Audit Opinion which assessed the authority control framework as "robust" and updated the Members on some of the issues facing the Internal Audit Service.

Appended to the report was a Review of the Effectiveness of Internal Audit and the Annual Report and Opinion for 2012/2013

Delegated decision:

1. That the contents of the report be accepted

2. That the suitability of the report be endorsed in support of the Governance Statement for 2012/2013.

AU.136 EXTERNAL AUDIT PROGRESS REPORT 2012/2013

Rachel Lindley, representing KPMG presented the Committee with the Progress Statement for the External Audit Programme 2012/2013.

Details of the ongoing work and when that work would be completed and reported to the Committee were included in the report with comments on progress.

Delegated decision:

That the contents of the report be noted.

AU.137 EXCLUSION OF PRESS AND PUBLIC

Delegated decision:

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items of business since they involved the likely disclosure of exempt information, relating to any action taken, or to be taken in connection with the prevention, investigation and prosecution of crime.

AU.138 (E) **EFFECTIVENESS OF THE AUDIT COMMITTEE 2012/2013**

Barrie Strothers, Head of Internal Audit submitted a report summarising the work carried out by the Audit Committee over the 2012/2013 Municipal Year which showed the effectiveness of the Committee. Included in the report was a self-assessment checklist which demonstrated that CIPFA guidance had been complied with.

Delegated decision:

That the report be accepted.

COUNCILLOR E FitzGerald
Chair

(Note: The meeting started at 7.00 pm and ended at 8.40 pm)

REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**AUDIT COMMITTEE**
DATE:	**22nd AUGUST 2013**
SUBJECT:	**STATEMENT OF ACCOUNTS 2012/13**
REPORT FROM:	**ASSISTANT DIRECTOR OF RESOURCES (FINANCE AND EFFICIENCY)**
CONTACT OFFICER:	**STEVE KENYON, ASSISTANT DIRECTOR OF RESOURCES (FINANCE AND EFFICIENCY)**

TYPE OF DECISION:	**COUNCIL**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain

SUMMARY:

The pre-audited 2012/13 Statement of Accounts, for the financial year ending 31st March 2013, was approved by the Responsible Finance Officer on 20th June 2013 and presented to members of Audit Committee on 25th June 2013 for their information and to provide the opportunity to have early sight of the accounts. The accounts have now been audited and Members are asked to note:

- No audit adjustments have been identified that have an impact on the Council's revenue, capital or HRA outturn for 2012/13 i.e. no bottom line adjustments;
- Only 2 technical adjustments have been identified;
- Only one recommendation has been made and this has been classified as low risk by the auditors;
- The quality of the Council's accounts and working papers have remained at a high level;
- For the fourth year running the Council is able to present its audited accounts to Members one month earlier than the statutory deadline and KPMG are to be thanked for their part in achieving this;
- A notice will be placed advertising the completion of the audit and how members of the public can access copies of the statement and summary of accounts.

	This report is to be considered along with the ISA (UK+I) 260 *"Communication of Audit Matters with those Charged with Governance"* report which will be presented by KPMG as part of this meeting.
OPTIONS & RECOMMENDED OPTION	Members are recommended to: Approve the 2 technical amendments to the Accounts recommended by KPMG; Approve the final version of the Statement of Accounts for the 2012/13 financial year in line with the provisions of the Accounts and Audit Regulations (England) 2011; Note the matters and issues arising from the audit and contained within the ISA (UK+I) 260 Financial Statement report (also on the agenda) presented by KPMG; Approve the letter of representation signed by the Assistant Director of Resources (Finance and Efficiency) which will be presented at the meeting of the Audit Committee.

IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes
Statement by the Assistant Director of Resources (Finance & Efficiency):	The Statement of Accounts reflects the Authority's financial performance during 2012/13 and helps to shape budget strategy in future years.
Statement by Executive Director of Resources:	There are no wider resource implications.
Equality/Diversity implications:	No
Considered by Monitoring Officer:	Yes
Are there any legal implications?	Yes. The production of the Authority's statutory accounts is a requirement of the Local Government Act 1972 and has been undertaken in compliance therewith and the Council's Financial Regulations (Financial Regulation A: Financial Management: 3.8.5). The report accords with the Council's Policy and Budget Framework and has been produced in accordance with all relevant Statutory Guidance and Codes of Practice.
Staffing/ICT/Property:	No specific implications
Wards Affected:	All
Scrutiny Interest:	Overview & Scrutiny Committee

TRACKING/PROCESS **DIRECTOR: Mike Owen**

Chief Executive/ Strategic Leadership Team	Cabinet Member /Chair	Ward Members	Partners
Yes	Yes		
Overview & Scrutiny Committee		Committee	Council
		Audit	

1.0 INTRODUCTION

1.1 Under the terms of the Accounts and Audit Regulations (England) 2011 each year the Authority is required to produce the Statement of Accounts before 30th June following the Balance Sheet date. The accounts are approved at this stage by the Responsible Finance Officer.

1.2 Once the draft Accounts have been approved they are subject to audit by, in our case, KPMG and a final copy of the Accounts containing the auditor's certificate and opinion must then be approved by Audit Committee before being published on or before the statutory publication date of 30th September.

1.3 The 2012/13 draft Accounts were approved by the Responsible Finance Officer (Section 151 Officer) on 20th June 2013 and presented to Audit Committee at their meeting on 25th June 2013 for information purposes. For Bury Council the Responsible Finance Officer is the Assistant Director of Resources (Finance and Efficiency).

1.4 For the 2012/13 financial year there is the continuation of the important development in the responsibilities of auditors in relation to any misstatements that they discover in the course of their work. Under International Standard of Auditing (UK and Ireland) (ISA (UK+I)) 330, auditors plan and perform their audit to provide reasonable assurance that the financial statements are free from material misstatement.

1.5 However, in carrying out their work, they will also happen across other misstatements/omissions that are not material and ISA (UK+I) 260 *"Communication of Audit Matters with those Charged with Governance"* requires auditors to report to Members all misstatements that have been advised to officers but not adjusted for.

1.6 It was highlighted at the Audit Committee meeting on 25th June that any misstatements and matters / issues arising would be communicated at this meeting of the Audit Committee following completion of the audit.

1.7 The principal purposes of the communication with Members are for the auditors to ensure that there is a mutual understanding of the scope of the audit and the respective responsibilities of the auditors and Members; to share information to assist both the auditors and Members to fulfil their respective responsibilities; and to provide Members with constructive observations arising from the audit process.

2.0 AMENDMENTS TO THE ACCOUNTS

2.1 KPMG (the auditors) have identified and recommended 2 technical amendments to the Accounts that were approved on 25th June and these have been corrected by management and have **no impact on the Council's revenue, capital or HRA outturn** i.e. no bottom-line adjustments.

2.2 These amendments have been highlighted in KPMG's ISA260 report and have changed the Balance Sheet and Cash Flow Statement on pages 31 to 33 of the audited accounts which are attached to this report. It has also changed the Tangible Fixed Assets note (pages 74 to 76), Analysis of Creditors Note (page 86), Cash Flow Statement Notes (pages 105 to 106) and the Group Accounts Balance Sheet and Cash Flow Statement on pages 124 to 126.

2.3 Paper copies highlighting the relevant changes will be provided to Members at the meeting.

2.4 Having discussed the suggested amendments with the auditors I am happy to agree to their inclusion within the Accounts. **Members are therefore recommended to approve these Accounts.**

2.5 In the last few years the Council has made continuous improvements to the accounts closure process in terms of its preparation and application and the results of this can be seen in a consistently good performance in terms of a reduced number of both audit adjustments and recommendations as reported in the ISA260:

	2012/ 13	**2011/ 12**	**2010/ 11**	**2009/ 10**	**2008/ 09**	**2007/ 08**
Audit Adjustments	**2**	1	3	0	0	4
Recommendations	**1**	1	10	0	3	1
Recommendations outstanding from previous years	**0**	1	0	1	0	1

2.6 The Committee should also note that no audit matters of governance have been identified by KPMG.

2.7 Additionally, Members are asked to note that only 1 recommendation has been made for 2012/13 and this has been categorised as low risk by the auditors.

3.0 MANAGEMENT LETTER

3.1 The authority is required by Auditing Standards to provide the auditor with written representations from management in respect of related party disclosures, compliance with laws and regulations, the accuracy of the financial statements, unadjusted audit differences, fraud and fair value measurements and disclosures. In addition the auditors also seek management representations in relation to contingent liabilities, post balance sheet events.

3.2 In a local government context it is appropriate for management representations to be discussed and approved by the full Council, the Audit Committee or any other committee which has been given delegated responsibility for approval of the financial statements under the Accounts and Audit Regulations (England) 2011. In Bury's case this is the Audit Committee and a letter of representation signed by the Assistant Director of Resources (Finance and Efficiency) will require approval by Audit Committee.

4.0 ISSUES

4.1 In the draft Statement of Accounts I referred to the fact that decisions regarding the directorate requests for carry-forwards would be made following the Audit Committee meeting on 25th June.

4.2 On 10th July the Cabinet decided that no cash ceiling adjustments were approved; 2 carry forward requests from Chief Executive's department were approved and the overspending on the Children's, Adult Care Services and Chief Executive's budgets were not carried forward. This reflects the position as set out in the Accounts.

4.3 Finally, I would like to thank all the staff involved in the achievement of the deadline for the close down process and pay tribute to the professional, diligent and courteous manner in which the auditors KPMG have discharged their duties.

STEVE KENYON
ASSISTANT DIRECTOR OF RESOURCES (FINANCE AND EFFICIENCY)

Background documents:
Various final accounts working papers held in the files of the Head of Financial Management.

For further information on the details of this report, please contact:
Steve Kenyon, Assistant Director of Resources (Finance and Efficiency); tel. 0161 253 6922, (email:S.Kenyon@bury.gov.uk)

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FINANCIAL MANAGEMENT SERVICES

STATEMENT

OF

ACCOUNTS

2012/2013

CONTENTS

Introduction by Councillor John Smith, Deputy Leader of the Council and Cabinet Member for Finance and Corporate Affairs

I am delighted to welcome you to the Council's Statement of Accounts for 2012/13.

The Accounts play a vital part in providing information to a wide range of interested parties on the Council's financial performance. They show how we've spent our money, how we've performed against our budget and how we've invested in our assets. The Accounts are the means by which the Council provides details of its stewardship of public resources and financial performance to its stakeholders.

We have consistently been amongst the top level of local authorities that are low cost but perform and improve strongly. We continue to receive lower levels of funding than other authorities yet achieve some of the best results in the country across a range of services including education, parks and open spaces, planning and supporting older people in residential and nursing care.

The difference between what we spent and what we planned to spend is less than 1% of our total budget and given our gross revenue expenditure is almost £0.5 billion this is a very commendable performance. More than £25.4million has been invested on improving the assets that are so vital to the quality of the services that we aim to provide.

However, as we look to the future there are ever increasing demands on the Council's services and this will clearly put our budget under pressure in the years to come. As with most organisations, the Council hasn't been immune to the effects of the economic slowdown which has resulted in reduced income, reductions in investment returns and increased energy costs. The Council has updated its financial forecasts to reflect the impact of the Government's Spending Review which was originally reported in October 2010 together with the resulting grant reductions that will hit us during 2013/14 and beyond as a result of the 2013/14 Local Government Finance Settlement.

The Council has responded to these pressures by implementing The Plan for Change 2012/13 to 2014/15 and a programme of savings which sets out Bury Council's way of meeting these challenges in an open and transparent way in partnership with our communities, staff and partners.

This will be achieved by reshaping services so the Council continues to play a central role as a "community champion" within a rapidly changing financial and community-centered environment.

We have improved the way that we set and monitor our budget by bringing together the regular reporting of budget and service performance information to make clearer the links between spending and outcomes and we are utilising risk management techniques to direct attention to the areas that require most attention. A medium-term budget strategy has been embedded that allows the Council to take a longer term view of its budget strategy in order to link it more directly to the Council's aims and objectives and its service plans. I am determined that this trend will continue through these difficult financial times and that financial prudence will be the watchword of the Council.

This Statement of Accounts is one of a number of publications giving information on the Council's finance and other activities. Our Corporate Plan 2012-2015 sets a clear direction for the Council and outlines the strong progress and contribution the Council will make towards our vision of leading, shaping and maintaining a prosperous, sustainable Bury that is fit for the future in order to reduce poverty and its effects, support our most vulnerable residents, and make Bury a better place to live. It also provides a clear statement about what we are trying to achieve; how well we did in the preceding year; and how we intend to improve in the coming year. It can be found on the Council's website as follows:

http://www.bury.gov.uk/CHttpHandler.ashx?id=9882&p=0

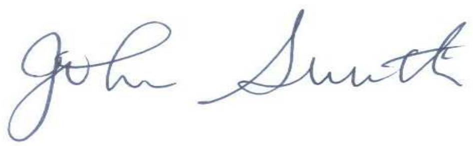
We also produce a wide range of other publications, available free from the Council offices at the Town Hall and available on our website at www.bury.gov.uk.

Members of the public are welcome to attend Council and other Committee meetings and to ask questions. Information about meetings, agendas and copies of Council minutes are available from Council offices, on the website or by telephoning 0161 253 5118.

We will promote equality and equal opportunity access and participation for everyone, whatever their personal circumstances. We will allocate and spend money on services as fairly as possible according to the needs of the community. We will set out clear standards for services so that everyone knows what to expect. If you need any help with reading or understanding this document, take it to the Council Offices at the Town Hall or telephone 0161 253 5034. We will try to provide a reading service, translation or any other format you may need.

Finally I would like to take this opportunity to thank all of the Council's Members and Officers who have played a part in the production of these Accounts and who have contributed to the sound financial performance that they demonstrate. A summary format of the council's financial performance will also be available on the Internet and in hard copy. In 2012/13 the budget for the year was overseen by Councillor Tony Isherwood, the Cabinet Member for Finance & Resources at the time, and I am extremely grateful for the work that he put in to the process.

I would also like to say thank you to everyone who takes the time to read the Accounts; I hope you find them helpful and informative.



Councillor John Smith
Deputy Leader of the Council and Cabinet Member for Finance & Corporate Affairs

APPROVAL OF THE STATEMENT OF ACCOUNTS

In accordance with Regulation 8 of the Accounts and Audit (England) Regulations 2011 I confirm that these accounts were approved by the Audit Committee at the meeting held on Thursday, 22 August, 2013.

Signed on behalf of Bury Metropolitan Borough Council:

Councillor Elizabeth Fitzgerald
Chair of Audit Committee
22 August, 2013

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In accordance with Regulation 8 of the Accounts and Audit (England) Regulations 2011 I confirm that these accounts present **a true and fair view** of both the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2013.

Signed on behalf of Bury Metropolitan Borough Council:

S Kenyon CPFA
Assistant Director of Resources (Finance & Efficiency)
22 August, 2013

GLOSSARY OF TERMS

GLOSSARY OF TERMS

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

(i) Recognising
(ii) Selecting measurement bases for, and
(iii) Presenting

Assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques. They define the process whereby transactions and other events are reflected in the financial statements.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

(a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses)
(b) the actuarial assumptions have changed.

ASSETS

Items that are of worth and are measurable in terms of money. Assets can be further classified as:

INTANGIBLE ASSETS

An identifiable non-monetary item in the Balance Sheet representing, for example, the cost of computer software purchased by the Authority where there is no tangible **fixed asset** in existence, but the Authority derives benefit from the expenditure over a number of years.

CURRENT ASSETS

Assets which may change in value on a day-to-day basis (e.g. stocks).

PROPERTY, PLANT AND EQUIPMENT

Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services and which yield benefit to the Authority for a period of a year or more (e.g. land and buildings). Fixed assets are further classified into: -

Operational Assets

Assets used in the direct delivery of those services for which the Authority has a responsibility e.g. schools.

Community Assets

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life, and which may in addition have restrictions on their disposal e.g. parks, cemeteries and crematoria and allotments.

Infrastructure Assets

Assets that are required in order to enable other developments to take place and where there is no prospect of sale or alternative use e.g. roads, footways, footpaths, bridges, tunnels and underpasses etc.

Non-Operational Assets

Assets that are held by the Authority but not directly used or occupied e.g. Investment Properties; Assets under construction; and Surplus assets held for disposal by the Authority.

Heritage Assets

Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets can include historical buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art.

Donated Assets

Assets (including heritage assets) transferred at nil value or acquired at less than fair value that may be received by a local authority from private individuals or entities.

BALANCE SHEET

A statement of the **assets, liabilities** and other **balances** at the end of an accounting period (e.g. a financial year).

CAPITAL

Expenditure on the acquisition, creation or enhancement of tangible **assets** which yields benefit to the Authority for more than a year and/or **income** from the sale of such **assets.**

CAPITAL CHARGES

Charges made to services for the use of **fixed assets**.
The charge in 2012/13 represents **Depreciation** which is**:**
the measure of the wearing out, consumption or other reduction in the useful life of a fixed asset. This is calculated based on the remaining life of an asset. It is charged to revenue on a straight-line basis on all depreciable assets based on an assessment of the remaining useful life of the asset.

CAPITAL RECEIPTS

Income from the sale of tangible **fixed assets.** Such receipts may be used to finance additional **capital expenditure** but a certain proportion has to be set aside to repay debt and only the remainder is usable.

CARBON REDUCTION COMMITMENT ENERGY EFFICIENCY SCHEME

The Carbon Reduction Commitment Energy Efficiency Scheme is a carbon emissions trading scheme aimed at public and private sector organisations across the whole of the UK. It is administered by the Environment Agency on behalf of the Department for Energy & Climate Change (DECC) and its goal is to encourage reductions in energy consumption and carbon emissions. One of the ways it does this is by requiring organisations to buy and surrender CO2 emissions allowances. The first year councils were required to do this was 2011/12.

CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CHARGING AUTHORITY

This is an Authority which has the task of collecting the Council Tax from the Council Tax payers within its geographical area. Bury Council is such an Authority.

CREDITORS

Money owed **TO** individuals or organisations **BY** the Authority in respect of work done or services rendered within the financial year but for which payment has not yet been made.

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

a) termination of employees' services earlier than expected; and
b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEBTORS

Money owed **BY** individuals or organisations **TO** the Authority in respect of work done or services rendered within the financial year but for which payment has not yet been received.

DEFINED BENEFIT SCHEME

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).

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed assets that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

EMPLOYEE BENEFITS

All forms of consideration given by an entity in exchange for service rendered by employees.

EVENTS AFTER THE BALANCE SHEET DATE

Those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

EXPENDITURE

Amounts paid by the Authority for goods received or services rendered of either a **capital** or a **revenue** nature. This does not necessarily involve a cash payment - expenditure is deemed to have been incurred once the goods or services have been received even if they have not yet been paid for (in which case the supplier is a **creditor** of the Authority).

EXIT PACKAGES

Payments that the Authority has agreed relating to redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

FAIR VALUE

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction.

GROUP ACCOUNTS

The preparation of a group comprehensive income and expenditure statement and group balance sheet where local authorities have interests in subsidiaries, associated companies and joint ventures that are material in aggregate.

a) Group – a reporting Authority and its subsidiary entities.
b) Subsidiary – an entity is a subsidiary of the reporting Authority if the Authority is able to exercise ***control*** over the operating and financial policies of the entity and the Authority is able to gain ***benefits*** from the entity or is exposed to the risk of potential losses arising from this control.
c) Associate – an entity (other than a subsidiary or joint venture) in which the reporting Authority has a ***participating interest*** and over whose operating and financial policies the reporting Authority is able to ***exercise significant influence.***
d) Joint Venture – an entity in which the reporting Authority has an interest on a long-term basis and is ***jointly controlled*** by the reporting Authority and one or more entities under a contractual or other binding arrangement.

IMPAIRMENT OF FIXED ASSETS

The primary meaning of Impairment is a reduction in the economic value of a fixed asset, arising from e.g. damage such as fire or vandalism, or changed use following demolition.

Further to the introduction of the Revaluation Reserve in 2007/08, 'valuation' impairments also now occur, relating to downward revaluations (arising from general fall in market prices) and the treatment of capital expenditure not capitalised as fixed assets (non-enhancing spend).

Both 'economic use' and 'valuation' impairments are treated in the same way as depreciation, i.e. a charge to the service revenue accounts reversed out through the Movement in Reserves Statement.

INCOME

Amounts due to the Authority for goods supplied or services rendered of either a **capital** or a **revenue** nature. This does not necessarily involve a cash payment - income is deemed to have been earned once the goods or services have been supplied even if the payment has not yet been received (in which case the recipient is a **debtor** of the Authority).

LEASING

A method of financing capital expenditure where a rental is paid for an asset for a specified period of time. There are two forms of lease: a **Finance Lease** involves the payment of the full cost of the **asset** and transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. An **Operating Lease** involves the payment of a rental for the use of the **asset** and at the end of the leasing agreement the **asset** will not belong to the Authority.

LIABILITIES

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current Liabilities are payable within one year of the **Balance Sheet** date.

LOBO ("Lender Option, Borrower Option")

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 40 years), initially at a fixed interest rate. Periodically (typically every 3 to 5 years), the lender has the ability to alter the interest rate. Should the lender exercise this option, 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 with no other penalty.

NON DISTRIBUTED COSTS

These are overheads for which no user now benefits and should not be apportioned to services.

OUTTURN

The final actual **income** and **expenditure** earned or incurred in a financial year.

PRECEPTS

The method by which a non-charging Authority obtains the income it requires by making a levy on the appropriate **charging authorities** (i.e. Police and Fire). **Charging authorities** will themselves precept on the Collection Fund to obtain their own income.

PROJECTED UNIT METHOD

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

a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants allowing, where appropriate, for future increases; and

b) the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

PROVISIONS

These are sums 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 is uncertain.

RELATED PARTIES

A person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) Has control or joint control over the reporting entity;
- (ii) Has significant influence over the reporting entity; or
- (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Examples of related parties of an Authority include central government, local authorities and other bodies precepting or levying demands on the Council Tax, its subsidiary and associated companies, its joint ventures and joint venture partners, its members, chief officers and its pension fund (the administering

Authority and related parties, scheduled bodies and related parties, trustees and advisors).

RELATED PARTY TRANSACTIONS

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples include:

(i) The purchase, sale, lease, rental or hire of assets between related parties.
(ii) The provision of a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund.
(iii) The provision of a guarantee to a third party in relation to a liability or obligation of a related party.
(iv) The provision of services to a related party, including the provision of pension fund administration services.
(v) Transactions with individuals who are related parties of an Authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

The materiality of related party transactions should be judged not only in terms of their significance to the Authority, but also in relation to its related party.

RESERVES

These are sums set aside to meet possible future costs where there is no certainty about whether or not the costs will actually be incurred.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employers decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE

Income and **expenditure** arising from day-to-day activities.

REVENUE SUPPORT GRANT

This is an annual grant paid by central Government as its contribution towards the cost of the Authority's services in general.

SERCOP

The Service Reporting Code of Practice (SERCOP) is the new name for the Best Value Accounting Code of Practice which was established to modernise the system of Local Authority accounting and reporting to ensure it meets the changed and changing needs of modern local government; particularly the duty to secure and demonstrate best value in the provision of services to the community.

SHORT TERM EMPLOYEE BENEFITS

Employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service.

VALUE ADDED TAX

VAT is an indirect tax levied on most business transactions and on many goods and some services. Input tax is VAT charged on purchases; output tax is VAT charged on sales

EXPLANATORY FOREWORD

EXPLANATORY FOREWORD

These Accounts have been prepared in accordance with the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom which has been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and it is the third year that the accounts have been prepared using International Financial Reporting Standards (IFRS's).

IFRS's are accounting standards issued by the International Accounting Standards Board (IASB) and are embodied within the Code.

The accounts have also been prepared in accordance with, and comply with, the Accounts and Audit (England) Regulations 2011 (which replaced the 2003 Regulations) and the Service Reporting Code of Practice 2012/13.

The Accounts comprise several core financial statements and related notes, which are intended to present the true and fair financial position, financial performance and cash flows of Bury Council.

All the statements and notes give details of the Authority's income and expenditure for the financial year, which ran from **1st April 2012** to **31st March 2013** along with details of the assets and liabilities of the Council at **31st March 2013**. Wherever it is relevant the corresponding figures for the last financial year, 2011/2012, are also shown for comparison.

Briefly, the purpose of the individual statements is as follows:-

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT:
This statement shows the movement in the year on the different reserves held by the Authority analysed into 'usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other non-usable reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Authority'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 balance and the 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:
The Comprehensive Income and Expenditure Statement shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. The statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of the housing capital receipts to the Government is treated as a loss in the Comprehensive Income and Expenditure Statement, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension fund and pensioners, rather than as future benefits are earned.

The Comprehensive Income and Expenditure Statement is presented in accordance with the CIPFA Code of Practice on Local Authority Accounting, which requires all Councils to present their accounts in accordance with CIPFA's Service Reporting Code of Practice (SERCOP) and aims to encourage consistent financial reporting within and between Councils.

THE BALANCE SHEET:
The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets minus liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

THE HOUSING REVENUE ACCOUNT (supplementary statement)
shows the revenue income and expenditure on council housing.

THE COLLECTION FUND (supplementary statement)
shows income collected from Council Tax and business rate payers and from Council Tax benefits. The Fund's expenditure then comprises the amount that the Authority needs from it to pay for its services, precepts made by the Police and Fire Authorities and a provision for uncollectable amounts. Up to and including the 2012/13 financial year business rates collected by the local authorities are passed over to the government and redistributed nationally so that each local authority receives back an amount dependent on its population. This is paid directly into the General Fund as is the Revenue Support Grant. From 2013/14 onwards local authorities will keep 50% of all business rates growth.

THE GROUP ACCOUNTS
show the Group Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Reconciliation of the Single Entity (Surplus) or Deficit on Provision of Services to the Group Comprehensive Income and Expenditure Statement (surplus or deficit), Group Balance Sheet and Group Cash Flow Statement for those subsidiaries, associates and joint ventures that the Council has interests in.

SUMMARY OF THE COUNCIL'S FINANCIAL RESULTS

When reporting on the financial activities of a Local Authority it is usual to distinguish between revenue expenditure, which comprises day to day spending such as salaries, wages and running costs, and capital expenditure which relates to spending on assets that provide benefit for more than a year.

REVENUE OUTTURN

As the table below shows, the Authority underspent its budget, as revised in July 2012, by **£0.093m.** This is largely accounted for by planned underspends and carry-forwards in accordance with the Council Policy and for Schools through statute.

At 31st March 2013 the borough's schools had accumulated a total underspending against their budget of **£6.188m**. Under the terms of the Local Management of Schools scheme of delegation operated by the Authority, this overall underspending will be carried forward, in total, into the 2013/2014 financial year for the schools to use at their discretion.

In the case of the Authority's other Departments, the "Cash Ceiling" scheme of financial delegation operated by the Authority means that they may be able to carry forward into 2013/2014 their underspendings up to a limit that is the greater of 1% of their net budget or £50,000. However, the **total** value of any overspendings must be carried forward. The directorate carry-forwards requests are included in the Revenue Outturn report which was considered by Cabinet on 10 July, 2013.

The revenue outturn report will also be submitted to the Overview & Scrutiny Committee on 4 September, 2013. This report is available to members of the public and may be obtained from the Head of Financial Management at Bury Town Hall or by telephoning 0161-253 5034.

Revenue expenditure during 2012/2013 was: -

		Revised Estimate £000's	Actual £000's	Difference £000's
Net cost of Bury services		140,265	140,172	(93)
Precepts :-	Police	8,649	8,649	0
	Fire	3,155	3,155	0
		152,069	151,976	(93)
TOTAL NET EXPENDITURE				
Financed from:-				
Revenue Support Grant		(1,202)	(1,202)	0
Business Rates Pool		(62,015)	(62,015)	0
Council Tax		(89,178)	(89,178)	0
Change in council tax freeze grant		(4)	(4)	0
(SURPLUS) / DEFICIT		**(330)**	**(423)**	**(93)**

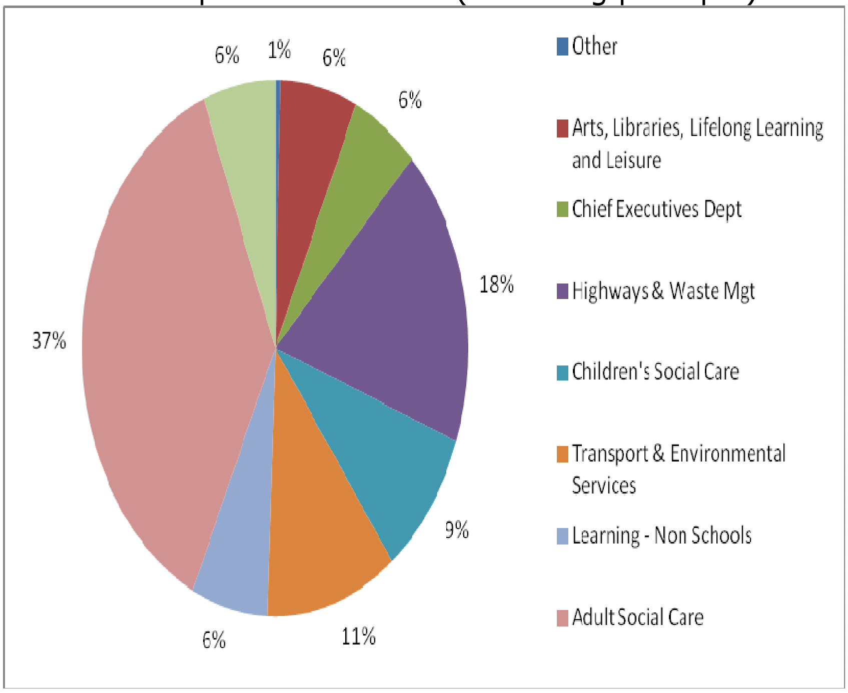
The **£0.330 million** surplus shown at Revised Estimate relates to contributions to general fund balances.

The Corporate Revenue Outturn Report details the overall performance of the Council in 2012/2013.

Major Variances, details of which can be found in the Revenue Outturn report, included:

Service Area	**£000's**
Environment and Development Services	(46)
Adult Care Services	103
Cost of Borrowing	(1,045)
Housing	(182)
Learning – Non Schools Budget	(868)
Children's Agency	1,693
Property Services	953
Other Children's Services	(627)
Other Chief Executive's	(349)
Provisions	300
Other Variances	(25)
Total	**(93)**

The Council spent £140.172m (excluding precepts) in 2012/2013 as follows:



	£M
Learning – Non Schools	8.948
Adult Social Care	51.758
Children's Social Care	12.637
Arts, Libraries, Adult Learning and Leisure	8.974
Transport & Environmental Services	15.420
Highways & Waste Mgt	25.390
Chief Executive's Dept	7.901
Cost of Borrowing	8.477
Other	667
Total	**140.172**

CAPITAL OUTTURN

Total Capital Expenditure achieved in the year was **£25.409** million.
In addition to the figures shown for the year, Bury's Voluntary Aided schools received **£1.299m** from the Department for Education for the modernisation of the voluntary sector aided schools.
For information on how Capital Expenditure was financed, refer to Note 24 (page 81).

Expenditure on capital schemes undertaken by Council services in the year are detailed below:-

SERVICE	PROJECT	£000's	£000's
Chief Executive's			
	Townside Fields	289	
	Cost of Property Sales and Purchases	625	
			914
Adult Care Services	Older People Services	586	
	Learning Disabilities	39	
	Improving Information Management	215	
	Empty Properties	53	
	Disabled Facilities Grant	569	
	Urban Renewal	14	
	Equal Pay / Back Pay Capitalisation	3,214	**4,690**
Children's Services	Support Services	258	
	Devolved Formula Capital	853	
	Modernisation / New Pupil Places	1,566	
	Access Initiatives	39	
	Targeted Capital Funding	1,111	
	Additional Sports Hall – Philips High school	730	
	Extended Schools	210	
	Short Break Allocation	34	
	Equal Pay / Back Pay Capitalisation	2,374	**7,175**
Planning Services	Development Group Schemes	100	
	East Lancashire Railway Trust	6	
	Environmental Projects	416	**522**
Leisure Services	Parks and Countryside	4	
	Leisure Facilities	436	**440**
Highways and Transportation	Highways Network Services	1,415	
	Bridge Repairs and Maintenance	539	
	Walking Strategy	22	
	Other Transportation & Parking Schemes	7	
	Traffic Management & Road Safety Schemes	17	**2,000**
Environmental Works	Contaminated Land	1	
	Energy Efficiency Schemes	18	**19**
Operational Services	Fernhill to Bradley Fold Relocation	34	
	CCTV Control Room – Bradley Fold	135	
	Bradley Fold Asbestos Removal	14	**183**
Other Services	Waste Management Schemes	126	
	Refurbishment Backlog	5	

	Equal Pay / Back Pay Capitalisation	2,005	**2,136**
Housing Private Sector	Pimhole Renewal Area	174	**174**
Housing Public Sector	Asbestos Removal	9	
	Environment/Security Work	196	
	Energy Efficiency	817	
	Modernisations	2,865	
	Roofing Schemes	1,528	
	Windows	160	
	Disabled Facilities Adaptations	514	
	Miscellaneous Housing Schemes	1,067	**7,156**
TOTAL		**25,409**	**25,409**

The Capital Programme is funded from a variety of sources. To achieve effective financing of the Capital Programme the emphasis is put on the optimum use of resources so that the best possible financial position for the Council is achieved. This is realised through maximising the use of supported borrowing, capital grants and external contributions. The Capital Programme also requires contributions from capital receipts, reserves and the revenue budget.

The financing of the expenditure carried out during the year is detailed below:

Expenditure:	**£000's**	**£000's**
Fixed assets	25,127	
Intangible assets	20	
Vehicle, Plant and Equipment	262	
Total		**25,409**

Financed by:	**£000's**	**£000's**
Loan	7,993	
Capital Receipts	1,373	
Grants & Contributions	8,883	
General Fund Revenue and Reserves	285	
Housing Revenue Account	689	
Major Repair Allowance	6,186	
Total		**25,409**

BORROWING OUTTURN

During 2012/13 temporary loans were used, where appropriate to fund capital investment, in line with the treasury management strategy.

An analysis of movements on loans at nominal values during the year is shown below:

	Balance at 31/03/12 £000s	Loans Raised £000s	Loans Repaid £000s	Balance at 31/03/13 £000s
PWLB	161,362	0	(7,500)	153,862
PWLB (Airport)	5,256	0	(427)	4,829
Market	39,000	0	0	39,000
Temporary Loans	0	8,000	(2,000)	6,000
Other Loans	3	0	0	3
Total Debt	**205,621**	**8,000**	**(9,927)**	**203,694**

HOUSING

The Housing Revenue Account (HRA) on page 108 produced a surplus of **£2.927 million** during the year. This was against an estimated surplus for the year of £0.263 million.

COLLECTION FUND

The information shown on page 115 demonstrates that at 31st March 2013 there was a deficit balance on the Collection Fund of **£2.160 million.**

INSPECTION OF THE ACCOUNTS

Members of the public have the right to inspect the Authority's Accounts, including supporting documents, prior to external audit and then to question the auditor or make objections to the Accounts. This year the Accounts will be deposited for inspection at the Town Hall for 20 working days as required by the Accounts and Audit (England) Regulations 2011 commencing 24 June 2013 and the External Auditor was available for questioning on or after 22 July 2013. This facility was advertised in the local press and on the Bury Council website.

S KENYON, CPFA
Assistant Director of Resources (Finance & Efficiency)
22 August 2013

Town Hall
Knowsley Street
BURY
BL9 0SP
0161 253 6922
Email: s.kenyon@bury.gov.uk

STATEMENT OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

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 Bury that officer is the Assistant Director of Resources (Finance and Efficiency).
- To manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- To approve the Statement of Accounts.

The Responsibilities of the Assistant Director of Resources (Finance and Efficiency)

The Assistant Director of Resources (Finance and Efficiency) is responsible for the preparation of the Authority's Statement of Accounts which, in terms of CIPFA's Code of Practice on Local Authority Accounting in Great Britain, is required to present **a true and fair view** of both the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2013.

In preparing the Statement of Accounts the Assistant Director of Resources (Finance and Efficiency) has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting.

The Assistant Director of Resources (Finance and Efficiency) has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Signed the letter of representation with the External Auditor.

The Auditor's Responsibilities

The External Auditor's Certificate and Opinion is included at page 25.

S. KENYON CPFA
Assistant Director of Resources (Finance & Efficiency)
22 August, 2013

Independent auditors' report to the Members of Bury Metropolitan Borough Council - Opinion on the accounting statements

We have audited the financial statements of Bury Metropolitan Borough Council for the year ended 31 March 2013 on pages 27 to 128. 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 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, 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 members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Director of Resources (Finance and Efficiency) and auditor

As explained more fully in the Statement of the Assistant Director of Resources (Finance and Efficiency) Responsibilities, the Assistant Director of Resources (Finance and Efficiency) 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director of Resources (Finance and Efficiency); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2013 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or

- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

Conclusion on Bury Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure 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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.
We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Bury Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Trevor Rees

Trevor Rees
for and on behalf of KPMG LLP, Appointed Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS
22 August, 2013

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

2011/12	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Collection Fund Balance	Capital Receipts Unapplied	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1st April 2011	**12,809**	**37,101**	**688**	**(393)**	**1,086**	**20**	**622**	**51,933**	**396,219**	**448,152**
Movement in reserves during 2011/12										
Surplus / (deficit) on the provision of services	8,029	0	0	0	0	0	0	**8,029**	0	**8,029**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(151,216)	**(151,216)**
Total Comprehensive Income and Expenditure	**8,029**	**0**	**0**	**0**	**0**	**0**	**0**	**8,029**	**(151,216)**	**(143,187)**
Adjustments between accounting basis & funding basis under regulations	1,092	0	77	0	631	(2)	4,722	**6,520**	(6,520)	**0**
Net increase / (decrease) before transfers to earmarked reserves	**9,121**	**0**	**77**	**0**	**631**	**(2)**	**4,722**	**14,549**	**(157,736)**	**(143,187)**
Transfers to / from ear-marked reserves	(3,895)	1,689	0	(579)	1	0	0	**(2,784)**	2,784	**0**
Increase / (decrease) movement in 2011/12	**5,226**	**1,689**	**77**	**(579)**	**632**	**(2)**	**4,722**	**11,765**	**(154,952)**	**(143,187)**
Balance at 31 March 2012 carried forward	**18,035**	**38,790**	**765**	**(972)**	**1,718**	**18**	**5,344**	**63,698**	**241,267**	**304,965**

2012/13	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Collection Fund Balance	Capital Receipts Unapplied	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1st April 2012	**18,035**	**38,790**	**765**	**(972)**	**1,718**	**18**	**5,344**	**63,698**	**241,267**	**304,965**
Movement in reserves during 2012/13										
Surplus / (deficit) on the provision of services	8,005	0	(4,809)	0	0	0	0	**3,196**	0	**3,196**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(19,796)	**(19,796)**
Total Comprehensive Income and Expenditure	**8,005**	**0**	**(4,809)**	**0**	**0**	**0**	**0**	**3,196**	**(19,796)**	**(16,600)**
Adjustments between accounting basis & funding basis under regulations	(5,556)	0	7,716	0	(971)	726	5,015	**6,930**	(6,930)	**0**
Net increase / (decrease) before transfers to earmarked reserves	**2,449**	**0**	**2,907**	**0**	**(971)**	**726**	**5,015**	**10,126**	**(26,726)**	**(16,600)**
Transfers to / from ear-marked reserves	(3,566)	3,391	20	(1,188)	0	1	0	**(1,342)**	1,342	**0**
Increase / (decrease) movement in 2012/13	**(1,117)**	**3,391**	**2,927**	**(1,188)**	**(971)**	**727**	**5,015**	**8,784**	**(25,384)**	**(16,600)**
Balance at 31 March 2013 carried forward	**16,918**	**42,181**	**3,692**	**(2,160)**	**747**	**745**	**10,359**	**72,482**	**215,883**	**288,365**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2011/2012 Gross Expenditure £000's	2011/2012 Gross Income £000's	2011/2012 Net Expenditure £000's		2012/2013 Gross Expenditure £000's	2012/2013 Gross Income £000's	2012/2013 Net Expenditure £000's	Note
			Continuing Services				
32,660	(29,786)	2,874	Central Services to the Public including Court Services	33,850	(30,645)	3,205	
21,707	(10,666)	11,041	Cultural & Related Services	16,423	(5,707)	10,716	
23,822	(4,329)	19,493	Environment & Regulatory Services	22,714	(4,162)	18,552	
3,150	(1,330)	1,820	Planning Services	2,992	(1,358)	1,634	
204,348	(173,704)	30,644	Children's & Education Services	203,130	(173,287)	29,843	
28,338	(6,327)	22,011	Highways & Transport Services	28,120	(5,994)	22,126	
37,626	(28,184)	9,442	Local Authority Housing (HRA)	30,281	(30,115)	166	
78,253	0	78,253	Local Authority Housing - settlement payment to Government for HRA self financing	0	0	0	
63,249	(58,210)	5,039	Other Housing Services	61,739	(58,755)	2,984	
79,973	(31,205)	48,768	Adult Social Care Services	81,445	(31,200)	50,245	
3,932	(60)	3,872	Corporate & Democratic Core	3,839	(510)	3,329	
2,803	(262)	2,541	Non-Distributed Costs	2,440	(36)	2,404	
309	(426)	(117)	Other Operating Inc & Exp.	302	(470)	(168)	
580,170	**(344,489)**	**235,681**	**Cost Of Services**	**487,275**	**(342,239)**	**145,036**	
			Other Operating Expenditure				
0	(248)	(248)	(Gain)/Loss on Disposal of Non-Current Assets	0	(187)	(187)	
27,491	(30,318)	(2,827)	(Surplus)/Deficits on Trading Operations	34,678	(36,817)	(2,139)	**4**
439	0	439	Contribution of Housing Capital Receipts to Government Pool	303	0	303	**38**
27,930	**(30,566)**	**(2,636)**		**34,981**	**(37,004)**	**(2,023)**	
			Financing and Investment Income and Expenditure				
6,479	0	6,479	Interest Payable & other Similar Charges	8,989	0	8,989	
0	(3,157)	(3,157)	Interest and Investment Income	0	(3,929)	(3,929)	**5**
1,300	0	1,300	Pensions Interest Cost and Expected Return on Pensions Assets (IAS19)	5,000	0	5,000	**8**
7,779	**(3,157)**	**4,622**		**13,989**	**(3,929)**	**10,060**	
			Taxation and Non-Specific Grant Income				
0	(77,362)	(77,362)	Demand On Collection Fund: Council Tax	0	(77,375)	(77,375)	
0	(17,162)	(17,162)	Government Grants (not attributable to specific services)	0	(2,399)	(2,399)	
0	(51,801)	(51,801)	Non-Domestic Rate distribution	0	(62,015)	(62,015)	
0	(78,253)	(78,253)	HRA Self Financing Settlement	0	0	0	
0	(21,118)	(21,118)	Capital grants and contributions	0	(14,480)	(14,480)	
0	**(245,696)**	**(245,696)**		**0**	**(156,269)**	**(156,269)**	
615,879	**(623,908)**	**(8,029)**	**(Surplus) or Deficit On Provision of Services**	**536,245**	**(539,441)**	**(3,196)**	
		6,054	(Surplus) / Deficit on revaluation of property, plant and equipment			(7)	
		266	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			954	
		80	(Surplus) / Deficit on revaluation of available for sale financial assets			(19,008)	
		65,358	Actuarial (gains) / losses on pension assets and liabilities			40,018	
		78,253	Housing Revenue Expenditure funded from capital under statute			0	
		1,205	Any other (gains)/ losses for the year			(2,161)	
		151,216	**Other Comprehensive Income and Expenditure**			**19,796**	
		143,187	**Total Comprehensive Income and Expenditure**			**16,600**	

BALANCE SHEET AT 31ST MARCH 2013

31/3/2012		31/3/2013			
		£'000	£'000	£'000	Note
	PROPERTY, PLANT & EQUIPMENT				
	Tangible Fixed Assets				
	Operational Assets:				
205,044	Council Dwellings	201,601			
350,107	Other Land & Buildings	344,877			
29,830	Infrastructure Assets	28,832			
4,339	Vehicles & Plant	5,828			
554	Community Assets	554			
45,290	Non-Operational Assets	44,153			
19,886	Assets under construction	23,268			
405	Surplus assets held for disposal	405	**649,518**		**18**
4,620	Intangible Fixed Assets	3,683	**3,683**		**21**
1,249	Investment Property	1,249	**1,249**		**22**
23,760	Heritage Assets	23,760	**23,760**		**20**
685,084	**TOTAL FIXED ASSETS**		**678,210**	**678,210**	
	LONG TERM INVESTMENTS				
10,214	Manchester Airport PLC		29,300		**27**
13,343	Bury MBC Townside Fields Ltd		13,351	**42,651**	**27**
23,557					
	LONG TERM DEBTORS				
297	Long term Debtors – General		280		
11,003	Loan Accounts		10,662		**28**
20	Debt Managed for Probation Services		19	**10,961**	**23**
11,320					
	CURRENT ASSETS				
1,276	Stocks & Work in Progress	1,285			
2,299	Assets Held for Sale	1,583			**18**
33,165	Sundry Debtors & Advance Payments	35,797			**28, 29**
20,035	Short Term Investments	13,577			
6,140	Cash And Cash Equivalents	6,771			
62,915			**59,013**		
	LESS : CURRENT LIABILITIES				
(7,958)	Short Term Loans Outstanding	(14,304)			**31**
(159)	Deposits & Clients' Funds	(115)			
(2,341)	Short Term Provisions	(2,845)			**34**
(27,149)	Sundry Creditors & Advance Receipts	(26,084)			**30**
(1,281)	Revenue Grants Receipts in Advance	(256)			
(8,788)	Bank Accounts	(4,253)			
(47,676)			**(47,857)**		
15,239	**NET CURRENT ASSETS**			**11,156**	
735,200	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**742,978**	
	LESS: LONG TERM LIABILITIES				
(199,406)	External Loans Outstanding		(191,107)		**31**
(4,606)	Capital Grants Receipts in Advance		(1,058)		**39**
(334)	Finance Lease Liabilities		(2,254)		**26**
(7,618)	Deferred Liabilities		(7,029)		**32**
(178,600)	Pension Liability		(219,400)		**8**
(39,671)	Long Term Provisions		(33,765)		**34**
(430,235)				**(454,613)**	
304,965	**TOTAL NET ASSETS**			**288,365**	

31/3/2012		31/3/2013			
		£'000	£'000	£'000	Note
	FINANCED BY :				
	USABLE RESERVES				
(25,294)	Earmarked Reserves		(28,443)		**35**
(1,718)	Capital Receipts Unapplied		(747)		**38**
(5,344)	Capital Grants Unapplied		(10,359)		
(18,035)	General Fund		(16,918)		**13**
(765)	Housing Revenue Account		(3,692)		
(18)	Major Repairs Reserve		(745)		
(1,805)	Competitive Services / Commuted Sums		(1,874)		**35**
972	Collection Fund Balance		2,160		
(11,691)	Other Balances		(11,864)		**35**
(63,698)				**(72,482)**	
	UNUSABLE RESERVES				
(193,342)	Revaluation Reserve		(193,349)		**36**
(245,893)	Capital Adjustment Account		(234,148)		**37**
(145)	Financial Instruments Adjustment Reserve		(67)		**40**
0	Available for Sale Financial Instruments Reserve		(19,086)		**45**
608	Collection Fund Adjustment Account		1,391		**42**
4,554	Accumulated Absences		3,010		**41**
178,600	Pension Reserve		219,400		**8**
14,390	Equal Pay Back Pay Reserve		6,987		
(39)	Deferred Capital Receipts		(21)		**33**
(241,267)				**(215,883)**	
(304,965)	**TOTAL RESERVES AND BALANCES**			**(288,365)**	

CASH FLOW STATEMENT

2011/12		2012/2013		
£000's		£000's	£000's	£000's
	OPERATING ACTIVITIES			
	Cash Outflows:			
186,556	Cash Paid to and on behalf of Employees	186,552		
313,136	Cash Paid for Goods and Services	229,429		
38,232	Housing Benefit paid out	34,959		
4,871	Interest Paid	4,073		
439	Payments to Housing Capital Receipts Pool	303		
1,589	Net Increase / (Decrease) in Council Tax Liquid Resources	1,894		
544,823	**Cash Outflows Generated from Operating Activities**		**457,210**	
	Cash Inflows:			
(26,721)	Rents (after Rebates)	(28,388)		
(62,735)	Council Tax Receipts (excl major preceptors share of receipts)	(63,374)		
(51,801)	NNDR Receipts from National Pool	(62,015)		
(16,012)	Revenue Support Grant	(1,202)		
(50,769)	DWP Grants for Benefits	(49,355)		
(155,868)	Other Government Grants	(157,296)		
(3,157)	Interest Received	(3,929)		
(1,000)	Airport Dividend Received	(1,006)		
(96,330)	Cash Received for Goods and Services	(94,504)		
(464,393)	**Cash Inflows Generated from Operating Activities**		**(461,069)**	
80,430	**NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES**			**(3,859)**
	INVESTING ACTIVITIES			
13,705	Purchase of Fixed Assets		15,578	
3,128	Purchase of Long Term Investments		8	
(10,380)	Net Increase / (Decrease) in Short Term Deposits		(6,458)	
(1,901)	Proceeds of Sale of Fixed Assets		(705)	
(11,527)	Capital Grants received		(11,324)	
(6,975)	**NET CASH FLOWS FROM INVESTING ACTIVITIES**			**(2,901)**
	FINANCING ACTIVITIES			
	Repayments of amounts borrowed:			
10,518	Long Term loans repaid		7,953	
26,300	Short Term loans repaid		2,000	
1,358	Net Receipts from Long Term Debtors		(359)	
(83,253)	New Long Term Loans		0	
(21,300)	New Short Term Loans		(8,000)	
(66,377)	**NET CASH FLOWS FROM FINANCING ACTIVITIES**			**1,594**
7,078	**NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS**			**(5,166)**
4,430	**Cash and Cash Equivalents at beginning of the reporting period**			**(2,648)**
(2,648)	**Cash and cash equivalents at the end of the reporting period**			**2,518**

	Cash and cash equivalents include:	
	Cash held:	
107	Imprest accounts	102
1,839	Schools cash advances	2,179
(8,788)	Bank current accounts	(4,253)
4,194	Short term deposits with banks & building societies	4,490

S KENYON, CPFA
Assistant Director of Resources (Finance & Efficiency)
22 August 2013

INDEX FOR THE NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

GENERAL

The Statement of Accounts summarises the Council's transactions for the 2012/2013 financial year and its position at year end of 31 March 2013. The Accounts have been prepared in accordance with the Accounts and Audit (England) Regulations 2011 which have replaced the 2003 Regulations and the Local Government and Housing Act 1989. They follow the principles and form recommended by the 2012 Code of Practice on Local Authority Accounting issued by CIPFA.

This Code of Practice is the third to be based on International Financial Reporting Standards (IFRS) and has been developed by the CIPFA / LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

Any divergence from the Code is indicated with an appropriate explanatory note.

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.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

In applying the accounting policies the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. Additionally the Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The critical judgements made in the Statement of Accounts are:

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

- Impairment/reversal of impairment. The Authority has significant investments in property, plant and equipment and intangible assets. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired requiring the book value to be written down to its recoverable amount. Impairments are reversed if the conditions for impairment are no longer present. Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of judgement and may depend to a large extent on the selection of key assumptions about the future.

- Investment Properties. The investment portfolio valuation is determined using internal valuations of each of the property assets in the portfolio, which currently total 49. An assessment of the yields for each of these properties is undertaken using Valuation Office Property Market Reports, market transaction evidence or external valuations as required; and these are then used to produce multipliers and applied to the rental streams from each of the individual properties to form an overall valuation. A key source of uncertainty however is the current economic downturn, where the risk of tenants going into liquidation, administration or simply defaulting on the rent is higher than before, which has the potential to affect the value of investment properties.

- Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Authority. This judgement has been based upon the degree to which the lease transfers the risks and rewards of ownership to the Authority in accordance with IAS 17. The Authority has recognised as operating leases a number of arrangements which are recognised, in accordance with IFRIC 4, and further details are disclosed in note 25 on page 83.

- Within the Authority there are a number of long-term provisions. The carrying amount of these provisions is estimated based on assumptions about such items as the risk adjustment to cash flows or discount rates used, future changes in prices and estimates of costs. They represent the Authority's best estimate of the expenditure required to settle the obligation at the balance sheet date.

- The pensions liability is based on assumptions relating to discount rates used, future changes in salaries, changes in retirement ages, mortality rates and expected returns on pension fund assets. We review these assumptions regularly, and for pensions annually. However, a change in estimates could have a material impact on the carrying amount of these provisions. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

- Depreciation of plant and other assets is charged so as to write down the value of those assets to their residual value over their respective estimated useful lives. The Authority is required to assess the useful economic lives and residual values of the assets so that depreciation is charged on a systematic basis to the current carrying amount. These are also dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The depreciation lives of our assets are disclosed on page 50.

- Management assesses the recoverability of its trade and other receivables on a periodic basis based on the age and type of each debt. The percentages applied reflect an assessment of the recoverability of each debt.

ACCOUNTING STANDARDS ISSUED, BUT NOT YET BEEN ADOPTED

The Council is required to disclose information relating to the impact of an accounting change in the financial statements as a result of the adoption by the Code of Practice of a new standard that has been issued, but is not yet required to be adopted by the Council.

The Code of Practice on Local Council Accounting in the United Kingdom 2012/13 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2013, the following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

IAS 1 Presentation of Financial Statements – The changes require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Services. The gains and losses are separately identified on the

Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

Service concession arrangements (public finance initiatives, public-private partnerships and similar schemes) whereby if the authority considers a material change in the recognition criteria for assets under construction or intangible assets then it must provide information to demonstrate the impact of the change on its financial statements.

IAS 12 Income taxes – this change in the accounting policy particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts.

IFRS 7 Financial Instruments: Disclosures – the change in accounting policy is in relation to the offsetting of financial assets and liabilities. Within the cash and cash equivalents line on the balance sheet there is a bank overdraft and the Cash Flow Statement on page 33 provides a breakdown of this item.

There have been several significant changes in relation IAS 19 Employee Benefits. IAS19 is changing for accounting years starting on or after 1 January 2013 and this will affect the budgeted pension expense for the next financial year. The key change affecting LGPS employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to profit and loss, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption).

ACCOUNTING FOR COUNCIL TAX

From the year commencing 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year shall be accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account in the balance sheet and included as a reconciling item in the Movement in Reserves Statement.

ACCOUNTING FOR NATIONAL NON-DOMESTIC RATES (NNDR)

From the year commencing 1 April 2009 no NNDR income is to be included in the Comprehensive Income and Expenditure Statement except for the cost of collection allowance; the Balance Sheet should not include NNDR arrears, prepayments and overpayments; and in the Cash Flow Statement, Revenue Activities should only include the receipt of the costs of collection allowance and any amounts received in recovering costs of pursuing unpaid debts. When the new arrangements for the retention of business rates come into effect on 1 April 2013 local authorities assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their property on the rating list. This will include amounts that were paid over to Central Government in respect of 2012/13 and previous years. When authorities assume these liabilities on 1 April 2013 a provision will need to be recognised – Bury Council has therefore made such a provision of £600,000 in the 2012/13 accounts.

CAPITAL RECEIPTS

Income from the disposal of fixed assets, known as capital receipts, has been accounted for on an accruals basis. A proportion of the capital receipts earned during the year were pooled and paid out to DCLG as per Local Authorities Finance Regulations 2004 using the proportions as first defined in the Local Government and Housing Act 1989. The balance is credited to the Capital Receipts Unapplied account and is available to finance capital expenditure, as set out in Note 38 (page 92).

CARBON REDUCTION COMMITMENT SCHEME

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

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 investments that mature in no more than 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of 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 Authority's cash management.

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts have been charged with the following to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service

- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off

- Amortisation of intangible fixed assets attributable to the service

The charge made to the Housing Revenue Account (HRA) is an amount equivalent to the statutory capital financing costs (known as the Item 8 Determination).

COLLECTION FUND

The Authority has undertaken a review of the level of the provisions made in relation to potential unrecoverable debts due to the Collection Fund. The conclusion of the review was that there has been a past over-provision due to higher than anticipated collection rates.

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 benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the provision of services, 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 absence occurs.

Termination Benefits

Termination benefits are benefits payable as a result of a decision by the Authority 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 accrual’s basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority 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

The Authority pays employer's contributions for different types of employees as follows: -

- **Teachers**

  The Council administers a centralised scheme for the Department for Education (DfE) and although the scheme is unfunded the DfE uses a notional fund as the basis for calculating the employer’s contribution rate paid by the Authority.

- **Other Employees**

  Contributions are paid to the Greater Manchester Pension Fund that is administered by Tameside Council on behalf of the 10 Greater Manchester district councils. This is a contributory, final salary based, occupational pension scheme which is contracted out of the State Earnings Related Scheme. The contribution rate is determined by the Fund's actuary based on triennial valuations, the last of which took place in 2010.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means there are appropriations to and from the Pension 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 any amounts payable to the fund but repaid at year-end.

Details of contribution rates and amounts paid to the schemes in 2012/2013 are shown in Note 8 on page 58.

The purpose of the pensions disclosures is to provide clear information on the impact of this Authority's obligation to fund the retirement benefits of its staff on its financial position and performance.

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. The Council has also included Unquoted Equity Investments at cost in this category (i.e. shares in Manchester Airport).

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to 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 and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain 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.

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 Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Available-for-sale-Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for the 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 principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted prices – cost less any impairment losses

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain / loss is recognised in the Comprehensive Income and Expenditure Statement). The exception is where impairment losses have been incurred – these are debited to the Comprehensive Income and Expenditure Statement along with any net gain / loss for the asset accumulated in the Reserve.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

During 2012/13 Manchester Airport Group acquired Stansted Airport resulting in a change of structure, details of which can be found in Note 27 on pages 84 and 85.

<u>FINANCIAL LIABILITIES</u>

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to 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. For most of the council’s borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest chargeable to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowings are credited and debited to Net Operating Expenditure 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 if 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 / loss over a ten year period. 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.

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 Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants and 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 or 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 there are no conditions attached to the grant, the grant is recognised immediately as income in the Comprehensive Income and Expenditure Statement. This applies equally to both capital and revenue grants and includes the Area Based Grant which is a non-ringfenced general grant.

HERITAGE ASSETS

The heritage assets held by the Council are predominantly the collections of pictures and artefacts mainly exhibited in the Art Gallery and Museum. The Council has also recognised a number of other heritage assets which have been reclassified from Community Assets.

The principal collections of heritage assets held in the museum include the art collection, museum purchases of social history objects and collection of gifts and bequests.

The CIPFA Code of Practice requires that heritage assets are measured at valuation in the 2012/13 financial statements. Details can be found in Note 20 (page 77).

The Council considers that obtaining external valuations for the vast majority of items that are exhibited within the museums or stored would involve a disproportionate cost in comparison to the benefits to the users of the financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The items in the art collection do have an insurance valuation, however they are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation on these.

Other various gifts, bequests and artefacts that are also held in the Museum and Art Gallery are recognised and measured at depreciated historical cost in accordance with the Council's accounting policies on property, plant and equipment.

Civic Regalia

The civic regalia collection consists of the Council's civic regalia and assorted items received by the Council as part of its civic role. The items are carried on the Balance Sheet at insurance valuation, which is based on market values. The items are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

The carrying value of heritage assets currently held in the Balance Sheet as Community Assets (at cost) within Property, Plant and Equipment at 31st March 2011 was £0.084 million.

As a result of the adoption by the Council of the new standard from 1st of April 2011 the value of the heritage assets has been increased to £23.8million in line with the current insurance valuation.

New assets that have been identified in the year include Radcliffe Tower, the Dungeon and Rodger Worthington's grave. As there is no available valuation for these assets they have been reported at nominal value as recommended by the Council's property valuer.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

It is highly unlikely that the Council will agree to dispose of any of the heritage assets recognised in the financial statements in the future.

INTANGIBLE ASSETS

Intangible Assets represent expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences). The expenditure is capitalised when it will bring benefits to the council for more than one financial year. Intangible assets are carried at the historical cost of purchase and other costs incurred in bringing the asset to a usable condition. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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 posted to the Capital Adjustment Account and the Capital Receipts Reserve.

The disclosure in the Council's balance sheet refers to the acquisition of software licences. Economic lives for the purposes of amortisation have been assessed at 5 and 10 years.

INTEREST

Interest for the whole Authority is seen on the face of the Comprehensive Income and Expenditure Statement and is charged corporately as detailed in the SERCOP. Interest payable on borrowing is charged on a straight-line basis over the period of the loan.

Where the loan agreement has a provision that allows for its early redemption under certain conditions, the period of the loan for the apportionment of interest charges is held to be that up to the next point at which it is a commercial possibility that such a provision could be exercised.

The Council has a number of LOBO loans (see Glossary). For the purpose of apportioning interest costs, the loan period is therefore considered to be that up to which the lender can exercise his offer. In effect, this means that the interest charged is the actual interest paid to the lender in the period.

INVENTORIES AND LONG TERM CONTRACTS

Inventories are shown on the balance sheet at the lower of cost and net realisable value with relatively insignificant stocks not being included within the Balance Sheet.

As per the requirement of IAS2 *Inventories,* income and expenditure relevant to long term contracts is reflected in the Comprehensive Income and Expenditure Statement as contract activity progresses. Long term contracts are reflected in the Balance Sheet when the amount by which recorded turnover is in excess of payments on account and these are classified as 'amounts recoverable on contracts' and are separately disclosed within debtors; or where the balance of payments on account is classified as payments on account and disclosed within creditors.

INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and / or 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 amount at which the asset could be exchanged between knowledgeable parties at arms length. They are not depreciated but are revalued annually according to market conditions at year-end.

INVESTMENTS

Investments are recorded in the Balance Sheet at amortised cost.

LEASING

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rental paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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. A gain, representing the Authority's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts

Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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 Authority 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.

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

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 Authority). 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 Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

§ infrastructure, community assets and assets under construction – depreciated historical cost

§ dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

§ all other assets – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for by:

§ 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 accumulate gains)

§ where there is a balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

Where impairment losses are identified they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service 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 on all 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 basis:

	Bases	Estimated Life
Schools and Education Properties	Straight line	8 – 68 Years
Other Operational Properties	Straight line	10 – 99 Years
Infrastructure Assets	Straight line	25 Years
Plant & Equipment	Straight line	5 – 10 Years
Council Dwellings	Major Repairs Allowance (proxy for depreciation)	

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of item, the components are depreciated separately.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the

Surplus or Deficit on Provision of Service. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (where Property, Plant and Equipment or Assets Held for Sale) 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 (if any) 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.

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed 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.

The current system of capital accounting is defined by the 1993 Code of Practice introduced as of 1st April 1994. The Code's original objectives remain applicable for local government even after substantial changes have applied to the accounting standards underlying the system since first implemented.

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis and capitalised as a non-current asset, provided that the asset yields benefits to the Authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance, which is charged direct to service revenue accounts.

In applying the concept of materiality a de-minimis level of **£15,000** in respect of vehicles, plant and equipment (VPE) is applicable. Expenditure on VPE assets with a value below this level would not generally be included in the Balance Sheet. The relevance and amount of the de-minimis level has been reviewed in the current year. This review will continue in future years.

In 2012/13 the Council has applied depreciation to operational assets in accordance with IAS16 'Property, Plant and Equipment'.

Operational Assets other than Council Dwellings are depreciated on a straight-line basis.

A review of the estimated useful life of individual operational properties is an integral part of the rolling revaluation programme carried out by the Council's Property Services department.

Asset users provide their assessment of the useful life of specific Plant & Equipment assets.

PROVISIONS

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up on the balance sheet. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

REDEMPTION OF DEBT

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating 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 kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority. These include:

- The Revaluation Reserve (RR) is intended to record accumulated movements on revaluation of fixed assets. These revaluation movements were previously processed through the FARA. The RR is made up of individual credit balances resulting from upward revaluations of specific assets. It is not permissible for there to be a debit balance against any asset. A downward revaluation not covered by a previously established credit balance is processed through the Capital Adjustment Account.

- The Capital Adjustment Account (CAA) was initially constituted by transferring into it the closing balances on the former Capital Financing Account (CFA) and Fixed Asset Restatement Account (FARA). Entries to the CAA are those previously made to the CFA and FARA with the exception of revaluation movements now processed through the RR. An overall credit balance on the CAA indicates that capital finance has been set aside at a faster rate than fixed assets have been consumed. An overall debit balance indicates that fixed assets have been consumed in advance of their financing.

- Additionally, due to full implementation of IAS19 Retirement Benefits, a Pensions Reserve has been established which provides for the net change in the pensions liability to be met by the Council which is recognised in the Comprehensive Income and Expenditure Statement where the pension payments made in the year in accordance with the pension scheme requirements, do not match the change in the Authority's recognised asset or liability for the same period.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax. This was formerly described as Deferred Charges and disclosed in the Balance Sheet with Intangible Assets. There is no longer a Balance Sheet disclosure and the expenditure is amortised to revenue in the year that the expenditure is incurred, as shown in Note 21 (page 80).

REVENUE TRANSACTIONS

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. Debtors and creditors have been accrued on the basis of actual sums receivable or payable wherever possible although it has been necessary to estimate some amounts based on the most recent and accurate information available. However there are variations to this principle:

- Not all payments to public utilities (gas, electricity etc.) have been accrued but since this is a consistent policy from one year to the next the effect on the Accounts for 2012/2013 will not be material.

Provision has been made for doubtful debts where necessary and uncollectable amounts have been written-off.

Council dwelling rents are regarded as annual amounts payable over 50 weeks.

SUPPORT SERVICES

The costs of support services such as administration and management are fully allocated to users on various bases compatible with practices recommended by CIPFA. The allocation bases include actual time spent by staff, building floor area occupied and actual usage of support services. The two exceptions are:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

VALUE ADDED TAX (VAT)

Value Added Tax is included in the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure.

2. PRIOR YEAR ADJUSTMENTS / EXCEPTIONAL ITEMS

Authorities are required to follow IAS8 Accounting Policies, Changes in Accounting Estimates and Errors when selecting or changing accounting policies, adopting the accounting treatment, changing estimation techniques, and correcting errors.

Exceptional items are ones that are material in terms of the Authority's overall expenditure and are not expected to recur frequently or regularly.

Prior year adjustments represent those material adjustments applicable to prior years arising from changes in accounting policies or the correction of fundamental errors. There were no prior period errors requiring correction.

3. EVENTS AFTER THE BALANCE SHEET DATE

No events have taken place after 31 March 2013 that will have an impact on the financial statements and notes to the accounts.

4. TRADING SERVICES

The Authority operates the following Trading Services, which are defined as activities that are of a commercial nature and which are financed substantially by charges made for the services: -

2011/12 Deficit/ (Surplus) £000's		2012/13 Gross Expenditure £000's	Income £000's	Deficit/ (Surplus) £000's
555	Civic Halls	1,583	(1,053)	530
(1,119)	Markets	1,584	(2,701)	(1,117)
(746)	Property & Estates	1,759	(2,375)	(616)
(121)	Industrial Units	2,149	(1,075)	1,074
91	Highway Network Services	3,700	(3,573)	127
(53)	Architectural Practice	2,555	(2,633)	(78)
(131)	Grounds Maintenance	2,695	(2,959)	(264)
(258)	Cleaning of Buildings	4,968	(5,187)	(219)
0	Catering	6,644	(7,231)	(587)
0	Education – Fair Funding	2,805	(2,805)	0
(394)	Emergency & Security Service	899	(1,329)	(430)
(651)	Transport Services	3,337	(3,896)	(559)
(2,827)	**TOTAL**	**34,678**	**(36,817)**	**(2,139)**

The majority of the Council's trading services were operated under the Compulsory Competitive Tendering (CCT) legislation and prior to 2001/02 were disclosed within the DSO trading accounts and report. Following the repeal of CCT legislation in the Local Government Act 1999 many of the activities continue to operate under CCT contract terms and conditions, with separate trading accounts being maintained in accordance with SERCOP. Where former CCT contracts have come to an end and have not been replaced by Voluntary Competitive Tendering (VCT) contracts, or other trading arrangements, trading accounts are no longer kept; the costs are reported as part of the costs of service provision under the normal SERCOP analysis. All material trading accounts are shown above. Both 2011/12 and 2012/13 figures include adjustment for IAS19 (formerly FRS17), accumulated absence (accrued holiday pay) and Impairment charges. Details of individual trading accounts are contained within the detailed revenue outturn report – copies of which are available from the Head of Financial Management at Bury Town Hall (telephone 0161-253-5034)

5. INTEREST AND INVESTMENT INCOME

The figure shown within the Comprehensive Income and Expenditure Statement includes interest on car loans paid by employees and interest earned by investing temporary cash surpluses.

	2011/2012 £000's	2012/2013 £000's
Interest on Car Loans	73	78
Mortgage Interest repayment – Housing Revenue Account	3	2
Mortgage Interest repayment – Housing Loan Account	24	11
Investment Interest	597	589
Interest on Airport Loan	1,009	1,009
Interest on Other Balances	451	928
Airport Dividend	1,000	1,006
BCCI Income	0	306
TOTAL	**3,157**	**3,929**

6. 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2011/12	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	£000's	£000's	£000's	£000's	£000's
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	24,311	0	0	0	0	(24,311)
Amortisation of Intangible Assets	906	0	0	0	0	(906)

2011/12	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	£000's	£000's	£000's	£000's	£000's
Capital grant and contributions applied	(21,118)	0	0	0	4,722	16,396
Revenue expenditure funded from capital under statute	2,402	0	0	0	0	(2,402)
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	(248)	0	1,901	0	0	(1,653)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(6,166)	0	0	0	0	6,166
Capital expenditure charged against the General Fund and HRA balances	(690)	77	0	0	0	613
Adjustments primarily involving the Capital Receipts Reserve:						
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	(831)	0	0	831
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	439	0	(439)	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(2)	0	2
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	79	0	0	0	0	(79)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	12,800	0	0	0	0	(12,800)
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,558)	0	0	0	0	12,558
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	394	0	0	0	0	(394)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	541	0	0	0	0	(541)
Total Adjustments	**1,092**	**77**	**631**	**(2)**	**4,722**	**(6,520)**

2012/13	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	£000's	£000's	£000's	£000's	£000's
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	12,885	8,405	0	0	0	(21,290)
Amortisation of Intangible Assets	957	0	0	0	0	(957)
Capital grant and contributions applied	(9,465)	0	0	0	0	9,465
Revenue expenditure funded from capital under statute	1,163	0	0	0	0	(1,163)
Amounts of non-current assets written off	(187)	0	705	0	0	(518)

2012/13	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000's	£000's	£000's	£000's	£000's	£000's
on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(6,142)	0	0	0	0	6,142
Capital expenditure charged against the General Fund and HRA balances	(345)	(689)	0	0	0	1,034
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(5,015)	0	0	0	5,015	0
Adjustments primarily involving the Capital Receipts Reserve:						
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	(1,373)	0	0	1,373
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	303	0	(303)	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	726	0	(726)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	79	0	0	0	0	(79)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	13,800	0	0	0	0	(13,800)
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,018)	0	0	0	0	13,018
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	783	0	0	0	0	(783)
Adjustments primarily involving the Equal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	190	0	0	0	0	(190)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,544)	0	0	0	0	1,544
Total Adjustments	**(5,556)**	**7,716**	**(971)**	**726**	**5,015**	**(6,930)**

7. MINIMUM REVENUE PROVISION

The Local Government Act 2003 requires the Authority to set aside a Minimum Revenue Provision (MRP) for the redemption of external debt for the General Fund and allows the HRA the option to choose to set aside MRP or not. The HRA did not make an MRP contribution for 2012/13. The statute also allows the Authority to set a side a voluntary revenue provision to repay debt more quickly if it is prudent to do so.

The method of calculating the provision is determined by statute and is reflected in the Note of Reconciling Items for the Statement of Movement on the General Fund balance and includes the principal repaid on external debt held by other Manchester Authorities on behalf of Bury Council. Also included is the MRP contribution to cover finance lease liabilities. The calculation is shown below:-

2011/2012 £000's	Provision for Repayment of External Loans	2012/2013 £000's
4,753	Minimum Revenue Provision for the General Fund	4,680
393	Finance lease liabilities	408
563	Other principal repayments	589
5,709	**TOTAL**	**5,677**
457	Voluntary Revenue Provision	**465**

8. DEFINED BENEFIT PENSION SCHEMES

Participation in Pensions Schemes
As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

Transactions Relating to Retirement benefits
We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make 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 via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Year to 31 March 2012	Year to 31 March 2013
Comprehensive Income and Expenditure Statement	£000's	£000's
Cost of Services:		
Current Service Cost	12,900	13,900

Past service costs	1,400	1,000
Curtailment and Settlements	(100)	(100)
Change in pension increases (see note below)	0	0
Net operating Expenditure	**14,200**	**14,800**
Interest cost	30,600	30,000
Expected return on assets in the scheme	(29,300)	(25,000)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**15,500**	**19,800**
Other post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial (gains) and losses	65,400	36,600
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**80,900**	**56,400**
Movement in Reserves Statement		
Reversal of net changes made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	0	0
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	**12,558**	**13,018**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2013 is a loss of £197.000m.

In addition to the employer's contributions to the Greater Manchester Pension Scheme, the Authority also makes payments to the Department for Education (DfE) in respect of Teachers' pension costs. In both cases the Authority is also responsible for all pension payments relating to added years it has awarded, together with related increases.

The table below shows the costs of these items: -

2011/12 Total Cost £000's		**2012/13** Total Cost £000's	Proportion of Pensionable pay %
	Teachers		
8,115	Contribution to DCSF etc.	8,034	13.63
1,554	Added years and pensions increases	1,602	2.72
0	Lump sum payments	0	
9,669		**9,636**	
	Other employees		
12,559	Contribution to Superannuation Fund	13,018	13.60
1,368	Added years and pensions increases	1,405	1.47

0	Lump sum payments		0
13,927			**14,423**

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	31 Mar 2012 £000	31 Mar 2013 £000
Opening balance 1st April	557,700	626,900
Current Service Costs	12,900	13,900
Interest Cost	30,600	30,000
Contributions by scheme participants	4,800	4,700
Actuarial (Gains) / Losses	42,600	76,500
Estimated Benefits Paid	(20,100)	(19,700)
Estimated Unfunded Benefits Paid	(3,000)	(3,000)
Past Service Costs / (Gains)	1,300	1,000
Change in pension increases	0	0
Losses / (gains) on Curtailments	100	100
Closing balance at 31st March	**626,900**	**730,400**

Reconciliation of fair value of the scheme (plan) assets:

	31 Mar 2012 £000	31 Mar 2013 £000
Opening balance 1st April	444,700	448,300
Expected rate of return	29,300	25,000
Contribution by Members	4,800	4,700
Employer contributions	12,400	12,800
Actuarial Gains / (Losses)	(22,800)	39,900
Contributions in respect of Unfunded Benefits	3,000	3,000
Estimated Unfunded Benefits paid	(3,000)	(3,000)
Estimated Benefits Paid	(20,100)	(19,700)
31st March	**448,300**	**511,000**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actuary return on scheme assets in the year was a gain of £39,900,000 (2011/12 this was a loss of £22,800,000)

Scheme history

	31 Mar 2012 £000	31 Mar 2013 £000
Present value of liabilities: Local Government Pension Scheme	(588,300)	(690,600)
Fair Value of Assets in the Local Government Pension Scheme	448,300	511,000
Surplus / (deficit) in the scheme:	**(140,000)**	**(179,600)**
Discretionary benefits	(38,600)	(39,800)
Total	**(178,600)**	**(219,400)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £690.500m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £219.400m.

However, statutory arrangements for funding the deficit mean that it presents a low risk to the Authority.

The deficit of the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2014 are £13,203,000. Expected contributions to the Discretionary Benefits scheme in the year to 31st March 2014 are £2,966,100.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions payable in future schemes dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme has been assessed by Hyman Robertson an independent firm of actuaries based on the latest full valuation of the scheme as at 31st March 2010.

The principal assumptions used by the actuary are:

Long term expected rate of return on assets in the scheme:	**31 Mar 2012 £000**	**31 Mar 2013 £000**
Equity investments	6.3%	4.5%
Bonds	3.9%	4.5%
Property	4.4%	4.5%
Cash	3.5%	4.5%

Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	20.1 years	20.1 years
- Women	22.9 years	22.9 years
Longevity at 65 for future pensioners:		
- Men	22.5 years	22.5 years
- Women	25.0 years	25.0 years
Rate of inflation (CPI)	2.5%	2.8%
Rate of increase in salaries	4.3%	4.6%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	4.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Major Categories of Plan Assets as Percentage of Total Plan Assets:	**31 Mar 2012 £000**	**31 Mar 2013 £000**
Equity investments	70%	72%
Debt Instruments	18%	17%
Other assets	12%	11%
	100%	100%

History of experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31st March 2012:

	2012/13 £000's	**2011/12 £000's**	**2010/11 £000's**	**2009/10 £000's**	**2008/09 £000's**
Differences between expected and actual return on assets	39,900	(22,800)	(700)	91,400	36,700
	%	**%**	**%**	**%**	**%**
Experience gains and losses on liabilities:-					
Assets	7.81	(5.09)	(0.90)	21.74	(28.50)
Liabilities	(10.47)	(6.79)	8.54	(0.27)	(0.12)

Further information can be found in the Greater Manchester Pension Fund's Annual Report which is available upon request from Tameside Metropolitan Borough Council, Concord Suite, Manchester Road, Droylsden, Tameside, M43 6SF, or on their website www.gmpf.org.uk.

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 Authority 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 Authority makes employer's contributions to pension funds or eventually pays any pensions 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 Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Year to 31 March 2012 £000's	Year to 31 March 2013 £000's
Opening Balance	**(113,000)**	**(178,600)**
Actuarial gains or (losses) on pension assets and liabilities	(65,400)	(36,600)
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	(12,758)	(17,218)
Employer's pension contributions and direct payments to pensioners payable in the year	12,558	13,018
Closing Balance	**(178,600)**	**(219,400)**

9. MANCHESTER AIRPORT PLC

The table below shows an analysis of the income from Manchester Airport:-

2011/2012 £000's		2012/2013 £000's
	Income	
(406)	Rent Income	(429)
(3)	Contribution from Reserves	0
(1000)	Dividend Income	(1,006)
(1,409)		**(1,435)**
	Expenditure	
81	Repayment of loans	80
0	Professional fees	2
0	Contribution to Reserve	25

0	Impairment charges		0
81			**107**
(1,328)	**NET INCOME**		**(1,328)**

In 2012/13 net income of £1.328 million was transferred to the Comprehensive Income and Expenditure Statement.

10. EMPLOYEES IN HIGHER EARNINGS BANDS

In accordance with the Accounts and Audit (England) Regulations 2011, Authorities are required to disclose individual remuneration details for certain employees.

The following table, therefore, sets out the **remuneration** disclosure for senior officers (excluding teachers), identified by name, whose **salary** is £150,000 or more per year.

Postholder Information (Post title and Name)	Note	Salary (including fees and allowances)	Benefits In Kind	Total Remuneration excluding pension contributions	Employers Pension Contributions	Total Remuneration Including Pension Contributions
		£	£	£	£	£
2012/13						
-		-	-	**-**	-	**-**
2011/12						
-		-	-	**-**	-	**-**

The following table sets out the **remuneration** disclosures for Senior Officers (excluding teachers), identified by job title, whose **salary** is less than £150,000 but equal to or more than £50,000 per year and who were members of the Council's Strategic Leadership Team.

Postholder Information (Post title and Name)	Note	Salary (including fees and allowances)	Benefits In Kind	Total Remuneration excluding pension contributions	Employers Pension Contributions	Total Remuneration Including Pension Contributions
		£	£	£	£	£
2012/13						
Chief Executive		147,701	932	**148,663**	24,470	**173,133**
Deputy Chief Executive	1	91,933	0	**91,933**	15,721	**107,654**
Executive Director – Adult Services		100,191	0	**100,191**	17,275	**117,466**
Executive Director – Environment & Development		100,191	0	**100,191**	17,275	**117,466**
Executive Director – Children's Services		98,180	0	**98,180**	16,928	**115,108**
Executive Director of Resources		94,170	0	**94,170**	16,236	**110,406**
2011/12						

Chief Executive	2	142,179	932	**143,111**	23,317	**166,428**
Deputy Chief Executive		121,569	0	**121,569**	20,103	**141,672**
Executive Director – Adult Services		100,191	0	**100,191**	16,568	**116,759**
Executive Director – Environment & Development		100,191	0	**100,191**	16,568	**116,759**
Executive Director – Children's Services		98,180	0	**98,180**	16,235	**114,415**
Executive Director of Resources		93,804	0	**93,804**	15,512	**109,316**

Notes:

1. The postholder left the authority on the grounds of voluntary severance on 31 December 2012.
2. The salary includes £5,552 Returning Officer Election allowance.

The number of employees, including teachers, whose remuneration, excluding employer pension contributions, was £50,000 or more in bands of £5,000 is as follows:-

Salary Range (£)	**2011/2012 Teaching Staff**	**2011/2012 Non-Teaching Staff**	**2012/2013 Teaching Staff**	**2012/2013 Non-Teaching Staff**
50,000 to 54,999	49	7	41	8
55,000 to 59,999	30	7	39	7
60,000 to 64,999	26	3	29	5
65,000 to 69,999	8	2	8	2
70,000 to 74,999	3	2	4	3
75,000 to 79,999	8	1	5	1
80,000 to 84,999	2	3	3	1
85,000 to 89,999	2	0	2	0
90,000 to 94,999	2	1	1	1
95,000 to 99,999	1	1	2	1
100,000 to 104,999	0	2	0	2
105,000 to 109,999	0	0	0	0
110,000 to 114,999	0	0	0	0
115,000 to 119,999	0	0	0	0
120,000 to 124,999	0	1	0	0
125,000 to 129,999	0	0	0	0
130,000 to 134,999	1	0	0	0
135,000 to 139,999	0	0	0	0
140,000 to 144,999	0	1	0	1
145,000 to 149,999	0	0	0	1
150,000 to 154,999	0	0	0	0
TOTAL	**132**	**31**	**134**	**33**

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

Teaching Staff

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of Exit packages by cost band		Total cost of exit packages in each band	
	2011/ 2012	2012/ 2013	2011/ 2012	2012/ 2013	2011/ 2012	2012/ 2013	2011/ 2012 £000	2012/ 2013 £000
£0 - £20,000	15	2	10	9	**25**	**11**	**148**	**119**
£20,001 – £40,000	0	1	4	3	**4**	**4**	**94**	**84**
£40,001 – £60,000	0	0	0	1	**0**	**1**	**0**	**53**
£60,001 – £80,000	0	0	0	0	**0**	**0**	**0**	**0**
£80,001 – £100,000	0	0	0	0	**0**	**0**	**0**	**0**
£100,001 – £150,000	0	0	0	0	**0**	**0**	**0**	**0**
Total	**15**	**3**	**14**	**13**	**29**	**16**	**242**	**256**

Non Teaching Staff

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of Exit packages by cost band		Total cost of exit packages in each band	
	2011/ 2012	2012/ 2013	2011/ 2012	2012/ 2013	2011/ 2012	2012/ 2013	2011/ 2012 £000	2012/ 2013 £000
£0 - £20,000	29	13	118	65	**147**	**78**	**962**	**463**
£20,001 – £40,000	0	0	10	6	**10**	**6**	**238**	**151**
£40,001 – £60,000	0	0	0	0	**0**	**0**	**0**	**0**
£60,001 – £80,000	0	0	0	0	**0**	**0**	**0**	**0**
£80,001 – £100,000	0	0	0	1	**0**	**1**	**0**	**80**
£100,001 – £150,000	0	0	0	0	**0**	**0**	**0**	**0**
Total	**29**	**13**	**128**	**72**	**157**	**85**	**1,200**	**694**

11. <u>MEMBERS ALLOWANCES</u>

The total amount of Allowances paid to Members of the Council during 2012/13 was £563,596 (£562,078 in 2011/12) plus Employees National Insurance of £28,585 (£31,466 in 2011/12), giving an overall total of £592,181. In addition during 2012/13 Members were also paid Expenses totalling £10,188 (£15,159 in 2011/12).

12. TRANSACTIONS WITH RELATED PARTIES

This is a disclosure note required by IAS24 *Related Party Disclosures*, which requires the Council to declare transactions between the Council and related parties. (A related party is where a member of the Council or a Chief Officer is involved in a company or organisation with which the Council undertakes business on normal contractual terms for the supply of services).

Central Government has effective control over the general operations of the Council. It is responsible for providing the framework within which the Council operates. It also provides the majority of funding for Council services. Details of transactions with government departments are set out in the Cash Flow Statement.

The Authority has a pooled budget arrangement with NHS Bury for the provision of a community equipment service. Transactions and balances outstanding are detailed in Note 16 on page 69.

During 2012/2013 the Council has undertaken the following transactions with related parties:

1 Member of the Council is the Chief Executive of a Day Care Centre. The Council entered into transactions with the concern to the value of £11,657 during 2012/2013 (£9,278 during 2011/2012).

4 Members of the Council are on the board of Six Town Housing, which represents 30.8% of the voting rights of Six Town Housing. The Council entered into transactions with the concern to the net value of £4,379,645 during 2012/2013 (£5,098,463 in 2011/2012). This represents income to the Council of £10,305,931 (£9,378,484 in 2011/2012) and expenditure of £14,685,576 (£14,476,947 in 2011/2012), including the management fee paid to Six Town Housing, of £12,718,600.

There were no other material related party transactions involving Members of the Council. However, several Members are trustees, employees and Council representatives of various charitable and similar voluntary organisations that receive financial and other support from the Council.

13. GENERAL FUND MOVEMENTS

The 2012/2013 deficit on the General Fund (excluding the use of balances and reserves) of **£1.524m** is split as follows: -

	DSG Schools Budget £000's	General £000's	Total £000's
Balance at 31st March 2012	**(7,805)**	**(10,230)**	**(18,035)**
(Surplus)/Deficit for the Year	1,617	(93)	1,524
In Year Contribution	0	(407)	(407)
Balance at 31st March 2013	**(6,188)**	**(10,730)**	**(16,918)**

The directorate carry-forward requests will be considered by the Cabinet on 10 July, 2013.

14. DISCLOSURE OF DEPLOYMENT OF DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies, provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped to by the Department to fund academy schools in the council's area. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2012/13 are as follows:

	Central Expenditure	**ISB**	**Total**	Note
	£000	£000	£000	
Final DSG for 2012-13 before Academy recoupment			(135,811)	
Academy figure recouped for 2012/13			2,007	
Total DSG after Academy recoupment for 2012/13			**(133,804)**	
Brought Forward from 2011/12			237	
Agreed Initial budgeted distribution in 2012/13	**(11,334)**	**(122,233)**	**(133,567)**	(a)
In Year Adjustments	386	(386)	0	
Final Budgeted Distribution for 2012/13	**(10,948)**	**(122,619)**	**(133,567)**	
Less Actual Central Expenditure	11,611	0	11,611	
Less Actual ISB deployed to Schools	0	122,700	122,700	
Plus Local Authority contribution for 2012/13	0	(81)	(81)	
Carry forward to 2013/14	**663**	**0**	**663**	

Note

(a) The Schools Forum resolved to authorise the breach of the Central Expenditure Limit in their meeting of 30th January 2012.

15. DISCLOSURE OF AUDIT COSTS

In 2012/2013 the Authority incurred the following fees relating to external audit and inspection:

	2011/2012 (£000)	**2012/2013 (£000)**
Fees payable to the Audit Commission / KPMG with regard to external audit services carried out	257	154
Fees payable to the Audit Commission in respect of statutory inspection	0	0
Fees payable to the Audit Commission / KPMG for the certification of grant claims and returns	36	24
Fees payable in respect of other services provided by KPMG	7	1
Audit Commission subsidy	(17)	(13)
TOTAL	**283**	**166**

16. BURY INTEGRATED COMMUNITY EQUIPMENT SERVICE PARTNERSHIP BOARD POOLED FUND MEMORANDUM ACCOUNT

In March 2004, the Council entered into a Section 31 Health Act 1999 Partnership Agreement (since superseded by Section 75 of the Health Service Act 2006) for the pooling of its integrated community equipment service budgets with NHS Bury. Pooled funds enable health bodies and local authorities to work collaboratively to address specific local health issues. Details of contributions to and from the pooled fund in 2012/13 are shown below. The £100,383 deficit will be met by Bury Council and Pennine Care. A copy of the statutory Pooled Fund Memorandum of Account can be obtained from the Assistant Director of Resources (Finance and Efficiency), Bury Council, Town Hall, Knowsley Street, Bury.

	2012/13 Total Fund £000
Contributions to the pool	(616)
Expenditure from the pool	716
Deficit	100

The 2011/12 deficit was £96,593 which was met by Bury Council and NHS Bury/Pennine Care.

17. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

- Expenditure on some support services is budgeted for centrally and not charged to departments.

The income and expenditure of the Authority's principal departments recorded in the budget reports for the year and detailed on page 19 of this document is as follows:

2012/13

All figures shown are in £000's

Directorate / Services	Chief Executive's	Other	Housing General Fund	Children's Services	Communities & Neighbourhoods	Adult Care Services	Directorate Analysis Total
Fees, charges & other service income	(31,102)	(3,092)	(32)	(17,740)	(51,698)	(28,952)	(132,616)
Government Grants	(15,941)	0	(55,724)	(139,425)	(2,191)	(5,172)	(218,453)
Total Income	**(47,043)**	**(3,092)**	**(55,756)**	**(157,165)**	**(53,889)**	**(34,124)**	**(351,069)**
Employee expenses	14,971	6,830	0	115,486	30,806	24,183	192,276
Other operating expenses	28,525	21,748	54,276	59,332	47,893	54,438	266,212
Support service recharges	11,448	(9,237)	1,616	9,385	12,281	7,260	32,753
Total operating expenses	**54,944**	**19,341**	**55,892**	**184,203**	**90,980**	**85,881**	**491,241**
Cost of Service	**7,901**	**16,249**	**136**	**27,038**	**37,091**	**51,757**	**140,172**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	
	£000's
(Directorate) Analysis	**140,172**
Services and Support Services not in Analysis	1,543
Amounts not reported to management for decision making	167
Amounts not included in I & E	3,154
Sub Total - Cost of Services	**145,036**
Less Corporate Amounts	(148,232)
Total	**(3,196)**

Reconciliation to Subjective Analysis	(Directorate) Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of services	Corporate Amounts	Total
Fees, charges & other service income	(129,641)	(9,260)	(30,097)	0	(168,998)	(34,012)	(203,010)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	(2,975)	0	0	(14,086)	(17,061)	(3,929)	(20,990)
Income from Council Tax	0	0	0	0	0	(77,375)	(77,375)
Government grants and contributions	(218,453)	(138,898)	(17)	0	(357,368)	(78,894)	(436,262)
Total income	**(351,069)**	**(148,158)**	**(30,114)**	**(14,086)**	**(543,427)**	**(194,210)**	**(737,637)**
Employee expenses	192,276	105,282	0	0	297,558	13,724	311,282
Other service expenses	223,007	41,095	14,926	5,343	284,371	18,118	302,489
Support service recharges	32,753	2,956	0	0	35,709	2,299	38,008
Depreciation, amortisation and impairment	9,320	368	15,318	11,897	36,903	2,732	39,635

Interest payments	8,989	0	37	0	9,026	8,989	18,015
Precepts and Levies	24,896	0	0	0	24,896	0	24,896
Payments to Housing Capital Receipts Pool	0	0	0	0	0	303	303
HRA Self Financing Payment to Government	0	0	0	0	0	0	0
Gain or Loss on disposal of fixed assets	0	0	0	0	0	(187)	(187)
Total operating expenses	**491,241**	**149,701**	**30,281**	**17,240**	**688,463**	**45,978**	**734,441**
Surplus or deficit on the provision of services	**140,172**	**1,543**	**167**	**3,154**	**145,036**	**(148,232)**	**(3,196)**

2011/12

All figures shown are in £000's

Directorate / Services	Chief Executive's	Other	Housing General Fund	Children's Services	Communities & Neighbourhoods	Adult Care Services	Directorate Analysis Total
Fees, charges & other service income	(25,442)	(2,839)	(71)	(18,327)	(51,631)	(24,408)	(122,718)
Government Grants	(16,379)	0	(55,587)	(164,613)	(2,847)	(6,844)	(246,270)
Total Income	**(41,821)**	**(2,839)**	**(55,658)**	**(182,940)**	**(54,478)**	**(31,252)**	**(368,988)**
Employee expenses	14,885	1,983	0	138,039	32,124	25,000	212,031
Other operating expenses	22,929	18,641	54,296	67,055	48,251	54,482	265,654
Support service recharges	10,971	(9,166)	1,862	11,208	12,534	7,143	34,552
Total operating expenses	**48,785**	**11,458**	**56,158**	**216,302**	**92,909**	**86,625**	**512,237**
Cost of Service	**6,964**	**8,619**	**500**	**33,362**	**38,431**	**55,373**	**143,249**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	£000's
(Directorate) Analysis	**143,249**
Services and Support Services not in Analysis	(3,586)

Amounts not reported to management for decision making	87,695
Amounts not included in I & E	8,323
Sub Total - Cost of Services	**235,681**
Less Corporate Amounts	(243,710)
Total	**(8,029)**

Reconciliation to Subjective Analysis	(Directorate) Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of services	Corporate Amounts	Total
Fees, charges & other service income	(119,743)	(10,865)	(28,184)	0	(158,792)	(27,568)	(186,360)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	(2,975)	0	0	(13,148)	(16,123)	(3,157)	(19,280)
Income from Council Tax	0	0	0	0	0	(77,362)	(77,362)
Government grants and contributions	(246,270)	(138,305)	6,480	0	(378,095)	(246,586)	(624,681)
Total income	**(368,988)**	**(149,170)**	**(21,704)**	**(13,148)**	**(553,010)**	**(354,673)**	**(907,683)**
Employee expenses	212,032	104,000	0	0	316,032	11,010	327,042
Other service expenses	226,772	38,621	14,871	4,433	284,697	89,523	374,220
Support service recharges	34,552	2,944	0	0	37,496	1,990	39,486
Depreciation, amortisation and impairment	9,240	18	16,257	17,038	42,553	1,770	44,323
Interest payments	6,479	0	18	0	6,497	6,479	12,976
Precepts and Levies	23,163	0	0	0	23,163	0	23,163
Payments to Housing Capital Receipts Pool	0	0	0	0	0	439	439
Gain or Loss on disposal of fixed assets	0	0	78,253	0	78,253	0	78,253
Total operating expenses	0	0	0	0	0	(248)	(248)
	512,238	**145,583**	**109,399**	**21,471**	**788,691**	**110,963**	**899,654**
Surplus or deficit on the provision of services							
	143,250	**(3,587)**	**87,695**	**8,323**	**235,681**	**(243,710)**	**(8,029)**

RECONCILIATION OF (DIRECTORATE) INCOME AND EXPENDITURE TO COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This reconciliation shows how the figures in the analysis of (directorate) income and expenditure relates to the amounts included in the Comprehensive Income and Expenditure Statement

	2011/2012 £000's	2012/2013 £000's
Net expenditure in the (Directorate) Analysis	**143,249**	**140,172**
Net expenditure of services and support services not included in the Analysis	(3,586)	1,543
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	87,695	167
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	8,323	3,154
Cost of Services in Comprehensive Income and Expenditure Statement	**235,681**	**145,036**

18. TANGIBLE FIXED ASSETS

Movements in respect of tangible fixed assets were as follows: -

TANGIBLE FIXED ASSETS - OPERATIONAL	Council Dwellings	Other Land & Buildings	Infrastruct-ure Assets	Vehicles, Plant and Eqpt	Community Assets	Total
Certified Valuation or Cost at 1 April 2012	210,072	372,201	42,744	9,876	554	635,447
Additions	7,156	3,495	2,030	2,589	309	15,579
Revaluations recognised in the Revaluation Reserve	52	(942)	0	0	0	(890)
Revaluations recognised in the Surplus/Deficit on the provision of Services	(1,246)	(721)	0	0	0	(1,967)
Disposals	0	0	0	0	0	0
Reclassification (to) / from Held for Sale	(342)	(27)	0	0	0	(369)

Other movements - Reclassification	0	(149)	0	0	0	(149)
Value of assets at 31 March 2013	**215,692**	**373,857**	**44,774**	**12,465**	**863**	**647,651**
Accumulated depreciation and impairment at 1 April 2012	(5,028)	(22,094)	(12,914)	(5,537)	0	(45,573)
Depreciation - annual charge	(6,912)	(5,024)	(2,240)	(1,100)	0	(15,276)
Depreciation - written out to Revaluation Reserve	5,005	0	0	0	0	5,005
Depreciation - written out to the Surplus/Deficit on the Provision of Services	0	167	0	0	0	167
Impairments recognised in the Surplus/Deficit on the Provision of Services	(7,156)	(2,156)	(788)	0	(309)	(10,409)
Disposals	0	0	0	0	0	0
Other movements - Reclassification	0	127	0	0	0	127
At 31 March 2013	**(14,091)**	**(28,980)**	**(15,942)**	**(6,637)**	**(309)**	**(65,959)**
Balance Sheet Value of assets at 31 March 2013	**201,601**	**344,877**	**28,832**	**5,828**	**554**	**581,692**
Balance Sheet Value of assets at 1 April 2012	205,044	350,107	29,830	4,339	554	589,874

TANGIBLE FIXED ASSETS - NON-OPERATIONAL	**Non Operational Assets**	**Surplus Assets**	**Assets under construction**	**Total**
Certified Valuation or Cost at 1 April 2012	45,290	405	19,886	65,581
Additions	0	0	3,382	3,382
Revaluations recognised in the Revaluation Reserve	(10)	0	0	(10)

Revaluations recognised in the Surplus/Deficit on the provision of Services	(1,106)	0	0	(1,106)
Disposals	0	(39)	0	(39)
Reclassification (to) / from Held for Sale	(160)	0	0	(160)
Other movements - Reclassification	139	39	0	178
Value of assets at 31 March 2013	**44,153**	**405**	**23,268**	**67,826**
Accumulated depreciation and impairment at 1 April 2012	0	0	0	0
Depreciation - annual charge	0	0	0	0
Depreciation - written out to Revaluation Reserve	0	0	0	0
Depreciation - written out to the Surplus/Deficit on the Provision of Services	0	0	0	0
Impairments recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0
Disposals	0	0	0	0
Other movements - Reclassification	0	0	0	0
At 31 March 2013	**0**	**0**	**0**	**0**
Balance Sheet Value of assets at 31 March 2013	**44,153**	**405**	**23,268**	**67,826**
Balance Sheet Value of assets at 1 April 2012	45,290	405	19,886	65,581

Bury Council's share of land owned at Manchester Airport is included in the accounts under Non-Operational Assets at a value of £6.4million, after a downward revaluation of £0.067m in 2012/13.

An impairment review was carried out in the year as required by IAS36. There were no significant resultant adjustments to the value recorded in the Fixed Assets register for Operational and Non-Operational Investment Properties.

The Council has one foundation school (Peel Brow Primary School). This is not included within the balance sheet as the assets are not owned by the Council for as long as it remains a foundation school. Peel Brow is currently valued at £3.575million.

More information on the basis of asset valuation and the accounting treatment for fixed assets may be found in the statement of accounting policies.

<u>Valuations of Fixed Assets carried at Current Value</u>

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by the Senior Asset Officer, Mr R Dewsnap (MRICS). The basis for the valuation is set out in the statement of accounting policies.

	Council Dwellings	***Other Land & BLdgs***	***Vehicle Plant & Eqpt***	***Infrastr-ucture Assets***	***Commu-nity Assets***	***Investm-ent Props***	***Assets under constru-ction***	***Surplus Assets***	***Heritage Assets***	***Assets held for Sale***	***Total***
	£000's	***£000's***	***£000's***	***£000's***	***£000's***	***£000's***	***£000's***	***£000's***	***£000's***	***£000's***	***£000's***
Valued at Historic Cost	-	-	5,828	28,832	554	-	23,268	-	84	-	58,566
Valued at Current / Fair Value:											
2012/13	**201,601**	**(5,230)**	**-**	**-**	**-**	**-**	**-**	**(1,137)**	**-**	**(716)**	**194,518**
2011/2012	-	(6,950)				113		789	23,676	2,227	19,855
2010/2011	-	(2)	-	-	-	-	-	14,323	-	72	14,393
2009/2010	-	2,293	-	-	-	(48,120)	-	30,178	-	-	(15,649)
2008/2009 and prior	-	354,766	-	-	-	49,256	-	405	-	-	404,427
Total Tangible Fixed Assets	**201,601**	**344,877**	**5,828**	**28,832**	**554**	**1,249**	**23,268**	**44,558**	**23,760**	**1.583**	**676,110**

During 2012/2013 the Authority's housing stock was re-valued to £207.3million.
In accordance with IAS 16 "Property, Plant and Equipment" with adaptations for the public sector context, the Council has charged depreciation on its assets to the Comprehensive Income and Expenditure Statement regardless of the maintenance regime on the asset.

19. DONATED ASSETS

A small number of estimated low value items were donated in the year by private individuals and the Contemporary Art Society to the Council's Art Gallery and the Museum Collections. These include paintings and gifts by authors and subjects connected to the Bury area.
The assets are considered to meet the criteria of Heritage Assets but they were not included in the Balance Sheet figure for the year as fair value could not be established for the purpose of the published accounts. The cost of an external valuation would not be justified in relation to the benefit to the users of the accounts in this instance.
It is intended that an insurance valuation will be used when available early in 2013/14 financial year, although it is not expected to be of a material impact on the current valuation shown in the accounts for Heritage Assets held by the Authority.

20. HERITAGE ASSETS

A reconciliation of the Carrying Value of tangible Heritage Assets recognised by the Authority in the year is given in the table below:

	Art Gallery and Museum Artefacts and Gifts £'000	**Art Gallery and Museum Pictures £'000**	**Civic Regalia £'000**	**Total £'000**
Certified Valuation or Cost at 1 April 2012	16	23,636	108	**23,760**

Additions	0	0	0	**0**
Disposals	0	0	0	**0**
Revaluations recognised in the Revaluation Reserve	0	0	0	**0**
Revaluations recognised in the Surplus/Deficit on the provision of Services	0	0	0	**0**
Reclassification	0	0	0	**0**
Value of assets at 31 March 2012	16	23,636	108	**23,760**
Accumulated depreciation and impairment at 1 April 2012	0	0	0	**0**
Depreciation - annual charge	0	0	0	**0**
Disposals	0	0	0	**0**
Impairments recognised in the Revaluation Reserve	0	0	0	**0**
Impairments recognised in the Surplus/Deficit on the Provision of Services	0	0	0	**0**
Other movements, reclassification	0	0	0	**0**
Depreciation and impairment at 31 March 2013	0	0	0	**0**
Balance Sheet Value of assets at 31 March 2013	16	23,636	108	**23,760**
Balance Sheet Value of assets at 1 April 2012	16	23,636	108	**23,760**

In addition to these, the Authority has in its care three Historic Buildings that are classed as Heritage Assets and that are carried in the accounts at a nominal value only. These are named as the Radcliffe Tower in Radcliffe, The Dungeon in Tottington and Rodger Worthingtons Grave in Hawkshaw.

HERITAGE ASSETS: THREE-YEAR SUMMARY OF TRANSACTIONS	**2010/2011**	**2011/2012**	**2012/2013**
	£'000	**£'000**	**£'000**
Cost of Acquisitions of Heritage Assets			
Art Gallery and Museum - artefacts and gifts	16	16	16
Art Gallery and Museum - pictures	68	68	68
Civic Regalia	0	0	0
Total Cost of Purchases	**84**	**84**	**84**
Value of Heritage Assets Acquired by Donation			
Total Donations	**0**	**0**	**0**
Disposals of Art Collection Assets			
Carrying value	**0**	**0**	**0**
Proceeds	**0**	**0**	**0**

The Authority considers that it is not practicable to disclose information on transactions involving Heritage Assets for the past five years as required by CIPFA's Code of Practice. Prior to 1st April 2010 when the new standard was issued the assets in the classes listed were held under Community Assets at depreciated historical cost and with no transactions identified in respect of each of the assets.

Art Gallery and Museum collections:
The collection has been developed by gift and purchase since 1901 with the specific intention to instruct local visitors about their own heritage. In the case of gifts, these were donated to the Council with clear charitable intent.

The purchases of art objects have been made with the intention to develop the collection in an intelligent and coherent way, to fill out gaps and extend representations of type. The Council has a duty to look after this material entrusted to its care and safe-keeping.

The Authority does not consider that reliable cost or market valuation information can be obtained for the gifts and bequests collection although in the case of some objects, their importance as part of the history of the Borough would far outweigh their current market value. An example would include the outboard motor and chain saw made by Aspin's of Bury, showing that Bury was at the forefront of engineering technological development in the mid twentieth century.

The paintings in the art collection are unique not only by author but also by the particularly important role they hold in the history of the Borough through their local families' provenience.

The Art Gallery and Museum occasionally loans items to other national or international museums and in return accepts and hosts displays of paintings and other art objects on loan.

The insurance valuation amount for the collection has been used in the Authority's accounts for the collection of pictures and objects. It emphasises the collection's financial importance to the Authority and substitutes an external valuation that in the Authority's view would not produce a figure that truly reflects the contribution to the knowledge, interest and cultural enrichment of the general public in the area.

A number of small value items were added to the collection held by The Museum and Art Gallery during the 2012/13 financial year but not shown on the Balance Sheet as they were not valued for insurance purposes as at year end.

It is envisaged that the insurance valuation would be established during 2013/14 financial year and should produce no material impact on the overall value of Heritage Assets recognised in the accounts for the year.

Historic Buildings Collection:
The collection consists in principal of historical sites and buildings dating back to the middle ages:

Radcliffe Tower, off Sandford Street, Radcliffe is a **Grade I** listed and scheduled Ancient Monument, a stone built structure being the remains of a medieval tower. A bid was made to Heritage Lottery Fund for £300,000 to develop a "Medieval Radcliffe" scheme linking the adjacent Church and Tithe Barn and the outcome of the bid is expected imminently.

The Dungeon, adjacent to 2 Harwood Road in Tottington is a **Grade II** stone built village lock-up dating from 1835. The Dungeon is a small stone structure with an iron gate abutting private property and partially jutting out into Harwood Road. It is maintained by the Council because of its local historical significance.

Rodger Worthingtons Grave, off Hawkshaw Lane in Hawkshaw holds the fragmented remains of a headstone and small plot of land in a rural location. The Grave is also maintained by the Council solely because of its local historical significance.

The Authority does not consider that reliable cost or valuation can be obtained for these historical sites due to their diverse nature and a lack of comparable values on the market. It is likely that a valuation would be difficult and costly and would not produce a meaningful figure.

There were no disposals of Heritage Assets during the 2012/13 financial year.

The Authority has not recognised any Intangible Heritage Assets in the year.

21. INTANGIBLE FIXED ASSETS

Movements in respect of intangible fixed assets were as follows: -

	Software Licences £000's
Original cost	**8,930**
Amortisation to 1st April 2012	(4,310)
Balance at 1st April 2012	**4,620**
Purchases in year	20
Amortisation in year	(957)
Balance at 31st March 2013	**3,683**

Expenditure in the year on software licences for new systems totalled £0.020 million. The total cost of the software purchase will be written off over the 5 and 10 years representing the current estimate for its useful life.

There were no changes in the amortisation method for intangible fixed assets in the year.

22. INVESTMENT PROPERTIES

Movements in respect of fair value of investment properties over the year are as follows:

	2011/12 £000's	2012/13 £000's
Balance at 1st April	**1,136**	**1,249**
Purchases in year	0	0
Net Gain (Loss) from fair value adjustment	113	0
Balance at 31st March 2011	**1,249**	**1,249**

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

	2011/12 £000's	2012/13 £000's
Rental Income from Investment Property	138	140
Direct operating expenses arising from investment property	(1)	(3)
Net gain / (loss)	**137**	**137**

23. LONG TERM DEBT MANAGED ON BEHALF OF OTHER LOCAL AUTHORITIES / SERVICES

The Balance Sheet reflects any writing off of the value of debt managed on behalf of other services:

	Probation Service £000's
Balance at 1 April 2012	**20**
Written off to Income and Expenditure A/C	(1)
Balance at 31 March 2013	**19**

24. CAPITAL EXPENDITURE and FINANCING

	2011/2012 £000's	2012/2013 £000's
Opening Capital Financing Requirement	**171,651**	**248,196**
Capital Investment		
Property, Plant And Equipment Additions In the Year		
Operational Assets	13,865	13,251
Non-operational Assets	9,812	3,382
Intangible Assets	255	20
	23,932	**16,653**
Housing Reform Settlement	78,253	0
Revenue Expenditure Funded from Capital under Statute	2,586	1,163
Revenue Expenditure Funded from Capital under Statute – Equal Pay back Pay	56	7,593
	104,827	**25,409**
Sources of Finance		
Capital Receipts	(831)	(1,373)
Government Grants and other Contributions	(15,725)	(8,918)
Sums set aside from Revenue including	(11,726)	(13,297)

Minimum Revenue Provision		
	(28,282)	**(23,588)**
Closing Capital Financing Requirement	**248,196**	**250,017**
Explanation of movements in year		
Increase in underlying need to borrow		
- supported by Government financial assistance	0	0
- unsupported by Government financial assistance	82,737	7,993
Minimum Revenue Provision and other repayments in the year	(6,192)	(6,172)
Increase (decrease)in Capital Financing Requirement	**76,545**	**1,821**

At 31st March 2013 the Authority had authorised capital expenditure of £20.908 million for 2013/14 inclusive of £4.425m of Children Services grants received from the Department of Education after the Council Budget meeting. The Authority had also identified a capital investment requirement of £22.856 million for the following years under the approved Capital Programme.

Major capital commitments as at 31st March 2013 totalled £9.926 million and include:

- Demolition of Former Police HQ - £0.300m
- Radcliffe Town Centre Redevelopment - £0.300m
- Corporate IT Developments - £0.300m
- Adult Social Care Projects - £0.915m
- Clarence Park Community Café - £0.141m
- Mental Health - £0.300m
- Adult Care Information System - £0.175m
- Empty Homes Strategy - £0.206m
- Radcliffe Empty Property Pilot - £0.219
- Greater Manchester Green Deal Schemes - £1.200m
- Holcome Brook Primary School Roof Works - £0.179m
- Millwood Primary New Build - £0.571m
- Derby High School New Sports Hall - £1.446m
- Short Break Allocation - £0.179m
- Early Education Fund – 2yr Old - £0.323m
- Radcliffe Heritage project Phase 2 - £0.295m
- Philips Park - £0.192m
- Outwood Trail, Whitefield - £0.292
- Fernhill to Bradley Fold Relocation - £0.494m
- Street Lighting LED (Invest to Save Scheme) - £1.136m
- A56 Bury New Road/Chestnut Avenue - £0.150m
- Better Bus Area Scheme - £0.198
- Surface Treatment Programme - £0.265m
- Helmshore Road Retaining Wall - £0.150m

The actual level of expenditure on any of the uncommitted schemes for future years will depend upon the availability of capital financing resources. Copies of the Capital Programme may be obtained from the Head of Financial Management during normal office hours by telephoning 0161-253-5034.

25. OPERATING LEASES

Authority as Lessee:-

Vehicles, Plant, Furniture and Equipment - the Authority uses vehicles, plant and other equipment financed under the terms of an operating lease. The amount charged under these arrangements in 2012/2013 was £759,951 (2011/2012 £786,221).

Land and Buildings – the Authority leases numerous buildings, which have been accounted for as operating leases. The rentals payable in 2012/2013 were £1,088,221 (2011/2012 £1,095,697).

The Authority is committed to making payments of £644,096 under operating leases in 2013/2014 for Vehicles, Plant and Equipment and £1,114,920 for land and Buildings comprising the following elements:

	Land and Buildings £	Vehicles, Plant and Equipment £
Leases expiring in 2013/2014	3,708	199,279
Leases expiring between 2014/2015 and 2018/2019	340,919	444,817
Leases expiring after 2018/2019	770,293	0
TOTAL	**1,114,920**	**644,096**

In accordance with IAS17, the estimate of the outstanding undischarged obligations in respect of operating leases is disclosed in the above illustration on the basis of an analysis of the commitment that the Authority has to make payments in the succeeding financial year, categorised according to the eventual year of expiry of the leases under which the payments are to be made.

Authority as Lessor:-
The Authority acts as lessor for a number of buildings within the Borough, which are accounted for as operating leases. The rentals receivable in 2012/2013 were £3,314,360 (2011/2012 £3,338,398).

The gross value of assets held for use in operating leases was £39,663,302. The assets have been valued at different stages over the last 5 years in accordance with FRS15 and are subject to depreciation ranging between 20-50% at 31 March 2013.

26. FINANCE LEASES

Authority as Lessee:

The Council has reclassified several operating leases as finance leases, and has identified other arrangements which should be finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012 £000	31 March 2013 £000
Vehicles, Plant, Furniture and Equipment	420	2,563
Total	**420**	**2,563**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2012 £000	31 March 2013 £000
Finance lease liabilities (net present value of minimum lease payments)	334	2,254
Finance costs payable in future years	41	210
Minimum lease payments	**375**	**2,464**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Not later than 1 year	175	528	153	452
Later than 1 year not later than 5 years	200	1,771	181	1,637
Later than 5 years	0	165	0	165
	375	**2,464**	**334**	**2,254**

Authority as Lessor:

The Council does not have any finance leases where the Authority is Lessor.

27. INVESTMENTS

Investments at 31st March: consisted of:-	**2012 £000's**	**2013 £000's**
Manchester Airport Group PLC	10,214	29,300
Bury MBC Townside Fields Ltd	13,343	13,351
TOTAL	**23,557**	**42,651**

Manchester Airport Group plc – In 2011/12 Bury had a 5% shareholding in Manchester Airport Group plc, in common with all Greater Manchester Districts, other than Manchester City Council which held 55%. During 2012/13, Manchester Airport Group acquired Stansted Airport, resulting in a change of structure. The Council's shareholding in Manchester Airport Holdings has reduced from a 5% holding to 3.22% of the airports capital as a result of the restructure. This change in structure has enabled the shareholding to be subject to a valuation using the earnings based method and discounted cash flow method. The figure above in relation to Manchester Airport is now carried at fair value.

The value as at 31 March for Manchester Airport is held at historic cost. Valuers have confirmed that it is impracticable to provide a retrospective fair valuation. The acquisition has been balanced by an increase in the Financial Instruments Available-For-Sale Reserve – see page 99.

Bury MBC Townside Fields Ltd – This is a long term investment in Bury MBC Townside Fields Ltd which is a wholly owned subsidiary of the Council.

28. DEBTORS & LOAN ACCOUNTS

Long term debtors:	**2011/2012 £000's**	**2012/2013 £000's**
Loan Accounts:		
Car loans (employees)	863	875
Airport Terminal 1	8,411	8,411
Bury Metro Arts Association Ltd	106	87
Bury Music Centre	1	1
Six Town Housing	1,140	1,126
Housing Loans	482	162
TOTAL	**11,003**	**10,662**
Short term debtors:		
General Fund:	25,927	23,815
Less provision for uncollectable sums	(1,831)	(1,967)
Advance payments	2,336	3,076
Housing Revenue Account:	1,174	1,217
Less provision for uncollectable sums	(1,228)	(1,110)
	26,378	**25,031**
Collection Fund:		
Council tax	6,943	6,357
DCLG	2,624	7,007
Precepting	393	351
Less provision for uncollectable sums	(3,173)	(2,949)
	6,787	**10,766**
TOTAL	**33,165**	**35,797**

29. ANALYSIS OF DEBTORS

	2011/12 £000's	**2012/13 £000's**
Central Government Bodies	4,647	8,543
Other Local Authorities	1,757	3,393
NHS Bodies	(863)	(905)
Public Corporations and Trading Funds	798	1,040
Bodies External to General Government	26,826	23,726
TOTALS	**33,165**	**35,797**

30. ANALYSIS OF CREDITORS

	2011/12 £000's	2012/13 £000's
Central Government Bodies	1,590	1,375
Other Local Authorities	1,212	1,278
NHS Bodies	1,418	689
Public Corporations and Trading Funds	474	1,714
Bodies External to General Government	22,455	21,028
TOTALS	**27,149**	**26,084**

31. LOANS OUTSTANDING, LONG & SHORT TERM

		2011/2012 £000's		2012/2013 £000's
Analysis by loan type:				
PWLB loans:				
Bury	162,754		155,550	
Airport	4,958		4,206	
Market loans	39,649		39,646	
Temporary loans	0		6,006	
Local bonds	3		3	
TOTAL		**207,364**		**205,411**
Analysed by maturity period:-				
Short Term Loans Outstanding				
Within 1 year	7,958	7,958	14,304	14,304
Long Term Loans Outstanding				
1/2 years	7,827		6,085	
2/3 years	6,085		9,312	
3/4 years	9,303		508	
4/5 years	590		2,675	
5/6 years	3,058		27	
6/10 years	11,210		14,256	
10/15 years	3,634		554	
15+ years	157,699	199,406	157,690	191,107
TOTAL		**207,364**		**205,411**

The PWLB debt at 31st March 2013 includes **£4.206 million** in respect of Manchester Airport, being Bury's share of the debt transferred from Manchester City Council to each of the other Greater Manchester districts.

32. DEFERRED LIABILITIES

	2011/2012 £000's	2012/2013 £000's
Debt ex GMC – Tameside	6,546	6,040
Debt ex Probation Service – Trafford	20	19
Debt ex Inner City Central Station - MCC	81	74
Debt ex Airport GMMDAF	971	896
TOTAL	**7,618**	**7,029**

The debt outstanding to other authorities is in respect of assets and responsibilities transferred at Local Government reorganisation in 1974 and 1986. Local Authorities are now responsible for Probation Service Debt; the Capital Financing costs of pre 1990 debt are recovered by Government Grant.

As part of the Manchester Airport Loan Conversion debt ex Airport GMMDAF was transferred to Bury Council in 2009/10.

33. DEFERRED CAPITAL RECEIPTS

The figures shown in the balance sheet (page 31) represent receipts due from the sale of council houses and other dwellings where the Council has entered into a mortgage agreement and the receipt will therefore be realised over a number of years.

34. PROVISIONS

Short Term Provisions

	31st March 2012 £000's	Income £000's	Expenditure £000's	31st March 2013 £000's
Chief Executive's	(338)	0	70	(268)
Children's Services	(899)	(871)	454	(1,316)
Adult Care Services	(215)	(173)	0	(388)
E D S	(281)	(263)	279	(265)
Authority Wide	(608)	0	0	(608)
TOTALS	**(2,341)**	**(1,307)**	**803**	**(2,845)**

Short term provisions are those provisions that are expected to be expended in the next financial year. The Chief Executive's provision mainly relates to personal search fees expected to be incurred by Legal Services (£258,000). The Children's Services provision includes amounts relating to schools (£269,000) together with numerous other smaller provisions. The Adult Care Services provision relates to a potential back dated increase in care home fees. The EDS provision is in respect of Carbon Reduction Commitment allowances and the Authority Wide provision is mainly for additional costs to be made to the Greater Manchester Pension Fund (£600,000).

Long Term Provisions

	31st March 2012 £000's	Income £000's	Expenditure £000's	31st March 2013 £000's
Liability Insurance	(22,813)	(2,867)	1,975	(23,705)
Property Insurance	(916)	(113)	192	(837)
Children's Services	(398)	(3)	33	(368)
Development Services	(290)	0	40	(250)
Equal Pay Back Pay	(14,390)	0	7,593	(6,797)
Other	(864)	(944)	0	(1,808)
TOTALS	**(39,671)**	**(3,927)**	**9,833**	**(33,765)**

The insurance provisions are used to provide cover against specific risks in order to reduce the level of external insurance premiums, whilst maintaining adequate cover. The income of £2.867m to Liability Insurance reflects the charges to departments required to adhere to the Council's policy of ensuring that the provision is adequate to meet all claims. The main movements in the expenditure of £1.975m represent payment of claims, premiums, brokerage and claims handling fees, and risk management initiatives.

The Property Insurance provisions are used to provide cover on specific risks which are not insured commercially. These risks are: fire, storm, flood and escape of water from any tank or apparatus or pipe and theft by forcible or violent entry / exit to a locked building. The income of £113,000 reflects charges to departments ensuring that the provision is adequate to meet all property claims. The expenditure represents payment of claims made by departments on the Property fund.

The Children's Services provisions are for Long and Short Term Absence of Teachers (£328,000), and Bury Safeguarding Children's Board (£40,000).

The Development Services provision is for the Heywood Link Commuted Sum which is payable to the East Lancashire Railway Trust when certain property leases pass from the Council to the Trust. This lease transfer could happen at any time in the future.

A provision for Equal Pay Back Pay was set up in 2008/09 and the expenditure represents payment of claims settled in 2012/13.

There are various other provisions which the Council makes from time to time.
The main ones relate to a land purchase works retention of £525,000 in respect of Radcliffe Riverside High School, a provision for Business Rates appeals of £600,000 and provision of £300,000 in respect of the Municipal Mutual Insurance rate levy (see page 95 for further details).

35. EARMARKED RESERVES

The earmarked reserves are set aside for the purposes indicated in their title, with contributions to, and calls upon, being fixed at levels which optimise the Authority's financial position.

	Balance at 31st March 2012	Transfers out 2012/13	Transfers in 2012/13	Balance at 31st March 2013
	£000's	£000's	£000's	£000's
ABG Top Slice	**454**	0	0	**454**
Adult Care Services	**7,480**	(2,885)	2,247	**6,842**
Airport Shares	**305**	0	0	**305**
Arts & Libraries Reserve	**50**	(25)	2	**27**
BCCI Reserve	**239**	(56)	0	**183**
Chief Executives	**320**	(238)	857	**939**
Children's Services	**784**	(784)	177	**177**
EDS	**2,121**	(853)	1,321	**2,589**
Education (Schools) Fire	**131**	0	0	**131**
Energy Conservation	**105**	(47)	106	**164**
Environmental Services	**82**	(15)	0	**67**
GM Connexions Partnership	**808**	(4)	0	**804**
Leisure	**154**	(58)	35	**131**
NNDR Appeals Reserve	**0**	0	108	**108**
Outwood & Kirklees Viaducts	**102**	0	9	**111**
Pay And Grading Reserve	**4,145**	0	1,711	**5,856**
Performance Reward Reserves	**4,454**	(170)	0	**4,284**
School Catering Reserve	**324**	(18)	98	**404**
Transformation Reserve	**3,236**	(778)	2,409	**4,867**
	25,294	**(5,931)**	**9,080**	**28,443**
Commuted Sums	**1,805**	(1,123)	1,192	**1,874**
Other Balances	**11,691**	(50)	223	**11,864**
TOTALS	**38,790**	**(7,104)**	**10,495**	**42,181**

The reserves are held for the following purposes:

Area Based Grant Top Slice Reserve
The ABG Top Slice Reserve is a reserve set aside to further the objectives of the Council's priorities. The grant ceased being paid by the Government in 2011/12.

Adult Care Services Reserves
The main Adult Care Services Reserves relate to adult care grants and other external funds received that have not yet been spent. These include £3,618,000 relating to NHS Support for Social Care and £789,000 for Supporting People as well as some smaller reserves to cover items such as equipment replacement for Carelink and Sheltered Housing.

Airport Shares
This reserve relates to historic dividends in respect of the Council's shareholding in Manchester Airport Group.

Arts & Libraries Reserve
This reserve funds any opportunities to purchase pictures for the art gallery and is used to fund maintenance of public access computers in libraries.

BCCI Reserve
This reserve is to fund future expenses arising from the collapse of BCCI.

Chief Executives
These reserves relate to grants received that have not yet been spent.

Children's Services
These reserves relate to grants received that have not yet been spent.

EDS Reserves
This comprises several individual reserves including those for Planning and Highways purposes, unspent grants, a property reserve (£389,000) to offset loss of income during major town centre developments and a Levy Equalisation reserve (£1,661,000) to offset increased waste levy costs during the early years of the PFI contract for waste disposal.

Education (Schools) Fire Reserve
The Council is required to fund the initial £100,000 of any Education Fire Insurance Claim. This reserve thereby provides for this risk corporately.

Energy Conservation Reserve
The Energy Conservation Reserve operates on a payback process where initial investment in energy conservation is funded from the reserve, while contributions are made to the reserve by services over an agreed pay back period.

Environmental Services Reserve
The Environmental Services Reserve is comprised of a number of individual reserves for environmental purposes.

GM Connexions Partnership Reserve
This reserve is to fund future developments of the Connexions Service.

Leisure Reserve
The Leisure Reserve is for the general development of leisure facilities.

NNDR Appeals Reserve
Changes to the Business Rates system come into force with effect from 1st April 2013 under the Localism Act. From this date, Local Authorities will retain 50% of rates collected, and also assume responsibility for 50% of any appeals. The process for lodging appeals is beyond the control of the Local Authority, as is the outcome. Appeals can be backdated (to before 1st April 2013); this reserve has been created to cover this eventuality.

Outwood & Kirklees Viaduct Reserves
These reserves are for the future maintenance and upgrade of Outwood and Kirklees viaducts.

Pay and Grading Reserve
This reserve is to fund future costs associated with the implementation of the pay and grading review.

Performance Reward Reserves
These reserves are used to fund performance improvement initiatives throughout the Authority.

School Catering Reserve
This reserve is to finance investment in school kitchens and dining facilities.

Transformation Reserve
The Transformation Reserve is to fund future technological and other investment within the Borough as part of its modernisation, transformation and Plan for Change agenda.

Commuted Sums

This reserve represents money received as part of Section 106 agreements from Housing and other developers. The reserve is earmarked and is not available for general use.

Other Balances

Other balances used to finance our assets include our 3.22% shareholding in Manchester Airport (£29.3m).

36. REVALUATION RESERVE

The 2007 SORP introduced a major change to replace the Fixed Asset Restatement Account and Capital Financing Account with two reserve accounts, Revaluation Reserve and Capital Adjustment Account.

The Revaluation Reserve was introduced with a zero balance as at 1st April 2007 and it is required to show individual net asset balances. The reserve will be credited with amounts resulting from acquisition and enhancement and upward revaluation in the year and written down with downward revaluations, depreciation and impairment losses and disposals or decommissioning of fixed assets.

The balance on this account does not represent cash and is not available to spend.

2011/2012 £000's		2012/2013 £000's
199,409	**Balance at 1st April**	**193,342**
6,289	Upward revaluations in year	5,305
(9,977)	Downward revaluations in the year not charged to (Surplus) / deficit on the Provision of Services	(245)
(3,688)	**(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**5,060**
(2,101)	Difference between Fair value depreciation and historical cost depreciation	(4,028)
(266)	Impairment Losses	(954)
(12)	Disposal of fixed assets	(71)
(2,379)	**Amount written off to Capital Adjustment Account**	**(5,053)**
193,342	**Balance at 31st March**	**193,349**

37. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account was created as at **1st April 2007** to replace the previous capital reserves, Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA), by combining the two accounts closing balances at 31st March 2007.

The resulting opening balance was a consolidation of revaluation gains on fixed assets up to 31st March 2007 and the balance of capital resources awaiting consumption when assets that were financed by these resources are used.

The Capital Adjustment Account also contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans.

The balance will be increased by the future capital resources set-aside and written down with amounts representing the consumption of fixed assets and the disposal or de-commissioning of assets that held revaluation gains up to **31st March 2007**.

The balance on this account does not represent cash and is not available to spend.

2011/2012			**2012/2013**
£000's			**£000's**
328,196	**Balance at 1st April**		**245,893**
(27,209)	Depreciation and Impairment Losses	(24,318)	
0	Revaluation losses on Property, Plant and Equipment	0	
(906)	Amortisation of Intangible Assets	(957)	
(2,643)	Revenue expenditure funded from capital under statute	(8,756)	
(78,253)	Housing Revenue expenditure funded from capital under statute	0	
(1,620)	Disposal of fixed assets	(465)	
73	Restatement of Value	(807)	
(1)	Other	(1)	**(35,304)**
217,637	**Net written out amount of the cost of non-current assets consumed in the year**		**210,589**
831	Capital receipts applied to capital investment	1,373	
4,963	Movement on MRR	6,186	
10,678	Grants applied to capital investment credited to I&E	5,923	
5,047	Grants applied to capital investment from the Capital Grants Unapplied Account	2,960	
6,166	Statutory provision for the financing of capital investment charged against General Fund and HRA balances	6,143	
571	Revenue resources applied to capital investment	974	
28,256			**23,559**
245,893	**Balance at 31st March**		**234,148**

38. CAPITAL RECEIPTS UNAPPLIED

The Local Government Act 2003 amended by the Local Authorities (Capital Finance and Accounting) Amendment Regulations 2004 has replaced the previous set-aside of capital receipts for debt redemption, with the pooling regime. This means that the pooled amounts are paid out by Local Authorities in the year towards the Government's redistribution process. The table shows the balance available to meet capital expenditure for committed, on-going and new capital schemes in 2012/13 after pooled payments made in the year.

2011/2012		2012/2013
£000's		£000's
1,902	Amounts receivable in 2012/13	705
(439)	Pooling of Housing Receipts for the year	(303)
(831)	Amounts applied to finance new capital investment	(1,373)
632	**Total increase/(decrease) in realised capital resources in 2012/13**	**(971)**
1,086	Balance brought forward at 1 April 12	**1,718**
1,718	**Balance carried forward at 31 March 13**	**747**

39. CAPITAL GRANTS RECEIVED IN ADVANCE

These represent amounts received from Government or other third parties for specific capital purposes and have conditions attached to them that will require the monies to be returned to the giver if the conditions are not met.
The balance for conditional grants that have not yet been applied to finance capital expenditure is shown in the table below:

2011/2012		2012/2013
£000's		£000's
	Amounts received in advance in year:	
4,296	Children's Services grants	952
16	Department for Transport Special Projects	0
46	DEFRA Environmental projects	69
9	Lottery Funding – Sport England	27
95	Improving Information Management Grant for Adult Care Services	0
144	Other Contributions	10
4,606	**Balance carried forward at 31 March:**	**1,058**

40. STATUTORY FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

This account provides a balancing mechanism between the different rates at which gains and losses (such as the premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund. The movement on the account comprises:-

	2012/2013
	£000's
2011/12 Balance brought forward	**(145)**

Annual write-off of discounts	79
Annual write-off of premiums	0
Effective Interest Rate adjustments for 2 loans	(1)
Balance carried forward	**(67)**

41. ACCUMULATED ABSENCES ACCOUNT

The 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 from 31st March. Statutory arrangements require that the impact on the General fund Balance is neutralised by transfers to or from the Account.

2011/ 2012 £000's		**2012/ 2013 £000's**
4,014	**Balance at 1st April**	**4,554**
0	Settlement or cancellation of accrual made at the end of the preceding year	0
4,014	**Amounts accrued at the end of the current year**	**4,554**
540	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,544)
4,554	**Balance at 31 March**	**3,010**

42. COLLECTION FUND ADJUSTMENT ACCOUNT

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

2011/ 2012 £000's		**2012/ 2013 £000's**
214	**Balance at 1st April**	**608**
394	Amount by which council tax income credited to the Comprehensive Income and Expenditure statement is different from council tax income calculated for the year in accordance with statutory regulations	783
608	**TOTAL**	**1,391**

43. CONTINGENT LIABILITIES

Municipal Mutual Insurance Ltd

On 30th September 1992 the Authority's then insurers, MMI Ltd., announced that they were no longer accepting new business. The Authority has 5 outstanding claims with MMI totalling £22,670 as at 31st March 2013. A "Scheme of Arrangement" has been put in place to facilitate an orderly settlement of the sums due.

On 13 November 2012 the directors of MMI triggered the Scheme of Arrangement which now means that the Authority may be required to repay £2,000,156 in respect of claims previously settled. However, the scheme provides that following the occurrence of a Trigger Event a levy may be imposed on all those creditors that have been paid in respect of established scheme liabilities. A rate of 15% has been set by Ernst & Young, the Scheme's administrators, which equates to £300,000 of the £2m that would have to be paid. As such this authority, in line with the other Greater Manchester authorities has made a provision in its accounts for the amount of the levy, in Bury's case £300,000.

As such the amended amount that the authority may be required to repay is **£1,700,156** (i.e. £2,000,156 less £300,000 levy) in respect of claims previously settled.

Six Town Housing (Arms Length Management Organisation)

The Council has agreed to meet all contributions to retirement benefit schemes that are the responsibility of Six Town Housing in respect of both transferred and new staff by way of periodic management fee payments to them. The Council has also accepted responsibility for any liabilities of Six Town Housing in respect of transferred employees' early retirement which may arise subsequent to the Transfer Date. It will (in relation to those Transferred Employees who are members of the Local Government Pension Scheme) upon demand make such payments to the Administering Authority as are necessary to ensure the accrued benefits of the Transferred Employees, whilst in the service of the Council, are fully funded.

44. TRUST FUNDS

The Council acts as a custodian trustee for 19 trust funds and as one of several trustees for a further five funds. As a custodian trustee the Council holds the property but takes no decisions on its use. In neither case do the funds represent the assets of the Council and therefore have not been included in the Balance Sheet.

Funds for which the Council acts as custodian trustee:

2011/12	**Income £000**	**Expenditure £000**	**Assets £000**	**Liabilities £000**
Rigby Trust Established in 2006 for the help and comfort of the elderly of Bury	2	0	370	0
British Cotton Growers Established in 1906 for the education and health of children and young people in Ramsbottom	1	0	116	0

John Kay To fund student scholarships	0	0	39	0
Mayor's Charity Fund Established in 1952 to allow the Mayor of Bury to make charitable donations to local organisations and individuals	8	3	39	0
Prestwich & District Sick Poor Fund Established in 1953 to benefit sick or poor persons in the borough of Prestwich	1	0	11	0
Thomas Openshaw For the upkeep of parkland	0	0	7	0
Annie Shore For the education and training of young people from Ramsbottom	0	0	5	0
Fletcher Bequest Established in 1983 for the upkeep of parkland	0	0	4	0
Cemetery Fund For cemetery maintenance	0	0	3	0
War Memorial Established in 1962 for the maintenance of Radcliffe war memorial	0	0	3	0
Hartley Gardens For the upkeep of parkland	0	0	1	0
Samuel Kay For the funding of arts and libraries	0	0	1	0
A.E.Davies Established in 1899 for the provision of library materials	0	0	1	0
James A. McDonald To fund an annual employee award	0	0	1	0
Maintenance of Graves For cemetery maintenance	0	0	1	0
David Burton Memorial Established in 2004 to fund an annual employee award	0	0	1	0
Others:	0	0	1	0
Total	**12**	**3**	**604**	**0**

Other Funds:	**£000**
Hollins Institute Education Fund Promotion of education in Hollins and surrounding areas	160
Henry Howarth For education and training of young people from Ramsbottom	1
Others	2
Total	**163**

Funds for which the Council acts as custodian trustee:

2012/13	**Income £000**	**Expenditure £000**	**Assets £000**	**Liabilities £000**

Rigby Trust Established in 2006 for the help and comfort of the elderly of Bury	3	0	373	0
British Cotton Growers Established in 1906 for the education and health of children and young people in Ramsbottom	2	0	118	0
John Kay To fund student scholarships	0	0	39	0
Mayor's Charity Fund Established in 1952 to allow the Mayor of Bury to make charitable donations to local organisations and individuals	13	9	43	0
Prestwich & District Sick Poor Fund Established in 1953 to benefit sick or poor persons in the borough of Prestwich	1	0	12	0
Thomas Openshaw For the upkeep of parkland	0	0	7	0
Annie Shore For the education and training of young people from Ramsbottom	0	0	5	0
Fletcher Bequest Established in 1983 for the upkeep of parkland	0	0	4	0
Cemetery Fund For cemetery maintenance	0	0	3	0
War Memorial Established in 1962 for the maintenance of Radcliffe war memorial	0	0	3	0
Hartley Gardens For the upkeep of parkland	0	0	1	0
Samuel Kay For the funding of arts and libraries	0	0	1	0
A.E.Davies Established in 1899 for the provision of library materials	0	0	1	0
James A. McDonald To fund an annual employee award	0	0	1	0
Maintenance of Graves For cemetery maintenance	0	0	1	0
David Burton Memorial Established in 2004 to fund an annual employee award	0	0	1	0
Others:	1	0	2	0
Total	**20**	**9**	**615**	**0**

Other Funds:

	£000
Hollins Institute Education Fund Promotion of education in Hollins and surrounding areas	160
Henry Howarth For education and training of young people from Ramsbottom	1

Others	2
Total	**163**

45. FINANCIAL INSTRUMENTS

Introduction – Accounting Policy

With effect from 1 April 2007, local authorities have had to adopt a major change of accounting policy in order to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom. This has been based on major changes in international accounting standards which have resulted in this country in the introduction of new U.K. accounting standards for financial instruments - FRS25, 26 and 29.

This caused major changes in 2007/08 in the accounting treatment of financial instruments, soft loans and guarantees, which have been designed to present a higher quality of information on financial instruments, in line with the private sector. In addition, in order to help identify, quantify and inform on the exposure to and management of risk, new "fair value" disclosure requirements have been introduced. The need for this has arisen in recent years through the high profile failure of a number of financial institutions e.g. Barings, Enron, World Com etc.

Amortised Cost
This change in accounting standards has meant that most financial instruments (whether borrowing or investment) have to be valued on an amortised costs basis using the effective interest rate (EIR) method.

Fair Value
In these disclosure notes, financial instruments are also required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Compliance
This Authority has complied with the following: -

1. it has adopted the CIPFA's Treasury Management in the Public Services: Code of Practice.
2. set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

Types of Financial Instruments

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending & borrowing disclosed in the balance sheet are made up of the following categories of "financial instruments".

TABLE 1 – FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current		Total	
	31st March 2012	31st March 2013	31st March 2012	31st March 2013	31st March 2012	31st March 2013
	£000s	£000s	£000s	£000s	£000s	£000s
Borrowings						
Financial liabilities at amortised cost	197,976	191,107	9,388	14,304	207,364	205,411
Financial liabilities at fair value through profit and loss	0	0	0	0	0	0
Other borrowing (Finance lease)	0	0	0	0	0	0
Total borrowings	**197,976**	**191,107**	**9,388**	**14,304**	**207,364**	**205,411**
Investments						
Loans and receivables	8,411	8,411	24,228	18,067	32,639	26,478
Available-for-sale financial assets	0	0	0	0	0	0
Fair value through profit and loss	0	0	0	0	0	0
Unquoted equity investment at cost	10,214	29,300	0	0	10,214	29,300
Total investments	**18,625**	**37,711**	**24,228**	**18,067**	**42,853**	**55,778**

NOTES.

1. The unquoted equity comprises shares in Manchester Airport valued at cost. During 2012/13, Manchester Airport Group acquired Stansted Airport, resulting in a change of structure. The Council's shareholding in Manchester Airport Holdings has reduced from a 5% holding to 3.22% of the airports capital as a result of the restructure. This change in structure has enabled the shareholding to be subject to a valuation using the earnings based method and discounted cash flow method. The figure above in relation to Manchester Airport is now carried at fair value.

   The value as at 31 March for Manchester Airport is held at historic cost. Valuers have confirmed that it is impracticable to provide a retrospective fair valuation.

2. Loans and Receivables include the Airport loan conversion valued at cost of £8.411m.

The above long term figures are based on the Code of Practice 2012 Guidance Notes which states that in undertaking EIR calculations the maturity period for a LOBO should usually be taken as being the contractual period to maturity unless there is a specific identifiable reason to determine otherwise.

Gains and losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES

2012/2013	**Financial Liabilities**	**Financial Assets**			
	Liabilities measured at amortised cost	**Loans and receivables**	**Available-for-sale assets**	**Fair value through P&L**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Interest expense	(8,989)	0	0	0	(8,989)
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable and similar charges	**(8,989)**	**0**	**0**	**0**	**(8,989)**
Interest income	0	3,929	0	0	3,929
Gains on derecognition	0	0	0	0	0
Interest and investment income	**0**	**3,929**	**0**	**0**	**3,929**
Gains on revaluation	0	0	19,086	0	19,086
Losses on revaluation	0	0	0	0	0
Amounts recycled to the Comprehensive I&E Statement after impairment	0	0	0	0	0
Surplus arising on revaluation of financial assets	**0**	**0**	**19,086**	**0**	**19,086**
Net gain/(loss) for the year	**(8,989)**	**3,929**	**19,086**	**0**	**14,026**

Fair value of assets and liabilities carried at amortised cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade receivables, trade payables, cash in hand, and cash overdrawn is taken to be book value/cost as shown in the balance sheet, and these items are not included in tables 3 and 4.

The fair values are calculated as follows:

TABLE 3 – FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31st March 2012		**31st March 2013**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000s	**£000s**	**£000s**	**£000s**
LOBO Loans	39,649	41,849	39,646	43,056
PWLB Loans	167,712	168,644	159,756	169,410
Temporary Loans	0	0	6,006	6,007
Local Bonds	3	3	3	3
Financial liabilities	**207,364**	**210,496**	**205,411**	**218,476**

Fair value is **less/more** than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is **lower/higher** than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

TABLE 4 – FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31st March 2012		**31st March 2013**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000s	**£000s**	**£000s**	**£000s**
Call Investments	4,194	4,194	4,490	4,490
Fixed Investments	20,035	20,126	13,577	13,619
Term Deposit	0	0	0	0
Manchester Airport Loan	8,411	8,411	8,411	8,411
Financial assets	**32,640**	**32,731**	**26,478**	**26,520**

The fair value is **higher/lower** than the carrying amount because the Councils portfolio of investments includes a number of fixed rate loans where the interest rate is receivable is **lower/higher** than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above/below current market rates increases the amount that the Authority would receive if it agreed to early repayment of loans.

Nature and extent of risks arising from financial instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written polices and procedures covering specific areas such as credit risk, liquidity risk and market risk.

Credit Risk

Credit risk is the possibility that other parties may not pay amounts due to the Council. Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of **£35m** and a limit on the maximum size of one transaction in placing a deposit of **£15m.**

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

TABLE 5 – CREDIT RISK (A)

	Amounts at 31 March 2013	**Historical experience of default**	**Historical experience adjusted for market conditions as at 31 March 2013**	**Estimated maximum exposure to default and uncollectability**
	£000s	**%**	**%**	**£000s**
Deposits with banks and other financial institutions	18,067	0.00%	0.00%	0
Bonds and other securities	0	0.00%	0.00%	0
Sundry Debtors	35,797	0.47%	0.47%	167
Total	**53,864**			**167**

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.

Debtors

Of the total Sundry Debtors of £35.797m a main risk of losses relates to system debtors of £7.831m. The Council does not generally allow credit for customers, such that **£7.477m** of the **£7.831m** balance on the debtors system is past its due date for payment. The past due amount can be analysed by age as follows:

TABLE 6 – CREDIT RISK (B)

	31 March 2013

	£000s
Less than three months	4,142
Three to four months	121
Four months to one year	937
More than one year	2,277
Total	**7,477**

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments. The Council seeks to ensure a spread of maturity dates for borrowings so that there are no significant amounts for repayment at any one time in the future, and so that the financial impact of re-borrowing at a time of unfavourable interest rates is reduced. This involves the prudent planning of new loans and, where it is economic to do so, making early repayments.

The maturity structure of financial liabilities is as follows (at nominal value):

TABLE 7 – LIQUIDITY RISK

On 31 March 2012	Loans Outstanding	On 31 March 2013
£000s		£000s
166,619	Public Works Loans Board	158,691
39,000	LOBO Loans	39,000
0	Market Debt	6,000
3	Local bonds	3
205,622	**Total**	**203,694**
7,928	Less than 1 year	14,251
8,251	Between 1 and 2 years	6,579
17,261	Between 2 and 5 years	11,854
11,176	Between 5 and 10 years	14,003
161,006	More than 10 years	157,007
205,622	**Total**	**203,694**

Market Risk

Interest Rate Risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.

- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

TABLE 8 – INTEREST RATE RISK

	£000s
Increase in interest payable on variable rate borrowings	260
Increase in interest receivable on variable rate investments	(207)
Increase in government grant receivable for financing costs	(23)
Impact on Comprehensive Income and Expenditure Statement	**30**
Share of overall impact credited to the HRA	**40**
Decrease in fair value of 'available for sale' investment assets	0
Impact on Other Comprehensive Income and Expenditure	**0**
Decrease in fair value of fixed rate investment assets (no impact on Comprehensive Income and Expenditure Statement)	21
Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure Statement)	19,951

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

Price Risk

This will only apply where an investment is held as available for sale.

The Council does not generally invest in equity shares but does have unquoted shares in Manchester Airport which are shown in the accounts at cost (£29.3m).

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

46. RECONCILIATION OF CASHFLOW TO COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The net cash flow from revenue activities can be reconciled to the Comprehensive Income & Expenditure Statement as follows:

2011/2012		2012/13	
£000's		£000's	£000's
(8,029)	**(SURPLUS) /DEFICIT FOR THE YEAR ON PROVISION OF SERVICES**		**(3,196)**
	Non Cash Movements in I & E Statement:		
(24,311)	Provision for Depreciation & Impairment of Fixed Assets	(22,247)	
(1,760)	Other Provisions	(6,410)	
5,709	Minimum Revenue Provision	5,677	
(6,411)	Contributions from / (to) Revenue Reserves	(4,740)	
28,010	Other General Fund Items	22,922	
2,984	Other non-cash Movements	(1,277)	
4,221			**(6,075)**
	Movements in Current Assets and Liabilities:		
40	Increase / (Decrease) in Stock	9	
617	Increase / (Decrease) in Revenue Debtors	2,633	
2,702	(Increase) / Decrease in Revenue Grants Received in Advance	1,025	
3,340	(Increase) / Decrease in Revenue Creditors & Advance Receipts	883	
6,699			**4,550**
	Items shown elsewhere in the Cash Flow Statement:		
(4,871)	Interest Paid	(4,073)	
3,157	Interest Received	3,929	
1,000	Dividend Income	1,006	
78,253	HRA Self Financing Settlement	0	
77,539			**862**
80,430	**NET CASH INFLOW FROM REVENUE ACTIVITIES**		**(3,859)**

47. ANALYSIS OF NET DEBT

The following table details movement on cash, loans and investments in the year.

	31st March 2012	Receipts	Payments	Other Movements	31st March 2013
	£000's	£000's	£000's	£000's	£000's
Cash Overdrawn	**(8,788)**	1,396	3,139	0	**(4,253)**
Cash & Cash Equivalents	**6,140**	631	0	0	**6,771**
Debt Due Beyond One Year	**(199,406)**	0	7,927	372	**(191,107)**
Debt Due Within One Year	**(7,958)**	(8,000)	2,000	(346)	**(14,304)**
Long Term Debtors	**11,320**	(359)	0	0	**10,961**
Current Asset Investments	**20,035**	(6,458)	0	0	**13,577**
TOTALS	**(178,657)**	**(12,790)**	**13,066**	**26**	**(178,355)**

48. RECONCILIATION OF NET DEBT

The table below reflects the movement in the net debt of the Council during the year.

2011/2012 £000's		2012/2013 £000's
(7,078)	(Increase)/ Decrease in Cash Overdrawn in the Year to 31st March	5,166
(66,377)	(Increase)/Decrease in Debt	1,594
(10,380)	Increase/(Decrease) in Investments	(6,458)
(83,835)	**Change in Net Debt**	**302**
(94,822)	Net Debt at 1st April	(178,657)
(178,657)	Net Debt at 31st March	(178,355)
(83,835)	**Movement in Net Debt**	**302**

49. ANALYSIS OF GOVERNMENT GRANTS

The following government grants were received in and are reflected in the cash flow statement.

2011/2012 £000's		2012/2013 £000's
36,276	Housing Benefits	35,069
14,493	Council Tax Benefits	14,286
8,166	Children's Social Care	8,804
138,420	Education Grants	138,994
5,080	Adult Care Services	5,172
20	Probation	19
4,182	Other Grants	4,307
206,637	**TOTAL**	**206,651**

50. MOVEMENT IN CASH

The table below shows the movement in cash to the related items in the opening and closing balance sheets for the period.

	31st March 2012 £000's	31st March 2013 £000's	Movement £000's
Bank Overdraft	(8,788)	(4,253)	(4,535)
Cash and Cash Equivalents	6,140	6,771	(631)
TOTALS	**(2,648)**	**2,518**	**(5,166)**

HOUSING REVENUE ACCOUNT

HOUSING REVENUE ACCOUNT
INCOME AND EXPENDITURE STATEMENT

This 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.

Since April 2005 the Council's housing stock has been managed by an Arms Length Management Organisation, Six Town Housing.

2011/2012 £000's		2012/2013 £000's	Note
	Income		
26,959	Dwelling Rents (gross)	28,605	**1,2,9**
239	Non-Dwelling Rents	217	
812	Charges for Services and Facilities	991	
46	Contributions towards expenditure	7	
28,056	**Total Income**	**29,820**	
	Expenditure		
6,832	Repairs and Maintenance	6,656	
7,742	Supervision and Management	7,745	
52	Rents, Rates, taxes & other charges	57	
6,480	Negative Housing Revenue Account subsidy payable	(17)	**8**
16,257	Depreciation and Impairment of fixed assets	15,318	**5,6**
18	Debt management costs	37	
117	Increased Provision for Bad & Doubtful Debts	191	**9**
78,253	Sums Directed – Settlement payment to Government for HRA self financing	0	
115,751	**Total Expenditure**	**29,987**	
87,695	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**	**167**	
11	HRA services share of Corporate and Democratic Core	11	
87,706	**Net Cost of HRA Services**	**178**	
	HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:		
1,632	Interest payable and other	4,705	

	similar charges	
(17)	Interest and investment income	(74)
89,321	**(Surplus) or Deficit for the year on HRA Services**	**4,809**

Movement on the HRA Statement

2011/2012 £000's		2012/2013 £000's
(688)	**Balance on the HRA at the end of the previous year**	**(765)**
89,321	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	4,809
(89,359)	Adjustments between accounting basis and funding basis under regulations	(7,736)
(38)	**Net (increase) or decrease before transfers to or from reserves**	**(2,927)**
(39)	Transfers (to) or from reserves	0
(77)	**(Increase) or decrease in year on the HRA**	**(2,927)**
(765)	**Balance on the HRA at the end of the current year**	**(3,692)**

Note to the Movement on the HRA Statement

2011/2012 £000's		2012/2013 £000's	Note
	Adjustments between accounting basis and funding basis under regulations		
(34)	Difference between amounts charged to the Income and Expenditure Statement for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	(19)	
(11,256)	Reversal of impairment losses	(8,406)	
(78,253)	Reversal of self financing payment to Government	0	
184	Capital expenditure funded by the HRA	689	
(89,359)		**(7,736)**	
(39)	Transfer from Major Repairs Reserve	0	**3**
(39)		**0**	

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

In preparing the HRA budget, the Council needs to estimate the total level of income it needs to raise from rents. In doing so it takes account of current rental income, any likely changes in the size and composition of the Housing Stock and the estimated loss of income from unoccupied dwellings.
The numbers of each type of property at 31st March were: -

2011/2012		2012/2013
	Flats and Maisonettes	
2,311	1 Bedroom	2,302
827	2 Bedrooms	825
60	3 Bedrooms	60
226	Bedsitters	233
	Houses & Bungalows	
807	1 Bedroom	807
1,845	2 Bedrooms	1,840
2,202	3 Bedrooms or more	2,198
8,278	**TOTAL**	**8,265**

Council house sales account for the reduction in the Housing stock during the financial year.

The total capital receipts realised from the disposal of Council houses during the year was **£0.429 million.** This figure represents a decrease in the region of 31.9% compared to the 2011/12 figure of £0.630 million. The figure represents the total selling price of Council houses (net of Right to Buy discount) and other repaid discounts relating to previous sales.
The value of the housing stock was:-

2011/2012 £000's		2012/2013 £000's
	Total Balance Sheet value as at 1st April 2012	
220,000	Dwellings	203,575
1,457	Shops, Offices and Garage Colonies	1,469
221,457	**Total Operational Assets**	**205,044**
5,016	Additions	7,156
51	Certificated Revaluation – Shops and Offices	42
(11,100)	Housing Stock Revaluations	(1,236)
(5,000)	Depreciation	(1,907)
(5,016)	Impairments	(7,156)
(364)	Sale of Council Houses	(342)
0	Sale of other Council Housing assets	0
205,044	**Balance Sheet Value as at 31st March 2013**	**201,601**
203,575	Dwellings	200,086
1,469	Shops, Offices and Garage Colonies	1,515
205,044	**Total Operational Assets**	**201,601**

2. VACANT POSSESSION

(i) The Vacant Possession Value (VPV) of dwellings within the Council's HRA as at 1st April 2012 was £592.200 million representing an approximate decrease of 0.81% over the 1st April 2011 figure of £596.800 million. The new value was established as a result of the revaluation of the Housing Stock completed in the year.

(ii) The VPV is an opinion of the best sale price that could have been obtained for the properties on the date of the valuation. The Balance Sheet value of dwellings within the HRA contains an adjustment factor advised by Government to reflect the fact that the properties have sitting tenants enjoying sub-market rents and rights, including 'right-to-buy'. This reflects the economic cost to the Government of providing council housing at less than open market rents. The current adjustment factor of 35% has been adopted in line with the recommendations made by Communities and Local Government from April 2010 for the North West and Merseyside Region.

3. MAJOR REPAIRS RESERVE (MRR)

The Major Repairs Allowance (MRA), paid as part of the HRA subsidy, provides authorities with the resources needed to maintain the value of their housing stock over time. Authorities are required to set up a Major Repairs Reserve and to transfer into it during the year an amount not less than the MRA.

£000's 2011/2012		£000's 2012/2013
20	**Balance as at 1st April 2012**	**18**
5,000	Transferred to MRR during the year	6,913
0	Credit in respect of General Fund depreciation	0
(39)	Transferred from MRR to HRA during the year	0
(4,963)	Debits in respect of capital expenditure within HRA	(6,186)
18	**Balance as at 31st March 2013**	**745**

4. CAPITAL EXPENDITURE WITHIN HRA

The 1989 Act gives local authorities the discretion to finance expenditure for HRA capital purposes from the HRA.

£000'S 2011/2012		£000's 2012/2013
5,016	**Total Capital expenditure within the HRA**	**7,156**
	Financed By:	
225	External Contributions	219
184	Revenue Contributions	689
0	Capital receipts	62
4,607	Major Repairs Reserve	6,186
5,016	**Total**	**7,156**

5. DEPRECIATION

Authorities are required to charge depreciation on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. In 2012/13, the total charge for depreciation for council houses was £6,872,000 £4,961,267 in 2011/12) and for other property was £40,463 (£38,779 in 2011/12). The Major Repair Allowance is used as a proxy for depreciation of the council houses stock. It corresponds to a straight-line charge based on a 32-year useful life, and is considered to be a reasonable approximation.

6. IMPAIRMENT CHARGES

Impairment charges of £7.156 million for the financial year have been made in respect of capital expenditure not adding value to the housing stock and other property within the HRA.

7. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

No revenue expenditure funded from capital under statute is attributable to the HRA.

8. HRA SUBSIDY

HRA subsidy is central Government's contribution towards the cost of council housing. It is calculated as the amount required to balance a notional Housing Revenue Account, which is derived by the Government, and is based on its estimates of the income and expenditure which should be earned and spent by the Authority on council housing.

Breakdown of Amount of HRA Subsidy Payable to/by the Authority for 2012/2013

£000's 2011/2012		£000's	£000's 2012/2013
4,651	Management Allowance	0	
8,332	Maintenance Allowance	0	
4,961	Major Repairs Allowance	0	
17,944			**0**
2,318	Charges for Capital	0	
0	Admissible Allowance	0	
0	Rent Rebates	0	
0	Other items of reckonable expenditure	0	
0	Rental Constraint Allowance	0	
2,318			**0**
(26,739)	Guideline Rent Income	0	
(3)	Interest on Receipts	0	
(26,742)			**0**
(6,480)	**Subsidy Receivable / (Payable) to DCLG**		**0**
0	Prior Year Adjustments		(17)
(6,480)	**Total Subsidy Receivable / (Payable) to DCLG**		**(17)**

9. RENT ARREARS / BAD DEBT PROVISION

RENT ARREARS

The rent arrears as at 1 April, 2012 totalled £820,659 and at 31 March, 2013 they totalled £843,949. 61.88% of the arrears at 31 March 2013 related to current tenants (54.00% at 31st March 2012) and 38.12% related to former tenants (46.00% at 31st March 2012). The figures stated represent gross arrears and are not shown net of advances as in previous years.

BAD DEBT PROVISION

£000's 2011/2012		£000's 2012/2013	£000's 2012/2013
546	**Opening Bad Debt Provision**		**594**
117	Charged to HRA	191	
(179)	Written off	(215)	
110	Reinstated previously written off amount	19	
48	**Net increase / (decrease)**		**(5)**
594	**Closing Bad Debt Provision**		**589**

COLLECTION FUND

THE COLLECTION FUND

The account is kept separately and shows the income collected from Council Tax, and National Non-Domestic Rates (NNDR) payers. The account also shows the amount that the Authority needs from the fund to pay for its services along with precepts made by other authorities and Bury's contribution to the NNDR Pool.

INCOME AND EXPENDITURE ACCOUNT

2011/2012 £000's		2012/2013 £000's	Note
	INCOME		
(72,948)	Income from Council Tax Payers	(73,284)	1
0	Community Charge Payers	0	
	Transfers from General Fund		
(14,494)	Council Tax Benefit	(14,288)	
(0)	Other Income	(0)	
(48,269)	Income from NNDR payers	(47,617)	2
(135,711)	**TOTAL INCOME**	**(135,189)**	
	EXPENDITURE		
87,277	Precepts on the Collection Fund	87,291	3
	NNDR		
48,034	Payments to National Pool	47,379	
235	Cost of Collection	238	
0	Interest Payable net of refunds	0	
	Bad and Doubtful Debts		
743	Increased/(Reduced) Provision	869	
0	Contribution to provision in respect of NNDR appeals	600	
	Transfer of Previous Year's Estimated Surplus / (Deficit)		
0	To General Fund	0	
0	To Major Preceptors	0	
136,289	**TOTAL EXPENDITURE**	**136,377**	
578	**FUND DEFICIT/ (SURPLUS) FOR THE YEAR**	**1,188**	
0	**PRIOR YEAR ADJUSTMENT**	**0**	
394	**BALANCE BROUGHT FORWARD**	972	
972	**BALANCE CARRIED FORWARD**	**2,160**	

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

The Council Tax was introduced on 1st April 1993 to replace the Community Charge and is a tax on property values. Dwellings were valued at their open market values as at 31st March 1991 and have been placed in eight bands according to their value. The Council Tax payable per band will be a specified ratio of the middle band, Band D. The table below shows the calculation of the Band D equivalent number of dwellings per band:-

Band	Valuation	Total Number of Dwellings	Specified Ratio	Band D Equivalent
A	Less than £40,000	24,690	6/9	16,460
B	£40,000 to £52,000	15,775	7/9	12,269
C	£52,000 to £68,000	15,327	8/9	13,624
D	£68,000 to £88,000	8,087	1	8,087
E	£88,000 to £120,000	4,911	11/9	6,002
F	£120,000 to £160,000	1,682	13/9	2,430
G	£160,000 to £320,000	1,198	15/9	1,997
H	More than £320,000	141	18/9	282
		71,811		**61,151**
	Less allowance for losses on collection			(1,228)
	COUNCIL TAX BASE 2012/2013			**59,923**

i) The actual number of properties was 79,458 but after adjusting for single person discounts, empty properties etc, the notional number of dwellings is 71,811.

ii) The Band D Council Tax levied for the year was **£1,456.73** (£1,456.73 in 2012/2013).

2. NATIONAL NON-DOMESTIC RATES (NNDR)

The Authority collects NNDR in respect of business premises by applying a rate poundage set by central Government to the rateable value of the premises. The rate set for 2012/2013 was **45.8p** in the pound (43.3p in 2011/2012) and at 31st March 2013 the estimated non-domestic rateable value of the Borough was **£129,635 million** (£133,203 million at 31st March 2012). In addition in 2012/13 the Small Business Rate was set at **45.0p** in the pound (42.6p for 2011/12).The amount collected, less certain allowances, is paid into a national pool which is then redistributed to councils by the Government at an amount per head of adult population.

3. PRECEPTS

The precepts on the Collection Fund were: -

	2011/2012 £000's	2012/2013 £000's
Bury Council	75,475	75,487
Greater Manchester Police Authority	8,647	8,649
Greater Manchester Fire & Civil Defence Authority	3,155	3,155
TOTAL	**87,277**	**87,291**

GROUP ACCOUNTS

THE GROUP ACCOUNTS

1. Introduction

The Accounting Code of Practice requires that where an Authority has material financial interests and a significant level of control over one or more entity, it should prepare Group Accounts. The group financial statements required include the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, Reconciliation of the Single Entity (Surplus) or Deficit on Provision of Services for the year to the Group Surplus, Balance Sheet and Cash Flow Statement; these are shown on the following pages. The aim of these statements is to give an overall picture of the Authority's financial activities and the resources employed in carrying out those activities. There are no significant effects due to group consolidation.

2. Inclusion of Organisations within the Group Accounts

The Authority has group relationships with two organisations over which it has substantial control and influence.

Six Town Housing has been included in the group accounts and details of the Authority's shareholdings, degree of commitment to the organisation and other financial transaction details are given in the notes to the Group Statements on page 127.

Also included in the group accounts is Bury MBC Townside Fields Limited. The company was incorporated on the 14th October 2009 and is a wholly owned subsidiary of Bury Council.

3. Basis of Consolidation

Six Town Housing and Bury MBC Townside Fields Ltd have been identified as subsidiaries of Bury Council and as such their financial statements have been consolidated on a line by line basis to comply with FRS 2 – acquisition accounting.

The acquisition accounting basis for consolidation has been used for Six Town Housing as Bury Council, the parent company, has taken 100% control of the subsidiary. In order to create the subsidiary, part of the Authority has been externalised and therefore at the formation of the company the assets and liabilities were transferred at fair value which did not give rise to good will.

The date of incorporation was 30 October 2003 and trading began on 1 April 2005.

Six Town Housing's financial year runs, the same as Bury Council, from 1 April 2012 to 31 March 2013, therefore no adjustments are required regarding the accounting year.

For Bury MBC Townside Fields Limited, the acquisition accounting basis for consolidation has been used because Bury Council has taken 100% control of the company. The company's financial year is the same as Bury Council.

4. Accounts

Six Town Housing's Statement of Accounts 2012/2013 are audited by Baker Tilly UK and were submitted to their Audit and Standards Committee on 31 July, and will be followed by the Board and AGM meetings for approval in September.

Copies of Six Town Housing Ltd 2012/13 Statement of Accounts can be obtained from Six Town Housing Finance Department, 6, Knowsley Place, Angouleme Way, Bury BL9 0EL.

For Bury MBC Townside Fields Limited pre-audit accounts for the year ended 31st March 2013 have been used to prepare the group accounts. The company's auditors are Horsfield and Smith.

GROUP MOVEMENT IN RESERVES STATEMENT

2012/13	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Collection Fund Balance	Capital Receipts Unapplied	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Group Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1st April 2012	**18,035**	**38,878**	**765**	**(972)**	**1,718**	**18**	**5,344**	**63,786**	**241,268**	**305,054**
Movement in reserves during 2012/13										
Surplus / (deficit) on the provision of services	8,005	(16)	(4,809)	0	0	0	0	**3,180**	0	**3,180**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(19,796)	**(19,796)**
Total Comprehensive Income and Expenditure	**8,005**	**(16)**	**(4,809)**	**0**	**0**	**0**	**0**	**3,180**	**(19,796)**	**(16,616)**
Adjustments between Group accounts and Authority accounts	0	0	0	0	0	0	0	**0**	0	**0**
Net increase / decrease before transfers	8,005	(16)	(4,809)	0	0	0	0	**3,180**	(19,796)	**(16,616)**
Adjustments between accounting basis & funding basis under regulations	(5,556)	0	7,716	0	(971)	726	5,015	**6,930**	(6,930)	**0**
Net increase / decrease before transfers to earmarked reserves	**2,449**	**(16)**	**2,907**	**0**	**(971)**	**726**	**5,015**	**10,110**	**(26,726)**	**(16,616)**
Transfers to / from ear-marked reserves	(3,566)	3,007	20	(1,188)	0	1	0	**(1,726)**	(469)	**(2,195)**
Increase / decrease (movement) in 2012/13	**(1,117)**	**2,991**	**2,927**	**(1,188)**	**(971)**	**727**	**5,015**	**8,384**	**(27,195)**	**(18,811)**
Balance at 31 March 2013 carried forward	**16,918**	**41,869**	**3,692**	**(2,160)**	**747**	**745**	**10,359**	**72,170**	**214,073**	**286,243**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2011/2012 Gross Expenditure £000's	2011/2012 Gross Income £000's	2011/2012 Net Expenditure £000's		2012/2013 Gross Expenditure £000's	2012/2013 Gross Income £000's	2012/2013 Net Expenditure £000's	Note
			Continuing Services				
32,660	(29,786)	2,874	Central Services to the Public including Court Services	33,850	(30,645)	3,205	
21,707	(10,666)	11,041	Cultural and Related Services	16,423	(5,707)	10,716	
23,822	(4,329)	19,493	Environment & Regulatory Services	22,714	(4,162)	18,552	
3,150	(1,330)	1,820	Planning Services	2,992	(1,358)	1,634	
204,275	(173,702)	30,573	Children's & Education Services	203,087	(173,286)	29,801	
28,338	(6,328)	22,010	Highways & Transport Services	28,120	(5,994)	22,126	
37,626	(28,184)	9,442	Local Authority Housing (HRA)	30,281	(30,115)	166	
78,253	0	78,253	HRA Self Financing Settlement	0	0	0	
53,947	(57,935)	(3,988)	Other Housing Services	51,614	(58,359)	(6,745)	
79,709	(31,199)	48,510	Adult Social Care Services	81,322	(31,164)	50,158	
3,959	6,766	10,725	Corporate & Democratic Core	4,521	6,509	11,030	
2,803	(262)	2,541	Non-Distributed Costs	2,440	(36)	2,404	
309	(426)	(117)	Other Operating Inc & Exp.	302	(470)	(168)	
570,558	**(337,381)**	**233,177**	**Cost Of Services**	**477,666**	**(334,787)**	**142,879**	
			Other Operating Expenditure				
0	(248)	(248)	(Gain)/Loss on Disposal of Non-Current Assets	0	(187)	(187)	
27,437	(28,245)	(808)	(Surplus)/Deficits on Trading Operations	34,645	(34,621)	24	
439	0	439	Contribution of Housing Capital Receipts to Government Pool	303	0	303	
27,876	**(28,493)**	**(617)**		**34,948**	**(34,808)**	**140**	
			Financing and Investment Income and Expenditure				
6,479	0	6,479	Interest Payable & other Similar Charges	9,035	0	9,035	
0	(3,207)	(3,207)	Interest and Investment Income	0	(3,959)	(3,959)	
1,300	(138)	1,162	Pensions Interest Cost and Expected Return on Pensions Assets (IAS19)	5,000	(31)	4,969	
81	0	81	Taxation of Group Entities	25	0	25	
7,860	**(3,345)**	**4,515**		**14,060**	**(3,990)**	**10,070**	
			Taxation and Non-Specific Grant Income				
0	(77,362)	(77,362)	Demand On Collection Fund: Collection Fund Surplus Council Tax	0	(77,375)	(77,375)	
0	(17,162)	(17,162)	Government Grants (not attributable to specific services)	0	(2,399)	(2,399)	
0	(51,801)	(51,801)	Non-Domestic Rate distribution	0	(62,015)	(62,015)	
0	(78,253)	(78,253)	HRA Self Financing Settlement	0	0	0	
0	(21,118)	(21,118)	Capital grants and contributions	0	(14,480)	(14,480)	
0	**(245,696)**	**(245,696)**		**0**	**(156,269)**	**(156,269)**	
606,294	**(614,915)**	**(8,621)**	**(Surplus) or Deficit On Provision of Services**	**526,674**	**(529,854)**	**(3,180)**	
		6,054	(Surplus) / Deficit on revaluation of property, plant and equipment			(7)	
		266	Impairment Losses on Non-Current Assets charged to Revaluation Reserve			954	
		80	(Surplus) / Deficit on revaluation of available for sale financial assets			(19,008)	
		67,853	Actuarial (gains) / losses			41,827	
		78,253	HRA Self Financing Settlement			0	
		2,822	Any other (gains)/ losses for the year			(1,775)	
		155,328	**Other Comprehensive Income and Expenditure**			**21,991**	
		146,707	**Total Comprehensive Income and Expenditure**			**18,811**	

RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT ON PROVISION OF SERVICES FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

2011/2012 £000's		2012/2013 £000's
(8,029)	(Surplus) / deficit for the year on the Authority Comprehensive Income and Expenditure Statement	(3,196)
0	Adjustments for transactions with other group entities	0
(8,029)	Surplus / Deficit on provision of services in the Group Comprehensive Income and Expenditure Statement attributable to the Authority	(3,196)
(592)	(Surplus) / deficit on provision of services in the Group Comprehensive Income and Expenditure Statement attributable to group entities (adjusted for intra-group transactions): Subsidiaries Associates Joint Venture	16
(8,621)	(Surplus) / Deficit on provision of services for the year on Group Comprehensive Income and Expenditure Statement	**(3,180)**

GROUP BALANCE SHEET AT 31ST MARCH 2013

31/3/2012		31/3/2013			
£'000		£'000	£'000	£'000	Note
	PROPERTY, PLANT & EQUIPMENT				
	Tangible Fixed Assets				
	Operational Assets:				
205,044	Council Dwellings	201,601			
350,107	Other Land & Buildings	344,877			
29,830	Infrastructure Assets	28,832			
4,339	Vehicles & Plant	5,828			
554	Community Assets	554			
45,290	Non-Operational Assets	44,153			
24,067	Assets under construction	28,715			
405	Surplus assets held for disposal	405	**654,965**		
4,620	Intangible Fixed Assets	3,683	**3,683**		
12,504	Investment Property	12,503	**12,503**		
23,760	Heritage Assets	23,760	**23,760**		
700,520	**TOTAL FIXED ASSETS**		**694,911**	**694,911**	
	LONG TERM INVESTMENTS				
10,214	Manchester Airport PLC		29,300		
10,214				**29,300**	
	LONG TERM DEBTORS				
297	Long term Debtors - General		280		
9,863	Loan Accounts		9,536		
20	Debt Managed for Probation Services		19	**9,835**	
10,180					
	CURRENT ASSETS				
1,320	Stocks & Work in Progress	1,330			
2,299	Assets Held for Sale	1,583			
31,592	Sundry Debtors & Advance Payments	32,429			
20,035	Short Term Investments	13,577			
12,023	Cash And Cash Equivalents	12,898			
67,269			**61,817**		
	LESS : CURRENT LIABILITIES				
(7,958)	Short Term Loans Outstanding	(14,304)			
(159)	Deposits & Clients' Funds	(115)			
(2,341)	Short Term Provisions	(2,845)			
(29,929)	Sundry Creditors & Advance Receipts	(28,906)			
(1,281)	Revenue Grant Receipts in Advance	(256)			
(8,788)	Bank Accounts	(4,253)			
(50,456)			**(50,679)**		
16,813	**NET CURRENT ASSETS**			**11,138**	
737,727	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**745,184**	
	LESS: LONG TERM LIABILITIES				
(199,406)	External Loans Outstanding		(191,107)		
(4,606)	Capital Grants Receipts in Advance		(1,058)		
(334)	Finance Lease Liabilities		(2,254)		
(7,618)	Deferred Liabilities		(7,029)		
(181,038)	Pension Liability		(223,728)		
(39,671)	Long Term Provisions		(33,765)		
(432,673)				**(458,941)**	
305,054	**TOTAL NET ASSETS**			**286,243**	

31/3/2012		31/3/2013			
		£'000	£'000	£'000	Note
	FINANCED BY :				
	USABLE RESERVES				
(25,294)	Earmarked Reserves		(28,443)		
(1,718)	Capital Receipts Unapplied		(747)		
(5,344)	Capital Grants Unapplied		(10,359)		
(18,035)	General Fund		(16,918)		
(765)	Housing Revenue Account		(3,692)		
(18)	Major Repairs Reserve		(745)		
(1,805)	Competitive Services / Commuted Sums		(1,874)		
972	Collection Fund Balance		2,160		
(11,779)	Other Balances		(11,552)		
(63,786)				**(72,170)**	
	UNUSABLE RESERVES				
(193,342)	Revaluation Reserve		(193,349)		
(245,893)	Capital Adjustment Account		(234,148)		
(146)	Financial Instruments Adjustment Reserve		(67)		
0	Available for Sale Financial Instruments Reserve		(19,086)		
608	Collection Fund Adjustment Account		1,391		
4,554	Accumulated Absences		3,010		
178,600	Pension Reserve		221,210		
14,390	Equal Pay Back Pay Reserve		6,987		
(39)	Deferred Capital Receipts		(21)		
(241,268)				**(214,073)**	
(305,054)	**TOTAL RESERVES AND BALANCES**			**(286,243)**	

GROUP CASH FLOW STATEMENT

2011/12		2012/2013		
£000's		£000's	£000's	£000's
	OPERATING ACTIVITIES			
	Cash Outflows:			
186,556	Cash Paid to and on behalf of Employees	186,552		
313,296	Cash Paid for Goods and Services	229,864		
38,232	Housing Benefit paid out	34,959		
99	VAT payments (BMBCTF)	140		
4,946	Interest Paid	4,380		
6	Corporation Tax (STH)	11		
439	Payments to Housing Capital Receipts Pool	303		
1,589	Net Increase / (Decrease) in Council Tax Liquid Resources	1,894		
545,163	**Cash Outflows Generated from Operating Activities**		**458,103**	
	Cash Inflows:			
(26,721)	Rents (after Rebates)	(28,388)		
(62,735)	Council Tax Receipts (excl major preceptors share of receipts)	(63,374)		
(729)	VAT Receipts (BMBCTF)	0		
0	Corporation Tax	0		
(51,801)	NNDR Receipts from National Pool	(62,015)		
(16,012)	Revenue Support Grant	(1,202)		
(50,769)	DWP Grants for Benefits	(49,355)		
0	Government Grant (Six Town Housing)	0		
(155,868)	Other Government Grants	(158,746)		
(3,207)	Interest Received	(3,959)		
(1,000)	Airport Dividend Received	(1,006)		
(98,599)	Cash Received for Goods and Services	(95,523)		
(467,441)	**Cash Inflows Generated from Operating Activities**		**(463,568)**	
77,722	**(INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES**			**(5,465)**
	INVESTING ACTIVITIES			
13,705	Purchase of Fixed Assets		15,578	
3,848	Capital Expenditure (Six Town Housing)		1,347	
3,128	Purchase of Long Term Investments		8	
(10,380)	Net Increase / (Decrease) in Short Term Deposits		(6,458)	
(1,901)	Proceeds of Sale of Fixed Assets		(705)	
(11,527)	Capital Grants received		(11,324)	
(3,127)	**NET CASH FLOWS FROM INVESTING ACTIVITIES**			**(1,554)**
	FINANCING ACTIVITIES			
	Repayments of amounts borrowed:			
10,518	Long Term loans repaid		7,968	
26,300	Short Term loans repaid		2,000	
1,358	Net Receipts from Long Term Debtors		(359)	
(84,393)	New Long Term Loans		0	
(21,300)	New Short Term Loans		(8,000)	
(67,517)	**NET CASH FLOWS FROM FINANCING ACTIVITIES**			**1,609**
7,078	**NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS**			**(5,410)**

S KENYON CPFA
Assistant Director of Resources (Finance & Efficiency)
22 August 2013

Notes to the Group Statements

1. Subsidiary Income and Expenditure
The operating expenditure and income of Six Town Housing has been included within "Other Housing Services". The operating expenditure and income of Bury MBC Townside Fields Limited has been included within "Corporate and Democratic Services".

2. Amount to be met from Government Grant and Local Taxes
This is the same amount as that disclosed in the Comprehensive Income and Expenditure Statement of Bury Council.

3. Goodwill
No goodwill arose in respect of either subsidiaries.

5. Plant, Property and Equipment
Six Town Housing's fixed assets are included as tangible assets and are valued at either historical cost or fair value determined by DRC, the same as the equivalent class for Bury Council assets. The fixed assets of Bury MBC Townside Fields Limited are also valued at historic cost in line with Bury Council's policy.

6. Six Town Housing - wholly owned subsidiary
Nature of the Business: Six Town Housing was set up to manage and maintain the housing stock of Bury Council. Six Town Housing has no share capital and is wholly owned by the Authority. Bury Council has a 100% interest in Six Town Housing, a company which is limited by guarantee.

Percentage of Total Shareholding: The composition of the Board and the voting rights is as follows:

	Members	**% of voting Rights**
Bury Council	4	30.8
Tenant	4	30.8
Independent	4	30.8
Independent Chair	1	7.6
Advisory Director	1	0
		100

The related party transaction between Council Members on the board of Six Town Housing and Bury Council are detailed in Bury Council Statement of Accounts Note 12 (page 67).

Bury Council's Commitment: Six Town Housing is the wholly owned subsidiary of Bury Council. The Council is therefore committed that in the event of Six Town Housing being wound up to contribute up to the limit of the guarantee. After the satisfaction of all the debts and liabilities the remaining assets will be transferred to the Council's Housing Revenue Account.

Financial Transactions and Operations: In 2012/2013 Six Town Housing made a deficit of £0.165m compared to a surplus of £0.83m in 2011/2012. Bury

Council paid management fees of £12.719m in 2012/2013 (£12.737m in 2011/2012) to Six Town Housing for the management of its housing stock.

Bury Council made loans totalling £1.140m in 2011/12 to Six Town Housing to facilitate the Redbank housing project. There are two loans, one for £0.620m and the other for £0.520m. Both loans are for 35.5 years and are at commercial rates of interest. No further loans have been made in 2012/13

7. Bury MBC Townside Fields Limited – wholly owned subsidiary

Nature of Business: Bury MBC Townside Fields was formed to facilitate the development of Knowsley Place. The company's share capital (Ordinary Share Capital £1) is wholly owned by Bury Council.

Bury MBC Townside Fields Limited made a profit after tax of £0.149m for the year ended 31st March 2013 compared to a profit of 0.127m for the period to 31st March 2012. As at 31st March 2013, Bury Council has invested £13.351m in Bury MBC Townside Fields Ltd.

8. Reconciliation of the (surplus) / deficit on provision of services in the Comprehensive Income and Expenditure Statement to the net cash (Inflow) / Outflow from Operating Activities .

2011/2012 £000's	GROUP RECONCILIATION OF REVENUE CASH FLOW	2012/2013 £000's	£000's
(8,029)	**(SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES**		**(3,196)**
(263)	Six Town Housing (Surplus)/Deficit		**165**
(330)	Bury MBC Townside Fields (Surplus)/Loss		**(149)**
	Non Cash Movements in Revenue Account:		
(24,313)	Provision for Depreciation	(22,328)	
(1,760)	Other Provisions	(6,410)	
5,709	Minimum Revenue Provision	5,677	
(6,411)	Contributions from / (to) Revenue Reserves	(4,740)	
32,832	Other non-cash Movements	22,036	
5,464			**(5,765)**
	Movements in Current Assets and Liabilities:		
37	Increase / (Decrease) in Stock	10	
(354)	Increase / (Decrease) in Revenue Debtors	837	
2,702	(Increase) / Decrease in Revenue grants received in advance	1,025	
388	(Increase) / Decrease in Revenue Creditors & Advance Receipts	1,023	
2,773			**2,895**
	Items shown elsewhere in the Cash Flow Statement:		
(4,946)	Interest Paid	(4,380)	
3,207	Interest Received	3,959	
78,253	HRA Self Financing Settlement	0	
1,000	Dividend Income	1,006	
77,514			**585**
77,722	**NET CASH INFLOW FROM REVENUE ACTIVITIES**		**(5,465)**

BURY COUNCIL

Annual Governance Statement 2012/13

1. SCOPE OF RESPONSIBILITY

Bury Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council 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 the above.

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

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the code is on our website at www.buannual ry.gov.uk or can be obtained from;

Assistant Director of Resources (Finance & Efficiency)
Town Hall
Knowsley Street
Bury Council
BL9 0SP

This statement explains how Bury Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. 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.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. 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 ongoing process designed to identify and prioritise the risks to the achievement of the Council's 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.

The governance framework has been in place at Bury Council throughout the year ended 31 March 2013, and up to the date of approval of the statement of accounts.

3. GOVERNANCE FRAMEWORK

The Council has made a clear statement of its ambitions and vision and uses this as a basis for corporate and service planning and shaping the community strategy. The Council is responsible for approving the budget and developing policies and making constitutional decisions. The Council elects a Leader for a term of four years and the Leader appoints a Cabinet of Councillors, each holding a special portfolio of responsibility. The Council's Constitution sets out the roles and responsibilities of each Cabinet member; and the responsibilities delegated to the Chief Executive, members of the Senior Leadership Team and senior managers of the Council. It establishes the posts holding responsibility for statutory and proper Officers. The Constitution is reviewed and updated regularly by Members. Decisions are scrutinised by the Overview and Scrutiny and Health Scrutiny Committees.

Members and Officers are governed by Codes of Conduct and bound by the protocol on Member/Officer relations. The Council is committed to maintaining the highest standards of behaviour and documentation to eliminate corruption and fraud through the Contract Procedure Rules, and protocols from members and Officers for gifts and hospitality. The Constitution is supplemented by a number of codes and protocols, including a Whistleblowing Policy.

The Council has adopted a revised "Local Code of Corporate Governance" and recognises that effective governance is achieved through the following core principles:

(i) Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.

(ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.

(iii) Promoting the values of the authority and demonstrating the values of good governance through behaviour.

(iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

(v) Developing the capacity and capability of Members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively.

(vi) Engaging with local people and other stakeholders to ensure robust local public accountability.

The table overleaf demonstrates how these core principles have been upheld during the year 2012/13, and also highlights the critical role of the Council's Statutory Officers.

Core Principle	Supporting Principles	Specific Actions	Role of Statutory Officer
Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area	Exercising leadership by clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.	The Council reviews on a regular basis the Authority's vision for the local area and its impact on the Authority's governance arrangements The Council (and Team Bury) publishes an annual report on a timely basis to communicate the Authority's activities and achievements, its financial position and performance The Council has decided how the quality of service for users is to be measured and makes sure that the information needed to review service quality effectively and regularly is available. The Authority ensures that this information is reflected in the Bury Plan, the Financial Strategy and other resourcing plans in order to ensure improvement The Council has determined how value for money is to be measured and makes sure that the information needed to review value for money and performance effectively is available. The Authority also ensures that the results are reflected in the Bury Plan, in service plans and in reviewing the work of the Authority There are effective arrangements to deal with failure in service delivery When working in partnership there is a common vision underpinning the work of the partnership that is understood and agreed by all partners. The vision is: • supported by clear and measurable objectives with targets and indicators • the driver for deciding what services will be provided by or commissioned by the partnership, the quality and the cost.	The Chief Financial Officer (CFO) ensures that timely, accurate and impartial financial advice and information is provided to assist in decision making and ensures that the Authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use. The Monitoring Officer ensures that all decisions made are legal and within the Council's policy framework. The CFO ensures that the Authority maintains a prudential financial framework, keeping commitments in balance with available resources, and monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action where necessary. The CFO ensures compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code.
Members and officers working together to achieve a common purpose with clearly defined functions and roles	Ensuring effective leadership throughout the authority by being clear about executive and non executive functions and of the roles and responsibilities of the scrutiny function Ensuring that a constructive working relationship exists between elected Members and officers and that the responsibilities of Members and officers are carried out to a high standard. Ensuring relationships between the authority, its Partners and the public are	The Council has set out a clear statement of the respective roles and responsibilities of the Executive and of the Executive's members individually and the Authority's approach towards putting this into practice There is a clear statement of the respective roles and responsibilities of other Members, Members generally and of senior officers The Council has developed protocols to ensure effective communication between Members and officers in their respective roles Established protocols ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained There are clear terms and conditions for remuneration of Members and officers and an effective structure for managing the process including an effective remuneration panel The Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	It is important that Members and Officers work together to promote the corporate health of the Council. The CFO and the Monitoring Officer play key roles in this. The CFO reports directly to the Chief Executive and is a member of the Leadership Team (Management Board) with a status at least equivalent to other members. The Authority's governance arrangements allow the CFO and Monitoring Officer direct access to the Chief Executive and to other members of the Senior Leadership Team as required. Both the CFO and Monitoring Officer

Core Principle	Supporting Principles	Specific Actions	Role of Statutory Officer
	clear so that each know what to expect of the other.	When working in partnership the Council has adopted a Partnership Code of Practice ensuring: • that there is clarity about the legal status of the partnership • that the roles and responsibilities of the partners are agreed so that there is effective leadership and accountability • that representatives or organisations make clear to all other partners the extent of their authority to bind their organisation to partner decisions Effective mechanisms exist to monitor service delivery, e.g. Star Chambers A scheme of delegated and reserved powers exists within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the Authority taking account of relevant legislation; this is monitored and updated when required Effective management arrangements are in place at the top of the organisation The Chief Executive is responsible and accountable to the Authority for all aspects of operational management The Chief Financial Officer/Assistant Director of Resources (Finance and Efficiency) is responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control The Monitoring Officer operates in accordance with a Council approved protocol to discharge statutory requirements to ensure that no proposal or decision of the Council has or will give rise to any illegality, maladministration, or breach of any code.	are professionally qualified, and the CFO complies with the CIPFA Statement on the Role of the CFO in Local Government. The roles of the CFO and Monitoring Officer are outlined in the Council Constitution and is understood throughout the organisation. The CFO leads the promotion and delivery of good financial management throughout the organisation, and ensures that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The CFO (through the Medium Term Financial Strategy) ensures that budget calculations are robust and reserves adequate (risk assessed) in line with CIPFA guidance. The CFO ensures that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls apply consistently to all activities, including Partnerships, Group activity, or where the Authority is acting in an enabling role. The CFO has established a medium term business and financial planning process to deliver strategic objectives, this includes; • A medium term financial strategy, ensuring sustainable finances • A robust annual budget process that ensures financial balance • A comprehensive monitoring and reporting process These processes are subject to regular review.

Core Principle	Supporting Principles	Specific Actions	Role of Statutory Officer
Promoting the values of the authority and demonstrating the values of good governance through behaviour	Ensuring council Members and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance Ensuring that organisational values are put into practice and are effective.	The Council has developed, and maintains shared values including leadership values both for the organisation and its staff reflecting public expectations about the conduct and behaviour of individuals and groups within and associated with the Authority The Authority's shared values act as a guide for decision making and as a basis for developing positive and trusting relationships within the Authority Established Codes of Conduct define expected standards of personal behaviour An effective Standards Committee acts as the main means to raise awareness and takes the lead in ensuring high standards of conduct are firmly embedded within the local culture Arrangements are in place to ensure that Members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders; appropriate processes ensure that they continue to operate in practice Procedures and operations are designed in conformity with appropriate ethical standards, and continuing compliance is monitored. Staff and Member awareness of ethical standards has been raised by the availability of an on-line e-learning package. When pursuing the vision of a partnership, values are agreed, against which decision making and actions can be judged. Such values are 'alive' and demonstrated by partners' behaviour both individually and collectively.	The CFO ensures that systems and processes for financial administration, financial control and the protection of the Authority's resources and assets conform to appropriate professional and ethical standards, and are subject to regular review. The work of the Monitoring Officer and the Standards Committee is fundamental in defining and achieving high standards. The Monitoring Officer will maintain the Constitution and Codes of Conduct and ensure that these are widely available for consultation by the public, members, and employees.
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	Exercising leadership by being rigorous and transparent about how decisions are taken and listening to and acting upon the outcome of constructive scrutiny Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs Making sure that an effective risk management system is in place Recognising the limits of lawful action and observing both the specific requirements of legislation	The Council has an effective scrutiny function which encourages constructive challenge and enhances the Authority's performance overall There are effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based Arrangements are in place so that conflicts of interest on behalf of Members and officers are avoided and processes ensure that they continue to operate in practice Arrangements are in place for whistle blowing, to which all staff and all those contracting the Authority have access Effective transparent and accessible arrangements are in place for dealing with complaints An effective Audit Committee is in place, which is independent of the Executive and the scrutiny function An effective Standards Committee lies at the heart of decision making and raises awareness on standards issues A Governance Panel oversees the Council's ethical framework, and monitors compliance on a quarterly basis	The CFO and Monitoring Officer will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity, and budget and policy framework issues to all Councillors. All reports to Cabinet and Council are subject to review by the CFO and Monitoring Officer. The Monitoring Officer is responsible for the preparation, publication, and retention of records of decisions taken by or on behalf of the Council and cabinet. The CFO ensures that an adequate and effective internal audit function operates in the Council, and this is appropriately resourced by qualified and suitably experienced staff.

Core Principle	Supporting Principles	Specific Actions	Role of Statutory Officer
	and the general responsibilities placed on local authorities by public law, but also accepting responsibility to use their legal powers to the full benefit of the citizens and communities in their area.	Those making decisions are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications Effective arrangements are in place for determining the remuneration of senior staff Effective arrangements are in place to record declarations of interest and offers of gifts & hospitality Professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications Risk management is integral to the core functional activities and culture of the Authority, with Members and managers at all levels recognising that risk management is part of their job Limits of lawful activity are recognised by the ultra vires doctrine and managers strive to utilise their powers to the full benefit of the community Specific legislative requirements are observed, as well as the requirements of general law, and in particular the key principles of administrative law – rationality, legality and natural justice form part of procedures and decision making When working in partnership, protocols exist for working together which include a shared understanding of respective roles and responsibilities of each organisation When working in partnership, there are robust procedures for scrutinising decisions and behaviour and ensuring they are compliant with any Local Authority rules/codes or comply with any rules/codes developed for the purpose of the partnership When working in partnership, partnership papers are easily accessible and meetings are held in public unless there are good reasons for confidentiality. The partners ensure that: • the partnership receives good quality advice and support and information about the views of citizens and stakeholders, so that robust and well reasoned decisions are made • risk is managed at a corporate and operational level.	The Authority's governance arrangements offer both the CFO and Head of Internal Audit direct and unrestricted access to the Audit Committee and the Council's External Auditors. The CFO ensures the provision of clear, well presented, timely, complete and accurate information and reports to budget managers, senior officers, and elected members on the budgetary and financial performance of the Authority. The Authority's governance arrangements ensure that the CFO and Monitoring Officer have the opportunity to advise on / influence all material decisions. The CFO regularly advises on the adequacy of reserves and balances in the light of perceived risks, and best practice guidance. The CFO ensures that the Authority's arrangements for financial and internal control and for managing risk are outlined and reported in this statement. The CFO ensures that the Authority puts in place effective internal financial controls covering budgetary issues, supervision, management review, monitoring, physical safeguarding of assets, segregation of duties, accounting procedures, information systems, authorisation and approval processes.
Developing the capacity and capability of Members to be effective and ensuring that officers – including the statutory officers – also	Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	The Authority assesses the skills required by Members and officers and makes a commitment to develop these to enable roles to be carried out effectively The Authority ensures that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority	The CFO and Monitoring Officer have the necessary skills, knowledge, experience and resources to perform effectively in all aspects of their role.

Core Principle	Supporting Principles	Specific Actions	Role of Statutory Officer
have the capability and capacity to deliver effectively	Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group Encouraging new talent for membership of the authority so that best use can be made of resources in balancing continuity and renewal.	Induction programmes are tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis Skills are developed on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed Arrangements are in place for reviewing the performance of the Executive as a whole and of individual Members and agreeing an action plan which might for example aim to address any training or development needs Arrangements are in place to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority Career structures for Members and officers encourage participation and development When working in partnership, partners individually and the partnership collectively share responsibility for appointing people to the partnership who have the required skills and are at an appropriate level. Partnerships; • identify the capacity and capability requirements of the partnership • conduct an audit of the availability of the capacity and capability of the partnership and partners • develop effective plans for addressing any gaps.	The management responsibilities of the CFO are such that financial duties are not compromised; e.g. appropriate segregation of duties. The CFO and Monitoring Officer ensures that their functions are adequately resourced with the necessary staff, expertise and systems necessary to discharge their roles effectively. The role of elected Members in monitoring financial and operational performance is clearly outlined and they have the required access to financial advice. Members have annual personal development plans and are offered training and development opportunities in line with these on an ongoing basis to allow them to keep up to date with financial matters and ensure they can discharge their responsibilities effectively.
Engaging with local people and other stakeholders to ensure robust local public accountability	Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery Making best use of resources by taking an active and planned approach.	It is clear to all staff and the community, to whom they are accountable and for what Staff consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required Clear channels of communication exist with all sections of the community and other stakeholders and monitoring arrangements are in place to ensure that they operate effectively Arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and there are explicit processes for dealing with these competing demands There is a clear policy on the types of issues for consultation and service users including a feedback mechanism for those consulted A performance plan is published annually giving information on the Authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period	

Core Principle	Supporting Principles	Specific Actions	Role of Statutory Officer
		Effective systems are in place to protect the rights of staff. Policies for whistle blowing which are accessible to staff and those contracting with the authority, and arrangements for the support of whistle blowers, are in place There are clear policies on how staff and their representatives are consulted and involved in decision making An annual report is produced on scrutiny function activity The Authority as a whole is open and accessible to the community, service users and its staff and has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so When working in partnership, engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups are used where appropriate. In the work cycle of the partnership it is clear what has happened to any feedback and what has changed as a result.	

4. RISK MANAGEMENT

The Council has adopted a corporate risk management policy, and operates a fully integrated risk management system covering the core functionality of the organisation. A web-based risk management toolkit is available to all levels of staff, enabling the production of risk registers at various levels throughout the organisation which are reviewed continually, and reported on a quarterly basis.

Significant business risks that may impact upon the Council and its key partnership priorities (Team Bury) have been identified and appropriate control measures are in place.

The most significant risks facing the Council continue to be in respect of reduced funding and the resulting level of savings required.

The Council approved savings totalling £17.3 million under the Plan for Change for 2013/14 and 2014/15; this followed extensive consultation with residents, service users and other stakeholders.

Funding pressures remain for 2014/15, and the position beyond this date will not be clear until the Comprehensive Spending Review is published (late June 2013).

A summary of the key risks the Council faced during 2012/13 is outlined in the table overleaf; these will continue to be monitored on an ongoing basis, and reported to Members quarterly.

Ref	*"Risk that…."*	Impact	Likelihood	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status
1	The potential liability facing the Council in respect of Equal Pay significantly weakens the Council's financial position	2	1	4	2	2	2
2	There is no robust financial strategy or change management strategy to address effectively the significant funding reductions that the Council faces over the next 3 years and beyond in order to ensure there is a sustainable and balanced budget	3	2	6	6	6	6
3	The budget strategy fails to address the Council's priorities and emerging issues, e.g. demographic and legislative changes.	3	2	6	6	6	6
4	The budget strategy does not reflect, or respond to, national policy developments, e.g. Local Government Finance Review / potential changes to the Business Rates regime.	4	3	9	12	12	12
5	The Council's Workforce Development Plan does not ensure appropriately qualified / experienced staff are in the "right place at the right time". Particularly relevant in a time when large numbers of staff are leaving the authority as a result of VER exer	2	1	4	4	4	2
6	The Council's asset base is not operated to its maximum effect to deliver efficiency savings and ensure priorities are fulfilled. Ineffective use of assets presents both a financial and a performance risk.	2	3	6	6	6	6
7	The Council needs to be prepared for the impact of the Localism Act; this presents both opportunities, e.g. power of competency, and risks e.g. referenda	2	1	6	3	3	2
8	The amount of money received from the NHS to manage public health is insufficient to meet the performance outcomes expected by Government	3	3	9	9	9	9
9	The Council fails to manage the expectations of residents and service users in light of funding reductions.	3	1	6	6	6	3
10	Transferring and movement of asylum seekers to the new provider Serco.	1	1	9	9	1	Risk Removed
11	The Government's proposed changes to Council Tax Benefit impact adversely upon the Public / Vulnerable People. Also budgetary risk to the Council in the event of claimant numbers rise.	3	3	New Risk	9	9	9
12	Changes resulting from the wider Welfare reform agenda impact adversly upon the public / vulnerable people.	3	3	New Risk	New Risk	9	9
13	That the scale and pace of Public Sector reform impacts adversely upon key Council Services, compounded by the loss of capacity following staff leaving the Council (420+ since 2010)	4	2	New Risk	New Risk	8	8

5. REVIEW OF EFFECTIVENESS

The Council is required to conduct a continuous review of the effectiveness its governance framework including the system of internal control.

This is achieved through the following;

- Quarterly meeting of "Governance Panel" comprising; Executive Director of Resources, Monitoring Officer, Assistant Director of Resources (Finance & Efficiency) and Head of Internal Audit.

- Continuous review of governance arrangements, and a quarterly update of the Governance Statement – reported to and approved by the Audit Committee.

- The Council has adopted a Planning and Performance Framework and carries out a programme of monitoring which runs throughout its annual cycle. This includes: monthly scrutiny of all budgets; bi-annual monitoring of Service Plans; quarterly monitoring of Best Value Performance Indicators (BVPIs); and bi-annual monitoring of the Bury Plan. Internal Audit reviews the effectiveness of the data collection processes that underpin the internal and external reporting of BVPIs. Each summer the lead Members and officers hold a Strategic Forward Planning Event, in order to review performance and re-define corporate objectives, priorities and ambitions.

- The Cabinet carries out functions which are not the responsibility of any other part of the Authority. Several members of the Cabinet are assigned portfolio areas, and are assisted by non Executive Members as necessary. This allows the Cabinet to monitor the activities of the authority. Cabinet Members each have a specific Role Description setting out the responsibilities of their portfolio.

- There is a well established Overview and Scrutiny function which has been revised and updated in the light of experience. Scrutiny reviews the work of the Council throughout the year and also report annually to Council.

- The Council has introduced a corporate system to receive and reference incoming complaints, allowing the response to be tracked, and progress to be reported to senior management.

- The Council has a database to record and track Freedom of Information requests, and reviews ensuring compliance with statutory deadlines.

- Similarly, a database operates to hold service business continuity plans, and map links / dependencies between services.

- The Executive Directors have each reviewed the operation of key controls throughout the Council, from the perspective of their own departments, using a detailed checklist. They have provided a signed assurance statement and identified any weaknesses or reservations for inclusion in an improvement programme.

- The Monitoring Officer carries out a continuous review of all legal and ethical matters, receiving copies of all agendas, minutes, reports and associated papers, commenting when necessary, or taking appropriate action, should it be required. The Monitoring Officer is also responsible for monitoring the Local Code of Corporate Governance.

- The Assistant Director of Resources (Finance and Efficiency) (s151 officer) prepares quarterly Risk Management reports reviewing activities and progress, and has reviewed the Local Code of Corporate Governance.

- The Standards Committee is responsible for standards and probity, and receives regular reports from the Monitoring Officer.

- The Audit Committee carries out an overview of the activities of the Council's internal and external audit functions. Members are provided with copies of all reports produced by Internal Audit and by the Council's external auditors (KPMG). They approve the annual plans for each, and receive regular progress reports throughout the year. The Head of Internal Audit submits to them an Annual Report and Opinion, and the external auditor submits an Audit and Inspection Annual Letter.

- The Internal Audit service is a directly employed in-house service, providing a continuous review in accordance with the Council's obligations under the Local Government Act 1972, and the Accounts and Audit Regulations (England) 2011. It operates under the APB (Auditing Practices Board) Guidelines and CIPFA Code of Practice for Internal Audit in Local Government, as approved by the Audit Committee.

- The Internal Audit Section is assessed every year against the "CIPFA Code of Practice for Internal Audit in Local Government (2006)". Compliance has increased annually and is now steady at 98% compliant.

- The Council's external auditors (KPMG) review the activities of the Council and approve the annual accounts. Conclusions and significant issues arising are reported in their Report to those charged with governance.

- The Audit Committee has been advised on the outcome of the review of the effectiveness of the system of internal control, and an action plan to address weaknesses and ensure continuous improvement of the system is in place.

6. EFFICIENCY / VALUE FOR MONEY

The Council prides itself on delivering quality services at an affordable price, and is recognised as being efficient.

The Audit Commission has published profiles comparing the cost per head of population of services in Bury with those of other Metropolitan Councils; these assist us in determining that the Council is offering Value for Money.

The Council is keen to build upon this, and deliver further efficiencies where possible; a programme of Service Reviews is in place addressing all key service areas.

Overview

This is an overview of the authority's spend on its services expressed per head of total population (or subsections of the population for adult social care and children's services). Most of the expenditure data come from the latest Revenue Outturn return however spending on children's services and the planned net current expenditure come from different sources and are for different time periods.
Each indicator links to another set of related indicators. You can view an indicator in detail by clicking on the icon next to the indicator name.

Indicator	Period	Value	% change	DoT	Rank	Average
Total net spend per head	2011/12	£1,835.69 per head	-4%		In the lowest 25%	£2,020.70 per head
Spend on adult social care per adult	2011/12	£460.97 per head 18+	1%		In the highest third	£437.93 per head 18+
Spend on council tax benefits and housing benefits administration per head	2011/12	£13.08 per head	-5%		In the lowest 25%	£16.73 per head
Planned spend on children's services per young person aged 0 to 17	2012/13	£832.76 per head 0-17	1%		In the lowest 10%	£1,158.68 per head 0-17
Spend on culture and sport per head	2011/12	£67.34 per head	-13%		In the lowest 20%	£91.73 per head
Spend on environmental services per head	2011/12	£40.31 per head	0%		In the lowest 25%	£65.24 per head
Spend on housing services per head	2011/12	£17.75 per head	2%		In the lowest 20%	£40.13 per head
Spend on sustainable economy per head	2011/12	£90.69 per head	-9%		In the lowest 20%	£120.52 per head

Planned net current expenditure per head of population	2012/13	£1,816.54 per head	-1%		In the lowest 25%	£1,991.31 per head

In their ISA260 statement (August 2012), the Council's External Auditors (KPMG) concluded that;

"We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources."

7. SICKNESS MONITORING

7.1 The Audit Committee has shown considerable interest in sickness absence, requesting absence data during 2012/13.

7.2 The following tables show the sickness absence figures per head (FTE) for the Council and the individual four Directorates over the last four years and the corresponding percentage change over that period.

Division	**2009/10 Full Year**	**2010/11 Full Year**	**2011/12 Full Year**	**2012/13 Full Year**	**Percentage change**
Adult Care Services	17.7	18.5	16.8	15.1	-14.7%
Chief Executives	9.7	5.9	6.6	6.3	-35.1%
Children's Services	8.6	8.5	8.2	8.3	-3.5%
Env & Dev Services	12.7	10.5	8.6	9.6	-24.4%
Total FTE days lost	**11.1**	**10.2**	**9.4**	**9.4**	**-15.3%**

7.3 The conclusions that we can draw from the table is that, while overall, the council's sickness absence rate has fallen by 15% over the last four years, the rate has not changed when compared to last year.

7.4 To put some context to the figures in terms of the size of the departments – last year Children's Services employed 2,960 FTE (57% of Council staff), with EDS employing 1,120 FTE (22%), ACS 734 FTE (14%) and Chief Execs the remaining 355 FTE (7%). Full Time Equivalent staff numbers fell over the last five years from 5,570 FTE to 5,169 FTE a reduction of 7.2%.

7.5 Going forward, sickness absence figures will continue to be reported to the Audit Committee in future quarterly updates.

8. GROUP ACTIVITIES

The Council has "Group" relationships with three organisations as follows;

- AskBury joint venture company
- Bury MBC Townside Fields Limited
- Six Town Housing

From an internal control / governance perspective;

- All transactions relating to these organisations utilise the Council's corporate systems and are safeguarded by the controls therein.
- All transactions are open to examination by the Council's own Internal Audit team.
- There are regular "Joint Venture Board" meetings involving elected members and senior officers from Ask Developments and the Council.
- Guidance is sought from External Auditors on significant issues, e.g. Knowsley Place development.
- All decisions are subject to the Council's reporting / approval requirements.
- There are regular performance / financial monitoring meetings between senior officers of Six Town Housing and the Council.

9. SIGNIFICANT GOVERNANCE ISSUES

The Effectiveness statement set out in section 5 above demonstrates that the Control Environment described in section 3 is operating effectively. Further evidence to support this conclusion comes from:

Work of Internal Audit

The Internal Audit Section is managed by the Head of Internal Audit (HIA). In discharging this role, the HIA seeks to comply with the five principles of CIPFA's guidance on the Role of the HIA as follows;

<table>
<tr><td rowspan="2">The Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by;</td><td>Championing best practice in governance and management, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.</td></tr>
<tr><td>Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.</td></tr>
<tr><td rowspan="3">To perform this role the Head of Internal Audit;</td><td>Must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee.</td></tr>
<tr><td>Must lead and direct an internal audit service that is resourced to be fit for purpose.</td></tr>
<tr><td>Must be professionally qualified and suitably experienced.</td></tr>
</table>

The Internal Audit section reviews the core functional activities of the Council in accordance with professional standards and in line with a risk based plan. During 2012/13, 68 Internal Audit reports were produced resulting in 300 recommendations (97% accepted).

Internal Audit recommendations are ranked according to risk – there were no recommendations made during 2012/13 that were viewed as high risk.

During 2010/11, the Financial Management Standard in Schools (FMSIS) methodology was cancelled nationally. A replacement scheme, the Schools Financial Value Standard (SFVS) began fully operating in 2012/13 and all Bury's schools that were required to undertake the assessment did so successfully. Locally, this will be viewed as a minimum standard, and the Internal Audit section will undertake whatever work it deems necessary based upon its own risk assessments.

The Annual Report and Opinion by the Head of Internal Audit states;

"The effectiveness and security of local authority systems and controls are underpinned by the overall control framework. At Bury this is considered to be sound".

View of External Audit

The Auditors' ISA 260 report (August 2012) concluded that;

"The Annual Governance Statement is not misleading or inconsistent with other information we are aware of from our audit of the financial statements".

The Auditors confirmed that nine of the ten recommendations from the previous year had been satisfactorily implemented. However, one recommendation does remain outstanding;

Issue	Priority
A weekly reconciliation between NNDR and the Valuation Office rateable value listing.	Medium

10. LOOKING AHEAD - 2013/14

Looking forward to 2013/14, the Council is proactively responding to a number of challenges;

- The Council has achieved a balanced budget for 2012/13; actually returning a slight underspend.
- In February 2013, the Council agreed a budget for 2013/14 and 2014/15 under the "Plan for Change" and in compliance with its "Golden Rules". It is now essential that the budget is monitored closely during 2013/14 to ensure that departmental savings plans are being achieved, and also that appropriate preparations are made to achieve the 2014/15 savings; whilst being mindful of potential further savings requirements.

- The position beyond 2014/15 is unclear, pending publication of the Comprehensive Spending Review (late June).

- Economic conditions continue to have an adverse impact on income levels in Departments, notably Resources (Property) and the Department of Communities and Neighbouhoods (formerly Environment and Development Services). This risk has been recognised in the 2013/14 budget, with a total of £750,000 being allocated to address these pressures. The risk is also recognised in the assessment of the minimum level of balances, and will continue to be closely monitored throughout 2013/14.

- Budgets in respect of Children's Social Care remain under pressure in the light of the increased emphasis on child protection nationally. Likewise, pressures remain in Adult Care Services in respect of an increasing elderly population and Learning Disability care packages. Controls are in place to ensure appropriate care packages are provided, and improved procurement activity ensures these are obtained at competitive rates. This situation will continue to be closely monitored during 2013/14.

- The Council faced two significant changes to the structure of Local Government Finance with effect from April 2013; the localisation of Council Tax Benefit, and changes to the system for Business Rates. These challenges have been addressed in setting the 2013/14 budget and monitoring / reporting arrangements are in place to track progress through the year.

- Significant numbers of staff continue to leave the Council under the Voluntary Early Retirement (VER) scheme where a business case can be proven. It is essential that standards of governance and internal control are maintained going forward. This will be a key focus for the work of Internal Audit in 2013/14.

- The Council continues to work closely with Six Town Housing, and a joint Housing Strategic Priorities Board now oversees priorities, and ensures that effective governance arrangements are in place. In addition, regular finance meetings continue to take place between finance staff from Six Town Housing and the Council's s151 Officer.

- Significant work has taken place during 2012/13 to prepare for the transfer of the Public Health function from NHS Bury to the Council with effect from April 2013. Funding levels have now been confirmed, and contracts will be closely monitored / controlled over the year ahead to ensure that activity remains within budget.

This statement, and progress on the actions set out above is reviewed and monitored by the Strategic Leadership Team and the Audit Committee on a regular basis.

Signed:

Mike Kelly   M Connolly

Chief Executive   Council Leader
June 2013   June 2013

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KPMG

cutting through complexity™

Report to those charged with governance (ISA 260) 2012/13

Bury Metropolitan Borough Council

5 August 2013

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees, the appointed engagement lead to the Authority, who will try to resolve your complaint. Trevor is also the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

Section one

Introduction

This report summarises:

- **the key issues identified during our audit of Bury Metropolitan Borough Council's ('the Authority's) financial statements for the year ended 31 March 2013; and**
- **our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.**

We do not repeat matters we have previously communicated to you.

Financial statements

Our audit of the financial statements can be split into four phases:

Planning → Control Evaluation → Substantive Procedures → Completion

This report focuses on the final two stages: substantive procedures and completion. It also includes any findings in respect of our control evaluation that we identified during our interim audit.

Our final accounts visit on site took place between 8 July and 1 August 2013 . During this period, we carried out the following work:

Substantive Procedures

- Planning and performing substantive audit procedures.
- Concluding on critical accounting matters.
- Identifying audit adjustments.
- Reviewing the Annual Governance Statement.

We are now in the final phase of the audit. Some aspects are also discharged through this report:

Completion

- Declaring our independence and objectivity.
- Obtaining management representations.
- Reporting matters of governance interest.
- Forming our audit opinion.

VFM conclusion

We have also now completed our work in respect of the 2012/13 VFM conclusion. This included:

- Identifying any significant risks following the completion of our risk assessment review. In carrying out this exercise we consider the Authorities financial resilience and arrangements for securing VFM; and
- Detailed review of the Medium Term Financial Plan and 'Plan for Change' for the period 2012/13 – 2014/15 and discussions with officers to determine whether the Authority has appropriate policies and procedures in place for achieving the required savings and efficiencies.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2012/13 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

Our recommendation is included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Appendix 2.

A list of the audit adjustments identified is included at Appendix 3.

Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate completing our audit by 31 August 2013 and issuing an unqualified opinion shortly after on the financial statements. We will also report that the wording of your Annual Governance Statement accords with our understanding of the Authority and its governance arrangements.
Audit adjustments	We have identified two audit adjustments which have been corrected by management. These adjustments relate to the classification of balance sheet information in the detailed notes and therefore have no impact on the net worth of the Authority: ▪ £1.3million relating to a pensions payment made in April 2013 had been incorrectly credited to the cash balance rather than recognised as a creditor at year end; and ▪ £2.5million presentation adjustment to the fixed asset note. All downwards revaluations were shown as being recognised in the revaluation reserve but have actually been split between the proportion recognised in the revaluation reserve and through the surplus on the provision of services. This is a presentational adjustment only, the correct accounting treatment has been applied to the comprehensive income and expenditure statement. We have included a full list of significant audit adjustments at Appendix 3. We also identified a number of presentational issues respect of exit packages, senior post holders' emoluments disclosed within the higher earners bandings and financial instruments disclosures. We have raised one recommendation as a result of our year end audit work. This is detailed in Appendix 1.
Critical accounting matters	We have worked with officers throughout the year to discuss specific risks raised in our External Audit Plan 2012/13. The Authority has addressed these issues appropriately. Further details on the findings in respect of each of these critical accounting matters can be seen in section 3.
Accounts production and audit process	As in previous years management has provided high quality accounts and supporting working papers. Officers dealt efficiently with our audit queries and the audit has been completed within the planned timescales. We have noted a particular improvement in respect of fixed assets, which meant we were able to carry out efficient testing and complete this area earlier than in previous years. The Authority has fully implemented the recommendation in our *ISA 260 Report 2011/12.*

Section two

Headlines (continued)

This table summarises the headline messages. The remainder of this report provides further details on each area.

Completion	At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas: ■ Post balance sheet events review; ■ Confirmation from Baker Tilly regarding completion of the Six Town Housing audit; ■ Final review of all financial statements; and ■ Completion and review of the audit work performed over the whole of government accounts pack. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Based on our risk assessment and work performed over VFM we are satisfied that the Authority has appropriate savings plans (for example the 'plan for change' which is the Authority's medium term financial plan) in place to deliver VFM and ensure the financial resilience of the Authority. We are also satisfied that the management have appropriate processes and governance arrangements to deliver this plan, this has been evidenced in part due to the delivery of the saving identified for 2012/13. We therefore anticipate issuing an unqualified VFM conclusion by 31 August 2013.

Proposed opinion and audit differences

Our audit has identified three audit adjustments. These are presentational and have no impact on the net worth of the Authority.

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate completing our audit by 31 August 2013 and issuing an unqualified opinion shortly after on the financial statements.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any significant misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Our audit identified twosignificant audit differences, which we have set out in Appendix 3. This has been adjusted in the revised version of the financial statements. There are no uncorrected audit differences.

We identified one audit adjustment in relation to cash and creditors balances being understated. This relates to a payment that was made on 2 April 2013 and which was accounted for as an unpresented cash item rather than a creditor.

The second audit adjustment that was identified as a result of the audit work performed relates to a presentational change to the fixed asset note. £2.5 million of downwards revaluations were shown as being recognised against the revaluation reserve rather through the surplus on provision of services. This was audited for correctly in the comprehensive income and expenditure statement rather there is no impact on the general fund balance at 31 March 2013.

There is no net impact on the balance sheet as at 31 March 2013, as these is simply a presentation changes to increase current asset and current liabilities and to correct the fixed asset note.

Movements on the General Fund 2012/13

£m	Pre-audit	Post-audit	Ref (App.3)
Surplus on the provision of services	8,005	8,005	-
Adjustments between accounting basis & funding basis under Regulations	(5,556)	(5,556)	-
Transfers to earmarked reserves	(3,566)	(3,566)	-
Decrease in General Fund	**(1,117)**	**(1,117)**	

Balance Sheet as at 31 March 2013

£m	Pre-audit	Post-audit	Ref (App.3)
Property, plant and equipment	678,210	678,210	2
Other long term assets	53,612	53,612	-
Current assets	59,013	60,338	1
Current liabilities	(47,857)	(49,182)	1
Long term liabilities	(454,613)	(454,613)	-
Net worth	**288,365**	**288,365**	
General Fund	(3,692)	(3,692)	-
Other reserves	(284,673)	(284,673)	-
Total reserves	**(288,365)**	**(288,365)**	

Proposed opinion and audit differences (continued)

The wording of your Annual Governance Statement accords with our understanding of the Authority and satisfied the requirements of the relevant guidance.

Presentational differences

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2011/12 ('the Code')*. This include amendments to the exit packages, senior post holders emoluments and financial instruments notes. We understand that the Authority will be addressing these as appropriate.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE in June 2007; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Critical audit matters

We have worked with Officers throughout the year to discuss key audit matters. The Authority addressed the issues appropriately.

In our External Audit Plan 2012/13, presented to you in February, we identified one key matter affecting the Authority's 2012/13 financial statements and VFM conclusion.

We have now completed our testing of this areas and set our final evaluation following our substantive work. The table below sets out detailed findings for each risk.

Key audit risk	Issue	Findings
Savings Plans	**Risk** As at December 2012, the Authority is forecasting that it will deliver its 2012/13 budget in overall terms. This includes a savings programme totalling £8 million which the Authority is on track to deliver as at the end of quarter three. Following the settlement announcement in December 2013, the Authority currently estimates that another £10 million in savings will need to be achieved during 2013/14 to address the further reductions to local authority funding. The proposals for these savings and for a further £7 million savings in 2014/15 are currently going through the consultation process. These savings are to be made against a backdrop of continued demand pressures across the Authority, and particularly in relation to Adult Social Care and Children's Services, and therefore it will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability. If there are any related liabilities at year end, these will need to be accounted for in the 2012/13 financial statements as appropriate	The Authority achieved an underspend against budget of £93,000 for the year ended 31 March 2013. In doing so they delivered the full £8 million savings identified in year one of the 'plan for change'. The 'plan for change' for 2013/14 and 2014/15 have been subject to full consultation and have now been approved by Members. The plan clearly sets out the actions required to generate the savings as discussed (a further £10 million and £7 million respectively). We have considered the future savings plans in relation to our work over going concern (financial statements audit) and financial resilience (VFM conclusion) and are satisfied that management have taken appropriate measures in developing the plan to ensure the savings are realistic and achievable. Based on the financial performance in 2012/13 management have also evidenced that they can deliver the proposed savings.

Accounts production and audit process

Management have continued to prepare high quality accounts and supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented the recommendation raised in our *ISA 260 Report 2011/12* relating to the component accounting.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has good financial reporting processes in place and this has helped to ensure a smooth audit process for the year ended 31 March 2013. We consider that accounting practices are appropriate and have been applied consistently.
Completeness of draft accounts	We received a complete set of draft accounts well in advance of the audit commencing on 9 July 2013.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued in March 2013 and discussed with the Head of Financial Management, set out our working paper requirements for the audit. The quality of working papers provided was good and met the standards specified in our *Accounts Audit Protocol*.
Response to audit queries	Officers resolved the majority of audit queries in a reasonable time.
Group audit	To gain assurance over the Authority's group accounts, we seek to place reliance on work completed by Baker Tilly on the financial statements of *Six Town Housing*. At the date of completing this report we are still awaiting a reply from Baker Tilly relating to our request for information to enable us to gain the assurance we require. There are no specific matters to report pertaining to the group audit.

Prior year recommendations

In our *ISA 260 Report 2011/12* we identified an audit recommendation in relation to component accounting. The Authority has now implemented this recommendation.

Appendix 2 provides further details.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Bury Metropolitan Borough Council for the year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and Bury Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Responsible Finance Officer, a draft of which is reproduced in Appendix 5. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2012/13 financial statements.

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

We have completed our risk assessment and identified no key VFM risks in relation to financial resilience or securing economy, efficiency and effectiveness..

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
1 ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2 ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	3 ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	3	***Heritage Assets*** The majority of the Authority's heritage assets are paintings owned by Bury MBC. These have been valued in 2012/13 financial statements based on a valuation carried out in 2000 (and updated for inflation to 2008) for insurance purposes. There has been no change in value since this date. The SORP states that valuations should be performed at 'sufficient regularity' therefore we recommend that management revalues these assets for future accounting periods.	**Management Response** Agreed. Arrangements will be put in place to identify the current cost of revaluating the Council's heritage assets in 2013/14 with a view to revaluing for insurance purposes. **Responsible Officer** Assistant Director of Resources (Finance & Efficiency) **Due Date** 31 December 2013

Appendix 2: Follow up of prior year recommendations

The Authority has implemented the recommendation in our *ISA 260 Report 2011/12.*

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2011/12.*

No.	Risk	Issue and recommendation	Management Response	Status
1	3	***Component accounting*** Management should continue to give consideration to component accounting and in particular whether implementation would have an material impact on HRA depreciation. A detailed calculation should be prepared to evidence that the impact is not material. This has not been documented for audit purposed for the financial year 2011/12. We will continue to liaise with management on component accounting and offer advice on the process and methodology for implementing component accounting should this become material.	**Management Response** We recognise the implications of component accounting and have developed a component accounting policy to assist with implementation which KPMG have been given a copy of. We acknowledge the requirement to undertake a detailed calculation, and this will be actioned in the current financial year. We welcome the continued liaison with KPMG to ensure this recommendation is satisfactorily addressed. **Responsible Officer** Head of Financial Management **Due Date** 31st March 2013	Management has provided a calculation as at 31 March 2013 in respect of HRA assets. This clearly shows that there is no material difference arising between depreciation calculated based on MRA and that which would be recognised where component accounting to be adopted. Recommendation fully implemented.

Appendices

Appendix 3: Audit differences

This appendix sets out the significant audit differences. We have identified two audit differences. These has been adjusted.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in the Authority's case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

No uncorrected audit differences have been identified.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Bury Metropolitan Borough Council's financial statements for the year ended 31 March 2013.

	Impact					
No.	**Income and Expenditure Statement**	**Movement in Reserves Statement**	**Assets**	**Liabilities**	**Reserves**	**Basis of audit difference**
1	-	-	Dr Cash £1.3m	-		A payment relating to 2012/13 expenditure was made on 2 April 2013. This was incorrectly accounted for as an unpresented cash item rather than a creditor being recognised. As 31 March 2013 no payment had been made and therefore the financial statements should include a creditor for full cost of this transaction £1.325 million.
	-	-		Cr Creditors £1.3m	-	
2			Dr Revaluation in revaluation reserve £2.5m			This is a presentational adjustment to the fixed asset note to reflect the accounting treatment that has been applied. In the financial statements submitted for audit the full downwards revaluation was shown as being recognised against the revaluation reserve when the majority had been accounted for through the surplus on provision of services. The total adjustment is split as non-HRA assets £1.3 million and HRA assets £1.2 million.
			Cr Revaluation in surplus on provision of services £2.5m			
	-	**-**	**Dr £1.3m**	**Cr £1.3m**	**-**	**Total impact of adjustments**

Appendix 4: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 4: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Bury Metropolitan Borough Council for the financial year ended 31 March 2013, we confirm that there were no relationships between KPMG LLP and Bury Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix 5: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

Dear Sirs

This representation letter is provided in connection with your audit of the Authority and Group financial statements of Bury Metropolitan Borough Council ("the Authority"), for the year ended 31 March 2013, for the purpose of expressing an opinion as to whether these:

i. give a true and fair view of the financial position of Bury Metropolitan Borough Council and its Group as at 31 March 2013 and of its income and expenditure for the year then ended;

iii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

These financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement[, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself.

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
   - give a true and fair view of the financial position of Bury Metropolitan Borough Council and its Group as at 31 March 2013 and of its income and expenditure for the year then ended;
   - have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

   The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom require adjustment or disclosure have been adjusted or disclosed.

4. In respect of the restatement *of Heritage Assets* made to implement a change in Accounting Policy ,the Authority confirms that the restatement is appropriate.

Information provided

6. The Authority has provided you with:
   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Authority for the purpose of the audit; and
   - unrestricted access to persons within the Authority and Group from whom you determined it necessary to obtain audit evidence.

7. All transactions have been recorded in the accounting records and are reflected in the financial statements.

Appendix 5: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

Information provided

7. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

9. The Authority has disclosed to you all information in relation to:

a) Fraud or suspected fraud that it is aware of and that affects the Authority and its Group and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the Authority and Group financial statements communicated by employees, former employees, analysts, regulators or others.

11. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements. Further, the Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

13. The Authority further confirms that:

a) all significant retirement benefits, including any arrangements that:

- are statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- are funded or unfunded; and
- are approved or unapproved,

have been identified and properly accounted for; and

b) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on *[date]*.

Yours faithfully,

[Chair of the Audit Committee] , [Chief Financial Officer] cutting through complexity™

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Agenda Item 7

REPORT FOR INFORMATION

COUNCIL

Agenda Item	

MEETING:	**AUDIT COMMITTEE**
DATE:	**22nd AUGUST 2013**
SUBJECT:	**FINANCIAL MONITORING REPORT – APRIL 2013 TO JUNE 2013**
REPORT FROM:	**ASSISTANT DIRECTOR OF RESOURCES (FINANCE AND EFFICIENCY)**
CONTACT OFFICER:	**S Kenyon**

TYPE OF DECISION:	**NON-KEY DECISION**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain

SUMMARY:

To up-date the Committee on the authority's financial position in line with the Committee's Statement of Purpose to '*provide….independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment'.*

The report shows that the authority is projecting an overspending of **£0.869m** for the year based on spending and income information as at 30th June 2013.

OPTIONS & RECOMMENDED OPTION

The Committee is asked to note the contents of the report.

IMPLICATIONS:

Corporate Aims/Policy Framework:	Do the proposals accord with Policy Framework? Yes.
Comments of s151 Officer:	Budget monitoring falls within the appropriate statutory duties and powers and is a requirement of the Council's Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring and Control) relates. The report has been

	prepared in accordance with all relevant Codes of Practice. There may be risks arising from any changes to service levels or service patterns that result from any remedial action taken to address the budget position. These will be identified by Directors when savings plans are considered by Members at the quarterly Star Chamber meetings.
Comments of Executive Director of Resources:	The successful management of the Council's financial resources is central to the Council's Financial Strategy. Successful budget monitoring provides early warning of potential major overspends or underspendings against budget of which Members need to be aware. This report draws Members attention to the fact that, based on the most prudent of forecasts, several budget hotspots exist which will need remedial action in the coming weeks and months. Members and officers will be examining these areas in more detail at the Star Chambers together with proposals for actions to be undertaken in the current year.
Equality/Diversity implications:	No
Considered by Monitoring Officer:	Budget monitoring falls within the appropriate statutory duties and powers and is a requirement of the Council's Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring and Control) relates. The report has been prepared in accordance with all relevant Codes of Practice.
Are there any legal implications?	Yes
Staffing/ICT/Property:	There may be staffing implications arising from the need to address budget pressures.
Wards Affected:	All
Scrutiny Interest:	Scrutiny Committee (Internal).

TRACKING/PROCESS **DIRECTOR: Mike Owen**

Chief Executive/ Senior Leadership Team	Cabinet	Scrutiny Committee	Council	Ward Members	Partners
5th August 2013	28th August 2013	4th September 2013			

1.0 INTRODUCTION

1.1 This report is intended to allow the Committee to keep abreast on the authority's financial position and to gauge the existence and effectiveness of corrective action that has been determined by the Cabinet and/or Scrutiny Committee.

1.2 This report summarises the forecast financial position as at the end of June 2013.

2.0 MONITORING PROCESSES

2.1 The Authority's financial position is continually monitored throughout the year as follows;

Monthly - reports are considered by service management teams and summaries made available to specific Cabinet Members. A monthly summary of the financial position is submitted to the Senior Leadership Team and to the Cabinet Member for Resource.

Quarterly – detailed corporate monitoring reports based on the position at June, September, December and March are considered by the Senior Leadership Team, the Cabinet, Star Chambers and Scrutiny Committee. These set out a risk assessed summary of the financial position, explanations of major variances from budget, an assessment of the minimum level of balances, information on the forecast balances position and an assessment of performance against the objectives of the Financial Strategy (including the Golden Rules).

2.2 Members are also advised that **monthly** Star Chamber meetings are now taking place at the request of the Leader, to deal with particular areas where financial pressures have been identified.

<u>Commitment Accounting</u>

2.3 At the August meeting of the Audit Committee, a question was asked about the composition of the forecast; ie how much had actually been spent, how much had been committed, and how much was estimated.

2.4 The Council has adopted "commitment accounting" for all purchases made through its electronic procurement system; this means that spend is "committed" at the point orders are placed.

2.5 Commitment Accounting applies to the majority of the Council's external spend. The following areas are however excluded;

- Staffing
- Transactions made using purchase cards
- Petty cash transactions
- Payments where no "order" is placed – e.g. grants

2.6 Analysis of the month 3 figures highlights;

Status	£'000	%
Spent @ 30/6/13	36,445	25
Committed @ 30/6/13	26,899	18
Forecast (1/7/13 – 31/3/14)	85,251	57
Total	**148,595**	**100**

2.7 Spend and Commitment are clearly factual, however "forecast" is based upon an assessment of a wide range of factors and risks.

2.8 In 2012, the Council implemented a new release of the Agresso financial system, this offers greatly improved functionality in respect of "budget profiling" and work is now taking place to further refine forecasting.

3.0 FINANCIAL POSITION

3.1 The authority's overall financial position based on forecasts made using income and expenditure information as at 30th June 2013 is summarised in the table in paragraph 3.3. As Members will be aware, financial reporting involves an element of judgement, and this particularly applies to the treatment of budget pressures. Often an area of overspending identified at this point in the year will resolve itself before the end of the year following appropriate budget management action.

3.2 However it is felt that it is most appropriate to alert Members to potential problems at this stage so that they can monitor the situation and take ownership of the necessary remedial action and this is the basis on which the report is written.

3.3 In summary the outturn forecast based on the position at 30th June 2013 is:

Department	Budget £'000	Forecast £'000	Variance £'000
Adult Care Services	52,745	52,841	+96
Chief Executives	4,569	5,265	+696
Childrens Services	31,888	32,334	+446
Communities / Neighbourhoods	35,545	35,906	+361
Non-Service Specific	22,979	22,249	-730
TOTAL	**147,726**	**148,595**	**+869**

3.4 The projected overspend of £0.869m represents approximately 0.59% of the total net budget of £147.726m. *(The month 3 forecast in 2012/13 was an overspend of £1.613m)*

3.5 Members are particularly reminded that the position on volatile budgets such as Learning Disability and Children's Agency placements can change dramatically depending on service user numbers and case structures. Likewise, the prevailing economic climate is impacting upon levels of income, e.g. Property Services, Planning, Car Parking.

3.6 The actual position on the General Fund balance is shown below:

	£m
General Fund Balance 1st April 2013 per Accounts	10.730
Less : Minimum balances to be retained in 2013/14 Less : Forecast overspend Less : Earmarked to Fund Equal Pay Settlements	-4.400 -0.869 -1.500
Available balances at 31st March 2014	**3.961**

3.7 Based on the information contained in this report, on the risk assessments that have been made, on the forecast outturn position for 2013/14 and using the latest available information on the likely achievement of savings options it is clear that there is no reason to take the minimum balances above the existing level of £4.4m.

3.8 Additionally, in view of the fact that the minimum level of balances figure includes a provision of £1.5m relating to a cushion for 'Unpredictable and Demand led Expenditure' then it is clear that the authority's forecast overall financial position does not present an unacceptable risk at this point.

S. Kenyon
Assistant Director of Resources (Finance & Efficiency)

Background documents:

Further information available from the Assistant Director of Resources (Finance & Efficiency)

For further information on the details of this report, please contact:

Mr S Kenyon, Assistant Director of Resources (Finance & Efficiency),
Tel. 0161 253 6922,
Email: S.Kenyon@bury.gov.uk

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REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**AUDIT COMMITTEE**
DATE:	**22ND AUGUST 2013**
SUBJECT:	**QUARTERLY GOVERNANCE STATEMENT APRIL to JUNE 2013**
REPORT FROM:	**HEAD OF INTERNAL AUDIT**
CONTACT OFFICER:	**BARRIE STROTHERS (Head of Internal Audit)**

TYPE OF DECISION:	**NON-KEY DECISION**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain.

SUMMARY:	This report presents Members with a quarterly update on the Annual Governance Statement (Approved by Audit Committee June 2013).
OPTIONS & RECOMMENDED OPTION	The Committee is asked to note the contents of the report. Members are requested to consider the revised corporate risks at Appendix A.

IMPLICATIONS:

Corporate Aims/Policy Framework:	Do the proposals accord with Policy Framework? Yes.
Financial Implications and Risk Considerations:	The Annual Governance Statement is a fundamental document for recording, monitoring and communicating the effectiveness of the internal control framework within the Council.
Statement by Assistant Director of Resources (Finance & Efficiency):	Failure to maintain an internal control / governance framework jeopardises the Council's ability to deliver economy, efficiency and effectiveness in the delivery of its priorities / ambitions.

Equality/Diversity implications:	No
Considered by Monitoring Officer:	Yes - Through the Governance Panel; the Monitoring Officer has raised no issues that require inclusion in the Quarterly Statement.
Are there any legal implications?	No
Staffing/ICT/Property:	No
Wards Affected:	All
Scrutiny Interest:	No

TRACKING/PROCESS **DIRECTOR: RESOURCES**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
Scrutiny	Cabinet	Committee	Council
		Audit 22/08/13	

1.0 Purpose of the Annual Governance Statement

1.1 The purpose of the Annual Governance Statement is to provide a continuous review of the effectiveness of an organisation's internal control and risk management systems, so as to give an assurance as to their effectiveness.

1.2 There is a mandatory requirement to produce a Governance Statement to accompany the Authority's Statement of Accounts – as presented in June 2013.

1.3 It is accepted good practice to continuously review the internal control framework, and make interim reports to those charged with governance – the Audit Committee.

1.4 The Council has adopted this practice since 2008, and refers reports to the Audit Committee on a quarterly basis.

2.0 Matters for consideration

2.1 Members are asked to:

- Note the report

3.0 Quarterly Update

3.1 Risk Management

3.1.1 Risk registers are held at both Corporate and Departmental level.

3.1.2 The registers are web-based to allow "real time" update as and when circumstances require.

3.1.3 An officer (Operational) level risk management group sits quarterly to discuss operational matters; the Group last met on 22nd May 2013.

3.1.4 Similarly, a Member level Corporate Risk Management Group sits quarterly to review registers and action plans. The group last met on 12th June 2013 and is due to meet again on 11th September 2013 to review and update the Corporate Risk Register.

3.1.5 The Risk Management Annual Report has been presented to this Committee (25th June 2013), the Cabinet (10th July 2013) and Council (11th July 2013).

3.1.6 The Corporate Risk Register for the period April to December has been updated to reflect the latest high level risks facing the organisation; see Appendix A attached.

3.2 Business Continuity

3.2.1 The Authority has ranked key services in terms of required recovery times, and business continuity plans continue to be developed.

3.2.2 A database has now been developed to host these plans, and ensure appropriate arrangements are in place where services are inter-dependant. All the 253 service plans have now been uploaded and the focus now is on improving the information held within the database.

3.3 Budget Monitoring

3.3.1 Budget monitoring is undertaken on a monthly basis, and quarterly reports are produced for Members.

3.3.2 The quarter 1 report (i.e. April to June) is a critical report as it forms the baseline for the commencement of the budget setting process.

3.3.3 As such, it is critical that forecasts are accurate; evidence based, and has been through a rigorous quality assurance process.

3.3.4 The Quarter 1 report will go to Cabinet on 28th August 2013, and will be reported in summary later in the agenda.

3.4 Work of Internal Audit

3.4.1 The Internal Audit Section operates according to a risk based Audit Plan.

3.4.2 During the period April to June 2013, the section has examined the following fundamental financial system(s);

- Payroll
- Housing Benefit
- Treasury Management
- Debtors
- NNDR (Business Rates)
- Housing Rent
- Cash and banking

3.4.3 The Internal Audit section produces reports which rank recommendations according to urgency / priority. The reports completed during the first quarter produced a total of 52 recommendations. To date, none of these recommendations have been ranked RED – which would warrant specific inclusion in the Governance Statement.

3.5 Work of Governance Panel

3.5.1 The Governance Panel has now met regularly since its inception in November 2008, and continues to be a valuable arena to exchange information / concerns regarding the Council's governance arrangements.

3.5.2 The Panel comprises:

- Director of Resources
- Director of Legal & Democratic Services (Monitoring Officer)
- Assistant Director of Resources (Finance & Efficiency) (s151 Officer)
- Head of Internal Audit (Anti-Money Laundering Officer)

3.5.3 The Panel last met on 1st May 2013; no concerns were raised which required specific reference in this update.

3.6 Gifts & Hospitality

3.6.1 A web-based system operates for members and officers to report offers of gifts and hospitality, and any interests which may conflict with their role.

3.6.2 A full update of declarations for the period ended 30th June 2013 is reported elsewhere on this agenda.

3.7 Sickness Update

3.7.1 The Audit Committee has shown considerable interest in sickness absence, requesting absence data and action plan updates from Directors.

3.7.2 The following table contains the sickness absence figures per head (Full Time Equivalent FTE) for the Council and the individual four Directorates over the last three financial years and the first quarter of 2013/14 results from this current financial year.

Directorate	**2010/11 Full Year**	**2011/12 Full Year**	**2012/13 Full year**	**2013/14 Qtr 1**
Adult Care Services	18.5	16.8	15.1	**14.0**
Chief Executive's	5.9	6.6	6.3	**7.3**
Children's Services	8.5	8.2	8.3	**8.5**
Communities & Neighbourhoods	10.5	8.6	9.6	**9.4**
Total days lost per FTE	**10.2**	**9.4**	**9.4**	**9.4**

Note – the quarterly figures are calculated on a rolling 12 month basis and do not reflect the quarter in isolation.

3.7.3 To put some context to the figures – currently, Children's Services employ 57% of all Council staff, with DCN employing 22%, ACS 14% and Chief Executive's the remaining 7%.

3.7.4 The conclusions that we can draw from the table is that over the whole Council the sickness levels have been static at 9.4 days per FTE for the last couple of years but that this is masking a real reduction in ACS of 17% during this period.

3.7.5 Going forward, sickness absence figures will continue to be reported to the Audit Committee in future quarterly updates.

4.0 Conclusion

4.1 This report provides an assurance, and presents evidence that the Council reviews its internal control / governance mechanisms on a continuous basis.

4.2 There have been no significant internal control issues during the period covered by this report.

4.3 The control environment will continue to be monitored throughout the year, and Audit Committee will continue to receive updates on a quarterly basis.

Barrie Strothers
Head of Internal Audit

Background documents:

Risk Registers

Internal Audit Reports

Gifts & Hospitality Register

Minutes of Governance Panel

For further information on the details of this report, please contact:

Mr B Strothers, Head of Internal Audit
Tel. 0161 253 5084
Email: b.e.strothers@bury.gov.uk

Corporate Risk Register – Period 1st April 2013 – 30th June 2013. **APPENDIX A**

Ref	Risk Event	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	Measures
1	The potential liability facing the Council in respect of Equal Pay significantly weakens the Council's financial position	Mike Owen / Guy Berry	2	1	2				Risk substantially addressed as most cases have now been settled. To remain on register till exercise complete.
2	There is no robust financial strategy or change management strategy to address effectively the significant funding reductions that the Council faces over the next 3 years and beyond in order to ensure there is a sustainable and balanced budget	Steve Kenyon	3	2	6				Risk mitigated as balanced budget is in place for 2013/14, and significant savings options have been identified for 2014/15. These actions are counterbalanced by uncertainty around Comprehensive Spending Review (June 2013); hence scores remain unchanged. Impact of CSR to be reported when analysed.
3	The budget strategy fails to address the Council's priorities and emerging issues, e.g. demographic and legislative changes	Mike Owen/Steve Kenyon	3	2	6				Income pressures largely addressed in 2013/14 budget. Demand pressures remain a risk and will be monitored / managed through Star Chamber process.
4	The budget strategy does not reflect, or respond to, national policy developments, e.g. Council Tax Support scheme and changes to the Business Rates regime	Mike Owen/Steve Kenyon	4	3	12				Monitoring arrangements in place – to be addressed monthly and through Star Chamber process.

Ref	Risk Event	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	Measures
5	The Council's asset base is not operated to its maximum effect to deliver efficiency savings and ensure priorities are fulfilled. Ineffective use of assets presents both a financial and a performance risk.	Mike Owen	2	3	6				Asset Management Plan now in place; office accommodation moves taking place Summer 2013.
6	The Council needs to be prepared for the impact of the Localism Act; this presents both opportunities, e.g. power of competency & community right to challenge	Jayne Hammond	2	1	2				A process for dealing with applications has been approved by Cabinet; none received to date.
7	The amount of money received from the NHS to manage public health is insufficient to meet the performance outcomes expected by Government	Pat Jones-Greenhalgh	3	2	6				Settlement now received giving greater certainty; risk remains around performance of contracts inherited from PCT.
8	The Council fails to manage the expectations of residents, service users & other stakeholders in light of funding reductions	Mike Owen	3	1	3				Widespread consultation took place re: Budget / Plan for Change. Consultation taking place in respect of individual service reviews.

Ref	Risk Event	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	Measures
11	The Government's changes to Council Tax Benefit impact adversely upon the Public / Vulnerable People. Also budgetary risk to the Council in the event of claimant numbers rise	Mike Owen	3	3	9				Impact on residents being managed through Welfare Reform Board. Budgetary impact to be assessed through monthly monitoring / Star Chamber process.
12	Changes resulting from the wider Welfare reform agenda impact adversly upon the public / vulnerable people.	Mike Owen	3	3	9				Welfare Reform Board coordinating action plan with partner organizations (e.g. Six Town, CAB)
13	That the scale and pace of Public Sector reform impacts adversely upon key Council Services, compounded by the loss of capacity following staff leaving the Council (420+ since 2010)	Mike Kelly	4	2	8				Workforce Development Plan now in place and individual service workforce plans being developed to ensure continuity / succession planning.

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REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**AUDIT COMMITTEE**
DATE:	**22nd AUGUST 2013**
SUBJECT:	**GIFTS & HOSPITALITY**
REPORT FROM:	**ASSISTANT DIRECTOR OF RESOURCES (FINANCE & EFFICIENCY)**
CONTACT OFFICER:	**S. Kenyon (Assistant Director of Resources)**

TYPE OF DECISION:	**NON-KEY DECISION**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain

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SUMMARY:

This report presents Members with an update on the system to declare, monitor & report gifts and hospitality offered to / received by staff and Members.

The report presents a summary of declarations made for the period January 2013 to June 2013.

OPTIONS & RECOMMENDED OPTION

The Committee is asked to note the contents of the report.

IMPLICATIONS:

Corporate Aims/Policy Framework:	Do the proposals accord with Policy Framework? Yes.
Statement by s151 Officer:	An effective process to record, monitor, and report offers of gifts and hospitality serves to protect both staff and the Authority against allegations of improper conduct.
Statement by Executive Director of Resources:	A robust mechanism to control offers of gifts and hospitality is a fundamental aspect of the Council's corporate governance / ethical framework

Equality/Diversity implications: No

Considered by Monitoring Officer: Yes

Are there any legal implications? No

Staffing/ICT/Property: No

Wards Affected: No

Scrutiny Interest: Scrutiny may wish to examine registers of Gifts & Hospitality received

TRACKING/PROCESS **EXECUTIVE DIRECTOR: Mike Owen**

Chief Executive/ Management Board	Executive Member/Chair	Ward Members	Partners
Scrutiny Commission	Executive	Committee	Council
		Audit 22/8/13	

1. **INTRODUCTION**

1.1 A robust mechanism to control offers of gifts and hospitality is a fundamental aspect of the Council's corporate governance / ethical framework.

1.2 The Council's Local Code of Corporate Governance reinforces this through the core principle of "Promoting the values of the authority and demonstrating the values of good governance through behaviour".

1.3 The Audit Committee approved a report outlining the "web-based" system for declarations at its meeting of 19th April 2007, and has received regular updates at subsequent meetings.

1.4 This report summarises declarations made for the period January to June 2013.

2. **PROGRESS TO DATE**

2.1 Comprehensive guidance relating to gifts and hospitality is included within the "Employee's Code of Conduct"; issued to every member of staff and available on the intranet.

2.2 Guidance on the "Corporate HR" area of the intranet has been revised to make it more readily accessible.

2.3 A "web based" mechanism for Members to record declarations has been developed jointly by Internal Audit and the Corporate HR Division, and implemented with effect from September 2007.

2.4 The system now allows officers and members to record potential "conflicts of interest", for example where a member of staff may be related to contractors working for the Council.

2.5 A separate mechanism applies for teachers; registers are maintained at school buildings, reported to Boards of Governors, and examined by Internal Audit.

2.6 Analysis of registers completed for the period reveals the following;

Department	Number of Declarations	Lowest Value (£)	Highest Value (£)	Average Value (£)
EDS	5	4	50	23
Childrens Services	1	5	5	5
Adults Services	0	0	0	0
Chief Executives	0	0	0	0
Members	0	0	0	0
Conflicts of Interest	4	n/a	n/a	n/a
Total	**10**	**4**	**50**	**20**

3. ISSUES

3.1 Whilst the use of a web based register is efficient, managers must ensure a procedure is in place for staff without access to intranet.

4. RISKS

4.1 The system only picks up declarations made by staff; clearly it is the items which are not being declared that are potentially inappropriate.

4.2 The overall internal control framework, the anti-fraud strategy, the Council's Whistleblowing Policy, and the work of Internal Audit all offer additional assurance in this respect.

5. FUTURE ACTIONS

5.1 Departmental managers are responsible for the operation of the register in their area, however compliance with the declaration process will be continually monitored by the Internal Audit Section.

6. RECOMMENDATIONS

6.1 Members are requested to;

(a) affirm their support for the importance of registering gifts and hospitality

(b) endorse the current approach for declaring offers of gifts / hospitality

(c) note the declarations made to date.

Steve Kenyon
Assistant Director of Resources (Finance & Efficiency)

Background documents:

Registers available for inspection if requested.

For further information on the details of this report, please contact:

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Agenda Item 12

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Agenda Item 13

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