AGENDA FOR

AUDIT COMMITTEE

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To: All Members of Audit Committee

Councillors : M Bailey, P Bury, E Fitzgerald (Chair), P Heneghan, Mallon, S Nuttall, N Parnell, K Rothwell, R Walker and Whitby

Dear Member/Colleague

Audit Committee

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

Date:	Tuesday, 15 July 2014
Place:	Meeting Rooms A & B, Town Hall, Knowsley Street, 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 **MINUTES OF THE LAST MEETING** *(Pages 1 - 8)*

The Minutes of the Meeting held on 3 March 2014 are attached.

2 **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.

3 **AUDITED STATEMENT OF ACCOUNTS 2013/2014**

The Statement of Accounts and associated papers will follow.

4 **ISA 260 2013-14** *(Pages 9 - 34)*

A report from KPMG, Bury's External Auditors is attached.

5 **ANNUAL GOVERNANCE STATEMENT** *(Pages 35 - 54)*

The Annual Governance Statement is attached.

6 **RISK MANAGEMENT ANNUAL REPORT 2013/2014** *(Pages 55 - 70)*

A report from Councillor Mike Connolly, Leader of the Council and Cabinet Member for Finance is attached.

7 **INTERNAL AUDIT ANNUAL REPORT** *(Pages 71 - 104)*

A report from the Head of Financial Management is attached.

8 **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.

9 **REPORT ON THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2013/2014** *(Pages 105 - 116)*

A report from the Head of Financial Management is attached.

Minutes of: **AUDIT COMMITTEE**

Date of Meeting: 3 March 2014

Present: Councillor E Fitzgerald (in the Chair)
Councillors M Bailey, P Bury, M Hankey, P Heneghan, S Nuttall and B Vincent

Also in attendance: Jillian Burrows – KPMG
Adam Langan - KPMG
Jayne Hammond – Assistant Director of Legal and Democratic Services
Anita Green - Solicitor

Public Attendance: No members of the public were present at the meeting.

Apologies for Absence: Councillor J Frith and Councillor K Rothwell

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AU.809 RETIREMENT OF HEAD OF INTERNAL AUDIT

The Chair, Councillor FitzGerald reported that this was to be last Audit Committee Meeting that Barrie Strothers would be attending as he was due to retire at the end of the month.

Councillor FitzGerald thanked Barrie on behalf of the Audit Committees past and present for his hard work and support.

It was agreed:

That the Audit Committee wish Barrie Strothers a long and happy retirement.

AU.810 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

AU.811 MINUTES OF THE LAST MEETING

Delegated decision:

That the Minutes of the last meeting of the Audit Committee held on 3 December 2013 be approved as a correct record and signed by the Chair.

AU.812 PUBLIC QUESTION TIME

There were no members of the public present to ask questions under this item.

AU.813 AUDIT TRAINING - REGULATION OF INVESTIGATORY POWER ACT 2000 "RIPA"

Anita Green, Solicitor, gave a presentation explaining why Local Authorities need the Regulation of Investigatory Powers Act 2000(RIPA) and why they have to comply with it.

The Council uses RIPA to gather evidence of criminal offences and to undertake covert surveillance to catch criminals in the act.

It was explained that before the Protection of Freedoms Act 2010, RIPA had been used by many councils for any type of criminal offence including dog fouling and littering. A case was brought by Jenny Paton against Poole Borough Council where RIPA had been used to carry out covert surveillance on herself and her children. The courts felt that in this case the use of surveillance was disproportionate, unnecessary and unlawful. .

Since the introduction of the Protection of Freedoms Act 2010 local authorities can only use directed surveillance where the criminal offence being investigated is punishable with at least a 6 months sentence and judicial approval must be obtained from a Magistrate.

These other measures mean that the Council had more forms to fill in and a trip to court but was also safeguarding judicial approval.

It was explained that the courts took this role very seriously and were extremely thorough when considering the facts of the case as to whether the need for covert surveillance is required.

The Council uses RIPA in benefit fraud cases and the underage sale of cigarettes and alcohol

Anita gave a few examples of high profile cases where RIPA had been used to catch people committing benefit fraud and explained that without the use of the surveillance this would have been difficult to prove.

Members of the Committee were given the opportunity to ask questions and the following points were raised:-

- Councillor Vincent asked whether the money that had been claimed fraudulently would be recouped by the Council after successful prosecutions.

Anita explained that where possible the money would be seized but in some cases the offenders had no assets and as such were unable to repay any money that had been claimed by them.

Councillor Hankey asked if there were any repercussions if the Council were unable to prove fraud after using RIPA.

It was explained that as long as the judge is happy that there is evidence to carry out surveillance at the outset it is fine.

It was agreed:

That Anita be thanked for her presentation.

AU.814 RIPA - ANNUAL REPORT 2013

Jayne Hammond, Assistant Director of Legal and Democratic Services and the Council's Monitoring Officer presented a report from the Deputy Leader of the Council and Cabinet Member for Finance and Corporate Affairs.

The report informed Members of the Council's responsibilities under the Regulation of Investigatory Powers Act 2000 (RIPA) and the outcome of a recent inspection by the Office of Surveillance Commissioners.

The report explained that the law had RIPA had changed from November 2012 when approval of authorisations to carry out surveillance must meet a crime threshold.

The report set out the numbers of authorisations for the previous years as:-

Four in 2010/2011, three in 2011/2012 and eight in 2012/2013

The inspector had reviewed and approved a sample from each year.

It was explained that the inspection report of the Office of Surveillance Commissioners had contained one recommendation which was to amend the Council's Policy Guide. The guide had been kept up to date in terms of legislation but required some drafting amendments. New forms for officers also required updating and this information was being updated on the Council's intranet.

It was agreed:

That the contents of the report and the appendix be noted.

AU.815 FINANCIAL MONITORING REPORT - APRIL 2013 TO DECEMBER 2013

The Assistant Director of Resources, Steve Kenyon, presented a report updating Members of 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 exposure to risk and the control environment'.

The report indicated that the Authority was projecting an overspend of £0.085m for the year based on spending and income information as at 31 December 2013.

The report included a snapshot of the balance sheet which provided useful information in which trends could be plotted as the exercise is repeated. This addition to the report had been requested by the Audit Committee at an earlier meeting during 2013/2014 Municipal Year.

A fuller version of the report was considered by Overview & Scrutiny on 12

February 2014.

Delegated decision:

That the contents of the report be noted.

AU.816 QUARTERLY GOVERNANCE STATEMENT OCTOBER - DECEMBER 2013

The Head of Internal Audit, presented a report providing Members with a quarterly update on the Annual Governance Statement which had been approved by the Audit Committee at its meeting on June 25 2013.

The report gave an update on the continuous monitoring that was carried out and highlighted any relevant issues with regards to Risk Management, Business Continuity, Budget Monitoring, the work of Internal Audit, Review of Ethical Governance, the work of the Governance Panel, Gifts and Hospitality and Sickness levels across the authority's staff.

The up to date Corporate Risk Register was appended to the report and informed Members of the risk event and status. It was explained that the Risk Register had been updated to reflect the most current high level risks facing the organisation.

Delegated decision:

That the contents of the report be noted.

AU.817 GIFTS AND HOSPITALITY

Steve Kenyon presented a report providing Members with an update of the system to declare, monitor and report gifts and hospitality offered to or received by staff and Members.

The report covered the period October 2013 to December 2013.

Delegated decision:

That the contents of the report be noted.

AU.818 CERTIFICATION OF GRANTS AND RETURNS

Jillian Burrows from KPMG presented the Committee with the Certification of Grants and Returns report for 2012/2013 which summarised the results of the work that had been undertaken by KPMG in this area.

It was reported that the Committee had received the report on 13 January 2014 and had approved the contents of the report electronically before the 28th February 2014.

Delegated decision:

That the electronic approval of the report be acknowledged and recorded.

AU.819 EXTERNAL AUDIT PLAN 2013/2014

Jillian Burrows from KPMG presented a report setting out the work that KPMG would be undertaking during 2013/2014 as the Council's External Auditors.

The report gave a timetable of work to be completed and included planning, control evaluation, substantive procedures and completion which was due to take place in time for the July 2014 Audit Committee.

It was explained that as part of the audit there would be some work carried out in relation to the Local Government Pension Scheme which has undergone its triennial valuation. This will involve liaising with the auditors of the pension fund.

The other areas that the External Auditors will be undertaking work on were outlined within the report and included the Council's savings plan and would incorporate reserves and balances, provisions and value for money.

The Value for Money work that would be carried out by KPMG was set out within the report and the approach to this work was explained.

Members were given the opportunity to ask questions and make comments on the report and the following points were raised:-

- Councillor Vincent referred to the work that would be carried out in relation to the Local Government Pension Scheme and asked if there was any detrimental effect in relation to the numbers of employees across the scheme who were taking early retirement.

It was explained that KPMG would not be looking at this area when reviewing the scheme. The type of information Councillor Vincent was referring to would have to be provided by the Scheme's own actuary who was responsible.

Steve Kenyon explained that all Council's within the scheme had a figure agreed in relation to the pension fund and costs incurred around early retirements.

As long as the Council's figures fell within this amount no actual cost was incurred. This figure was monitored closely by the Human Resources and Appeals Panel. It was also explained that each request had to be accompanied by a business case which required signing off by a number of Councillors and Officers before going to the HRA panel.

Delegated decision:

That the External Audit Plan be accepted

AU.820 EXTERNAL AUDIT PROGRESS REPORT

Jillian Burrows presented the Committee with the progress statement in relation to the 2013/2014 external audit programme.

Delegated decision:

That the progress statement be noted

AU.821 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.822 INTERNAL AUDIT PLAN 2014/2015

Barrie Strothers, Head of Internal Audit presented the Committee with the 2014/2015 Annual Plan.

The report set out the proposed Internal Audit Plan for the year 2014/2015.

Appended to the report was the methodology used to prepare the plan and a full breakdown of the plan itself.

Delegated decision:

That the 2014/2015 Internal Audit Annual Plan be approved

AU.823 INTERNAL AUDIT PROGRESS REPORT 2013/2014

The Head of Internal Audit submitted a report briefing the Committee Members on the work being carried out currently by Internal Audit in line with the Annual Audit Plan 2013/2014.

Details of work undertaken and Audit Reports issued were included in the report with significant issues highlighted.

Delegated decision:

That the contents of the report be noted.

AU.824 INTERNAL AUDIT FEEDBACK

The Head of Internal Audit submitted a report providing feedback to Committee Members in the form of responses to specific issues raised in relation to Audit Reports and queries.

Delegated Decision:

That the contents of the report be noted.

COUNCILLOR E FITZGERALD
Chair

(Note: The meeting started at 7.00 pm and ended at 8.25 pm)

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REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**AUDIT COMMITTEE**
DATE:	**15th JULY 2014**
SUBJECT:	**STATEMENT OF ACCOUNTS 2013/14**
REPORT FROM:	**ASSISTANT DIRECTOR OF RESOURCES & REGULATION (FINANCE AND EFFICIENCY)**
CONTACT OFFICER:	**STEVE KENYON, ASSISTANT DIRECTOR OF RESOURCES & REGULATION (FINANCE AND EFFICIENCY)**

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

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SUMMARY:

The report provides Members with details of the Authority's audited Statement of Accounts for the financial year ended 31 March 2014.

The pre-audited Statement of Accounts was approved by the Responsible Finance Officer on 5 June 2014. The accounts have now been audited and Members are asked to note:

Only one audit adjustment has been identified that is presentational and this **does not** that have an impact on the Council's revenue, capital or HRA outturn for 2013/14 i.e. no bottom line adjustments;
One other audit adjustment has been identified that does not require correcting due to the immaterial impact on the accounts;
Six recommendations have been made. The auditors have classified two as high priority, one as medium priority and three as low priority. Actions are being taken to address these;
The quality of the Council's accounts and working papers have remained at a high level;
For the first year the Council is able to present its audited accounts to Members 2 ½ months 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 one presentational amendment to the Accounts recommended by KPMG;

Approve the final version of the Statement of Accounts for the 2013/14 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 2013/14 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 draft, unaudited Statement of Accounts before 30th June following the Balance Sheet date. The accounts are approved at this stage by the Responsible Finance Officer. For Bury Council the Responsible Finance Officer is the Assistant Director of Resources (Finance and Efficiency).

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 2013/14 draft Accounts were approved by the Responsible Finance Officer (Section 151 Officer) on 5th June 2014 and KPMG commenced their audit of the accounts on Monday 9 June.

1.4 During the audit process the Accounts are 'placed on deposit' for 20 working days and during this time they are available for inspection by members of the public. At the end of this period the auditor is available for questioning by the public. This matter, and the dates on which the Accounts are on deposit, is advertised in the local press and for Members' information the 2013/14 Accounts were available for inspection at Bury Town Hall between 6th June and 4th July.

1.5 The figures shown within the Statement of Accounts correspond with the results which will be reported within the Corporate Revenue & HRA, Capital and Treasury Management Outturn Reports. These will be considered by the Cabinet on 16 July 2014 and the Overview & Scrutiny Committee on 30 July 2014 and will contain details of the Council's financial performance against budget and make recommendations on the application of carry-forward requests into 2014/2015 together with their impact on the use of General Fund balances.

2.0 THE FORMAT OF THE ACCOUNTS

2.1 The Statement of Accounts is attached at Appendix A and it contains the following financial statements:-

- An Introduction by the Leader of the Council and Cabinet Member for Finance;
- An Explanatory Foreword;
- Summary of the Council's Financial Results;
- Statement of Responsibilities;
- Core Financial Statements:
    - Movement In Reserves Statement;
    - The Comprehensive Income and Expenditure Statement;
    - Balance Sheet;
    - Cash Flow Statement
- Index for the Notes to the Core Financial Statements;
- Notes to the Core Financial Statements including Accounting Policies;
- The Housing Revenue Account;
- The Collection Fund;
- Group Accounts;
- Glossary of Terms

2.2 A brief explanation of the purpose of these statements is given in the Explanatory Foreword on page 6 of the Accounts.

2.3 The format and contents of the Accounts are laid down in regulations and in the Code of Practice on Local Authority Accounting incorporating IFRS which we are required to follow. As a result the Authority has little or no discretion over what is shown.

2.4 The Council has continued to investigate ways in which the Accounts can be made more accessible to the community at large, especially through the use of plain English, summary information and through the internet. Similar to previous years, the 2013/14 Accounts can be translated into a number of different languages if required and can be made available in Braille and large print.

2.5 A quick and easy summary format of the accounts in order to make the accounts easier to understand and more informative, will continue to be provided, together with a feedback questionnaire to help make improvements to the document. These will again be placed on the Council's website and this facility will again be advertised in the local press. We will ensure that the Accounts continue to be presented in the professional format adopted last year on conclusion of the audit.

3.0 TECHNICAL CHANGES

3.1 The main changes that have impacted on the Accounts for 2013/14 are:

i. Accounting for business rates retention - the Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. The accounts reflect new requirements for accounting for localisation of business rates and provisions for any business rate schemes where local authorities are permitted to retain an element of business rates growth;
ii. Post Employment Benefits – changes to the classification, recognition, measurement and disclosure requirements;

iii. Dedicated Schools Grant including the new requirement to disclose the figure recouped from the authority by the Department for Education for the conversion of maintained schools into academies;

iv. Clarification in respect of revaluations for property, plant and equipment.

4.0 AMENDMENTS TO THE ACCOUNTS

4.1 For the 2013/14 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.

4.2 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.

4.3 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.

4.4 KPMG (the auditors) have identified and recommended one presentational amendment to the Accounts that were approved by the Responsible Finance Officer on 5th June and this has been corrected by management and has **no impact on the Council's revenue, capital or HRA outturn** i.e. no bottom-line adjustment.

4.5 This amendment has been highlighted in KPMG's ISA260 report and has changed the Balance Sheet (Property, Plant and Equipment, Operational Assets, Other Land & Buildings plus Non-Operational Assets) on page 24 of the audited accounts which are attached to this report. It has also changed the Tangible Fixed Assets note (pages 76 to 78) and the Group Accounts Balance Sheet on page 116.

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

4.7 Having discussed the suggested amendment with the auditors I am happy to agree to its inclusion within the Accounts. **Members are therefore recommended to approve these Accounts.**

4.8 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:

	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
Audit Adjustments	**1**	2	1	3	0	0	4
Recommendations	**6**	1	1	10	0	3	1
Recommendations outstanding from previous years	**0**	0	1	0	1	0	1

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

5.0 MANAGEMENT LETTER

5.1 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.

5.2 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 & Regulation (Finance and Efficiency) will require approval by Audit Committee.

6.0 ISSUES

6.1 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 & REGULATION (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 & Regulation (Finance and Efficiency); tel. 0161 253 6922, (email:S.Kenyon@bury.gov.uk)

FINANCIAL
MANAGEMENT
SERVICES

Statement of Accounts 2013/2014

CONTENTS

Introduction by Councillor Mike Connolly, Leader of the Council and Cabinet Member for Finance

I am delighted to welcome you to the Council's Statement of Accounts for 2013/14.

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 expenditure is almost £0.5 billion this is a very commendable performance. More than £23.3 million 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 fragile state of the economy which has continued to result in reduced income, reductions in investment returns and increased energy costs.

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.

We continue to improve the way that we set and monitor our budget and utilise risk management techniques to direct attention to the areas that require most attention. I am determined that this trend will continue through these difficult financial times and that financial prudence will be the watchword of the Council.

I am also determined that the Council 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 and we will set out clear standards for services so that everyone knows what to expect.

This Statement of Accounts is one of a number of publications giving information on the Council's finance and other activities. Our Corporate Plan 2013-2016 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

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 2013/14 delivery of the budget for the year was overseen by Councillor

John Smith, the Deputy Leader of the Council and Cabinet Member for Finance & Corporate Affairs 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 Mike Connolly.
Leader of the Council and Cabinet Member for Finance

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 Tuesday 15 July, 2014.

Signed on behalf of Bury Metropolitan Borough Council:

Councillor Elizabeth Fitzgerald.
Chair of Audit Committee.

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 2014.

Signed on behalf of Bury Metropolitan Borough Council:

S Kenyon CPFA.
Assistant Director of Resources (Finance & Efficiency).

5 June, 2014.

EXPLANATORY FOREWORD

EXPLANATORY FOREWORD

These Accounts have been prepared in accordance with the 2013/14 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 fourth 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 2013/14.

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 2013** to **31st March 2014** along with details of the assets and liabilities of the Council at **31st March 2014**. Wherever it is relevant the corresponding figures for the last financial year, 2012/2013, 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.

On 1 April 2013 public health staff and services were transferred from primary care trusts (PCTs) to local authorities. This service has been separately identified in the 2013/14 Comprehensive Income and Expenditure Statement as required by the 2013/14 SERCOP.

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 (HRA):

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

THE COLLECTION FUND:

Is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. Up to and including the 2012/13 financial year business rates collected by the local authorities were passed over to the government and redistributed nationally so that each local authority received back an amount dependent on its population. This was paid directly into the General Fund. From 2013/14 onwards local authorities will keep 50% of all business rates income.

THE GROUP ACCOUNTS:

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 2013, by **£0.406m.** This is largely accounted for by planned underspends and carry-forwards in accordance with Council Policy.

At 31st March 2014 the borough's schools had accumulated a total underspending against their budget of **£4.108m**. 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 2014/2015 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 2014/2015 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 will be considered by Cabinet on 16 July, 2014.

Revenue expenditure during 2013/2014 was: -

		Revised Estimate £000's	Actual £000's	Difference £000's
Net cost of Bury services		148,640	148,234	(406)
Precepts :-	Police	7,602	7,602	0
	Fire	2,945	2,945	0
		159,187	158,781	(406)
TOTAL NET EXPENDITURE				
Financed from:-				
Revenue Support Grant		(50,956)	(50,956)	0
Locally Retained Business Rates		(31,426)	(31,426)	0
Council Tax		(77,826)	(77,826)	0
Movement between Specific and Formula Grants		1,021	1,427	406
BALANCE		**0**	**0**	**0**

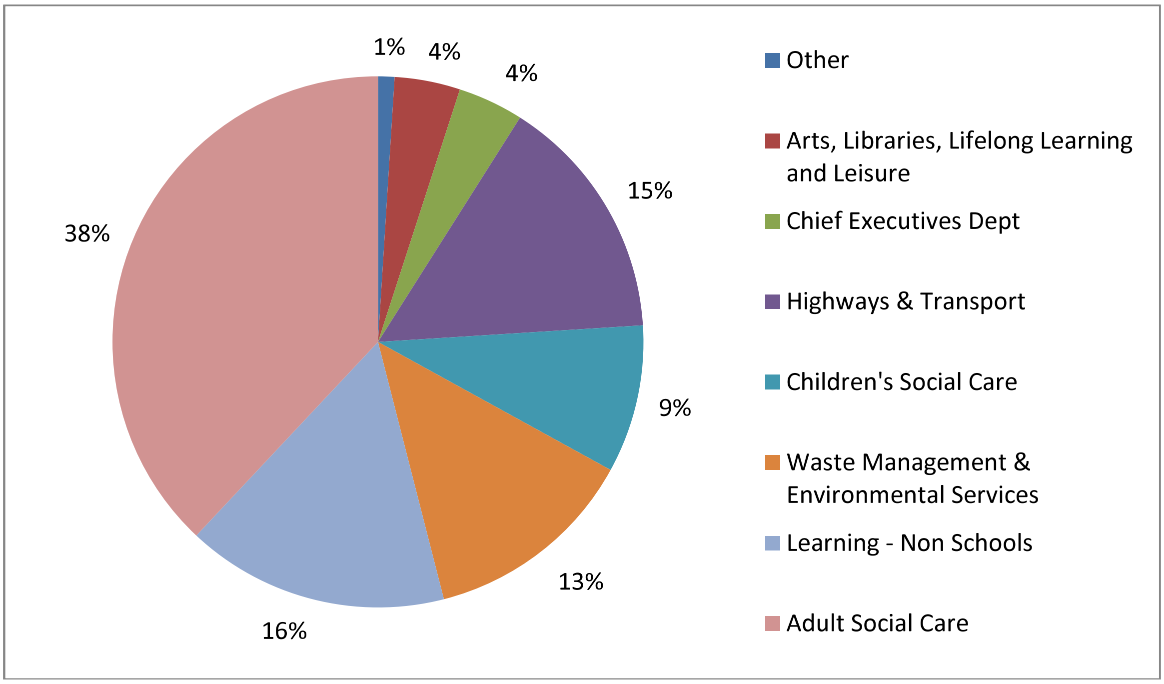
The Corporate Revenue Outturn Report details the overall performance of the Council in 2013/2014.

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

Service Area	**£000's**
Communities and Neighbourhood Services	(131)

Adult Care Services	140
Cost of Borrowing	(536)
Housing	(103)
Learning – Non Schools Budget	(347)
Children's Agency Placements	919
Property Services	361
Other Children's Services	(175)
Manchester Airport Dividend	(418)
Other Variances	(116)
Total	**(406)**

The Council spent £148.234m (excluding precepts) in 2013/2014 as follows:



	£m
Learning – Non Schools	24.578
Adult Social Care	56.377
Children's Social Care	13.790
Arts, Libraries, Adult Learning and Leisure	5.749
Waste Mgt & Environmental Services	19.460
Highways & Transport	22.196
Chief Executive's Dept	5.286
Other	0.798
Total	**148.234**

CAPITAL OUTTURN

Total Capital Expenditure achieved in the year was **£23.301** million.

In addition to the figures shown for the year, Bury's Voluntary Aided schools received **£1.280m** 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 25 (page 81).

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

SERVICE	PROJECT	£000's	£000's
Chief Executive's	Cost of Property Sales and Purchases	1,882	
	Corporate IT Developments	160	**2,042**
Adult Care Services	Older People Services	1,199	
	Learning Disabilities	3	
	Dementia Friendly National Pilot	950	
	Adult Care IT System	231	
	Empty Properties	24	
	Disabled Facilities Grant	777	
	Equal Pay / Back Pay Capitalisation	226	**3,410**
Children's Services	Support Services	44	
	Devolved Formula Capital	813	
	Modernisation / New Pupil Places	2,809	
	Access Initiatives	15	
	Targeted Capital Funding	480	
	New Sports Hall – Derby High	1,388	
	Asbestos in Heaters – All Schools	33	
	Short Break Allocation	179	
	Early Education Fund	3	
	16-19 Demographic Growth	100	
	Equal Pay / Back Pay Capitalisation	202	**6,066**
Arts, Libraries & Adult Learning	RFID Libraries Schemes	145	
	Sculpture Gallery	90	**235**
Planning Services	Development Group Schemes	139	
	East Lancashire Railway Trust	39	
	Environmental Projects	299	**477**
Leisure Services	Parks and Countryside	7	
	Leisure Facilities	236	**243**
Highways and Transportation	Highways Network Services	1,951	
	Bridge Repairs and Maintenance	428	
	A56 Road Safety Measures	150	
	Better Bus Area Fund	118	
	Other Traffic Management & Road Safety Schemes	154	**2,801**
Environmental Works	Contaminated Land	20	
	Air Quality	16	
	Energy Efficiency Schemes	62	**98**
Operational Services	Fernhill Relocation	582	
	Bradley Fold Asbestos Removal	72	**654**
Other Services	Waste Management Schemes	57	
	Equal Pay / Back Pay Capitalisation	45	**102**
Housing Private Sector	Pimhole Renewal Area	(7)	**(7)**
Housing Public Sector	Asbestos Removal	2	
	Environment/Security Work	330	
	Energy Efficiency	942	
	Modernisations	2,751	
	Roofing Schemes	1,169	
	Disabled Facilities Adaptations	575	

	Miscellaneous Housing Schemes	1,411	**7,180**
TOTAL		23,301	**23,301**

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	22,597	
Intangible assets	568	
Vehicle, Plant and Equipment	136	
Total		**23,301**

Financed by:	**£000's**	**£000's**
Loan	3,007	
Capital Receipts	684	
Grants & Contributions	11,403	
General Fund Revenue and Reserves	1,027	
Housing Revenue Account	770	
Major Repair Allowance	6,410	
Total		**23,301**

BORROWING OUTTURN

During 2013/14 temporary and shorter term market loans were used 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 31/03/13 £000's	**Loans raised £000's**	**Loans repaid £000's**	**Balance at 31/03/14 £000's**
PWLB	153,862	0	(7,500)	146,362
PWLB Airport	4,829	0	(751)	4,078
Market	39,000	18,500	0	57,500
Temporary Loans	6,000	2,000	(6,000)	2,000
Other loans	3	0	0	3
Total Debt	**203,694**	**20,500**	**(14,251)**	**209,943**

OUTTURN REPORTS

The Revenue & HRA, Capital and Treasury Management Outturn reports will be submitted to the Cabinet on 16 July and to Overview & Scrutiny Committee on 30 July, 2014. These reports are 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.

HOUSING

The Housing Revenue Account (HRA) on page 102 produced a surplus of **£3.796 million** during the year. This was against an estimated deficit for the year of £0.185 million.

COLLECTION FUND

The information shown on page 108 demonstrates that at 31st March 2014 there was a deficit balance on the Collection Fund of **£0.107 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 were deposited for inspection at the Town Hall for 20 working days as required by the Accounts and Audit (England) Regulations 2011 commencing 6 June 2014 and the External Auditor was available for questioning on or after 3 July 2014. This facility was advertised in the local press and on the Bury Council website.

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

5 June 2014.

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 2014.

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 17.

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

5 June 2014.

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 2014 on pages 20 to 129. 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 2013/14.
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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2014 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 Practice on Local Authority Accounting in the United Kingdom 2013/14.

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 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 October 2013, 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 2014.

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 October 2013, 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 2014.

Delay in certification of completion of the audit

Due to work on the WGA Return not being completed by the 15 July 2014

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Trevor Rees

Trevor Rees
for and on behalf of KPMG LLP, Appointed Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS
15 July 2014

CORE FINANCIAL STATEMENTS

CORE FINANCIAL STATEMENTS

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 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**

2013/14	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 2013	**16,918**	**42,181**	**3,692**	**(2,160)**	**747**	**745**	**10,359**	**72,482**	**215,883**	**288,365**
Movement in reserves during 2013/14										
Surplus / (deficit) on the provision of services	(15,594)	0	(2,629)	0	0	0	0	**(18,223)**	0	**(18,223)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(20,412)	**(20,412)**
Total Comprehensive Income and Expenditure	**(15,594)**	**0**	**(2,629)**	**0**	**0**	**0**	**0**	**(18,223)**	**(20,412)**	**(38,635)**
Adjustments between accounting basis & funding basis under regulations	6,645	0	6,410	(107)	179	744	(1,017)	**12,854**	(12,854)	**0**
Net increase / (decrease) before transfers to earmarked reserves	**(8,949)**	**0**	**3,781**	**(107)**	**179**	**744**	**(1,017)**	**(5,369)**	**(33,266)**	**(38,635)**
Transfers to / from ear-marked reserves	7,719	4,715	15	0	0	0	0	**12,449**	(12,449)	**0**
Increase / (decrease) movement in 2013/14	**(1,230)**	**4,715**	**3,796**	**(107)**	**179**	**744**	**(1,017)**	**7,080**	**(45,715)**	**(38,635)**
Balance at 31 March 2014 carried forward	**15,688**	**46,896**	**7,488**	**(2,267)**	**926**	**1,489**	**9,342**	**79,562**	**170,168**	**249,730**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/2013 Gross Expenditure £000's	2012/2013 Gross Income £000's	2012/2013 Net Expenditure £000's		2013/2014 Gross Expenditure £000's	2013/2014 Gross Income £000's	2013/2014 Net Expenditure £000's	Note
			Continuing Services				
33,850	(30,645)	3,205	Central Services to the Public including Court Services	16,670	(12,084)	4,586	
16,423	(5,707)	10,716	Cultural & Related Services	17,082	(5,728)	11,354	
22,714	(4,162)	18,552	Environment & Regulatory Services	24,851	(3,677)	21,174	
2,992	(1,358)	1,634	Planning Services	2,429	(1,914)	515	
203,130	(173,287)	29,843	Children's & Education Services	217,990	(166,635)	51,355	
28,120	(5,994)	22,126	Highways & Transport Services	27,978	(5,725)	22,253	
30,281	(30,115)	166	Local Authority Housing (HRA)	29,379	(31,182)	(1,803)	
61,739	(58,755)	2,984	Other Housing Services	64,398	(62,197)	2,201	
81,445	(31,200)	50,245	Adult Social Care Services	82,843	(28,253)	54,590	
0	0	0	Public Health	8,002	(9,447)	(1,445)	
3,839	(510)	3,329	Corporate & Democratic Core	2,957	(21)	2,936	
2,440	(36)	2,404	Non-Distributed Costs	3,140	(329)	2,811	
302	(470)	(168)	Other Operating Inc & Exp.	986	(1,061)	(75)	
487,275	**(342,239)**	**145,036**	**Cost Of Services**	**498,705**	**(328,253)**	**170,452**	
			Other Operating Expenditure				
0	(187)	(187)	(Gain)/Loss on Disposal of Non-Current Assets	2,372	0	2,372	
34,678	(36,817)	(2,139)	(Surplus)/Deficits on Trading Operations	33,769	(36,951)	(3,182)	13
303	0	303	Contribution of Housing Capital Receipts to Government Pool	991	0	991	5
34,981	**(37,004)**	**(2,023)**		**37,132**	**(36,951)**	**181**	
			Financing and Investment Income and Expenditure				
8,989	0	8,989	Interest Payable & other Similar Charges	8,844	0	8,844	
0	(3,929)	(3,929)	Interest and Investment Income	0	(3,592)	(3,592)	
5,000	0	5,000	Pensions Interest Cost and Expected Return on Pensions Assets (IAS19)	9,924	0	9,924	14
13,989	**(3,929)**	**10,060**		**18,768**	**(3,592)**	**15,176**	
			Taxation and Non-Specific Grant Income & Expenditure				
0	(77,375)	(77,375)	Demand On Collection Fund: Council Tax	0	(67,279)	(67,279)	
0	(2,399)	(2,399)	Government Grants (not attributable to specific services)	0	(51,459)	(51,459)	
0	(62,015)	(62,015)	Non-Domestic Rate distribution	0	(30,876)	(30,876)	
0	(14,480)	(14,480)	Capital grants and contributions	0	(17,972)	(17,972)	
0	**(156,269)**	**(156,269)**		**0**	**(167,586)**	**(167,586)**	
536,245	**(539,441)**	**(3,196)**	**(Surplus) or Deficit On Provision of Services**	**554,605**	**(536,382)**	**18,223**	
		(7)	(Surplus) / Deficit on revaluation of property, plant and equipment			56,359	
		954	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			4,421	
		(19,008)	(Surplus) / Deficit on revaluation of available for sale financial assets			(7,325)	
		40,018	Actuarial (gains) / losses on pension assets and liabilities			(20,511)	
		(2,161)	Any other (gains)/ losses for the year			(12,532)	
		19,796	**Other Comprehensive Income and Expenditure**			**20,412**	
		16,600	**Total Comprehensive Income and Expenditure**			**38,635**	

BALANCE SHEET AT 31ST MARCH 2014

31/3/2013		31/3/2014			
		£'000	£'000	£'000	Note
	PROPERTY, PLANT & EQUIPMENT				
	Tangible Fixed Assets				
	Operational Assets:				
201,601	Council Dwellings	208,162			
344,877	Other Land & Buildings	288,375			
28,832	Infrastructure Assets	28,471			
5,828	Vehicles & Plant	4,855			
554	Community Assets	554			
44,153	Non-Operational Assets	42,166			
23,268	Assets under construction	3,103			
405	Surplus assets held for disposal	405	**576,091**		**21**
3,683	Intangible Fixed Assets	3,290	**3,290**		**23**
1,249	Investment Property	1,249	**1,249**		**24**
23,760	Heritage Assets	23,760	**23,760**		**22**
678,210	**TOTAL FIXED ASSETS**		**604,390**	**604,390**	
	LONG TERM INVESTMENTS				
29,300	Manchester Airport PLC		36,700		**28**
13,351	Bury MBC Townside Fields Ltd		7,257	**43,957**	**28**
42,651					
	LONG TERM DEBTORS				
280	Long term Debtors – General		151		
10,662	Loan Accounts		10,916		
19	Debt Managed for Probation Services		18	**11,085**	
10,961					
	CURRENT ASSETS				
1,285	Stocks & Work in Progress	1,291			
1,583	Assets Held for Sale	2,042			**21**
35,797	Sundry Debtors & Advance Payments	36,341			**29**
13,577	Short Term Investments	20,887			
6,771	Cash And Cash Equivalents	25,335			
59,013			**85,896**		
	LESS : CURRENT LIABILITIES				
(14,304)	Short Term Loans Outstanding	(8,610)			**31**
(115)	Deposits & Clients' Funds	(173)			
(2,845)	Short Term Provisions	(2,706)			**33**
(26,084)	Sundry Creditors & Advance Receipts	(28,970)			**30**
(256)	Revenue Grants Receipts in Advance	(292)			
(4,253)	Bank Accounts	(6,985)			
(47,857)			**(47,736)**		
11,156	**NET CURRENT ASSETS**			**38,160**	
742,978	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**697,592**	
	LESS: LONG TERM LIABILITIES				
(191,107)	External Loans Outstanding		(203,084)		**31**
(1,058)	Capital Grants Receipts in Advance		(515)		**34**
(2,254)	Finance Lease Liabilities		(1,802)		**27**
(7,029)	Deferred Liabilities		(6,407)		**32**
(219,400)	Pension Liability		(202,642)		**14**
(33,765)	Long Term Provisions		(33,412)		**33**
(454,613)				**(447,862)**	
288,365	**TOTAL NET ASSETS**			**249,730**	

31/3/2013		31/3/2014			
		£'000	£'000	£'000	Note
	FINANCED BY :				
	USABLE RESERVES				
(28,443)	Earmarked Reserves		(33,026)		**4**
(747)	Capital Receipts Unapplied		(926)		**5**
(10,359)	Capital Grants Unapplied		(9,342)		
(16,918)	General Fund		(15,688)		**3**
(3,692)	Housing Revenue Account		(7,488)		
(745)	Major Repairs Reserve		(1,489)		
(1,874)	Competitive Services / Commuted Sums		(2,146)		**4**
2,160	Collection Fund Balance		2,267		
(11,864)	Other Balances		(11,724)		**4**
(72,482)				**(79,562)**	
	UNUSABLE RESERVES				
(193,349)	Revaluation Reserve		(128,269)		**6**
(234,148)	Capital Adjustment Account		(229,450)		**7**
(67)	Financial Instruments Adjustment Reserve		8		**8**
(19,086)	Available for Sale Financial Instruments Reserve		(26,486)		**37**
1,391	Collection Fund Adjustment Account		2,067		**9**
3,010	Accumulated Absences		2,641		**10**
219,400	Pension Reserve		202,642		**14**
6,987	Equal Pay Back Pay Reserve		6,693		**33**
(21)	Deferred Capital Receipts		(14)		**11**
(215,883)				**(170,168)**	
(288,365)	**TOTAL RESERVES AND BALANCES**			**(249,730)**	

CASH FLOW STATEMENT

2012/13		2013/2014		
£000's		£000's	£000's	£000's
	OPERATING ACTIVITIES			
	Cash Outflows:			
186,552	Cash Paid to and on behalf of Employees	187,617		
229,429	Cash Paid for Goods and Services	230,032		
34,959	Housing Benefit paid out	35,574		
4,073	Interest Paid	3,812		
303	Payments to Housing Capital Receipts Pool	991		
455,316	**Cash Outflows Generated from Operating Activities**		**458,026**	
	Cash Inflows:			
(28,388)	Rents (after Rebates)	(29,328)		
(63,374)	Council Tax Receipts (excl major preceptors share of receipts)	(68,483)		
(62,015)	NNDR Receipts (excl government and major preceptors)	(24,361)		
(1,202)	Revenue Support Grant	(47,284)		
(49,355)	DWP Grants for Benefits	(35,898)		
(157,296)	Other Government Grants	(161,951)		
(3,929)	Interest Received	(3,592)		
(1,006)	Airport Dividend Received	(1,400)		
(94,504)	Cash Received for Goods and Services	(95,199)		
(461,069)	**Cash Inflows Generated from Operating Activities**		**(467,496)**	
(5,753)	**NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES**			**(9,470)**
	INVESTING ACTIVITIES			
15,578	Purchase of Fixed Assets		16,609	
8	Purchase of Long Term Investments		1,306	
(6,458)	Net Increase / (Decrease) in Short Term Deposits		7,310	
(705)	Proceeds of Sale of Fixed Assets		(1,854)	
(11,324)	Capital Grants received		(515)	
(2,901)	**NET CASH FLOWS FROM INVESTING ACTIVITIES**			**22,856**
	FINANCING ACTIVITIES			
	Repayments of amounts borrowed:			
7,953	Long Term loans repaid		8,217	
2,000	Short Term loans repaid		6,000	
(359)	Net Receipts from Long Term Debtors		124	
0	New Long Term Loans		(18,500)	
(8,000)	New Short Term Loans		(2,000)	
1,894	Billing Authorities – NNDR and Council Tax Adjustments		(23,059)	
3,488	**NET CASH FLOWS FROM FINANCING ACTIVITIES**			**(29,218)**
(5,166)	**NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS**			**(15,832)**
(2,648)	**Cash and Cash Equivalents at beginning of the reporting period**			**2,518**
2,518	**Cash and cash equivalents at the end of the reporting period**			**18,350**
	Cash and cash equivalents include:			
	Cash held:			
102	Imprest accounts			89
2,179	Schools cash advances			1,717
(4,253)	Bank current accounts			(6,985)
4,490	Short term deposits with banks & building societies			23,529
2,518				**18,350**

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

5 June 2014.

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 2013/2014 financial year and its position at year end of 31 March 2014. 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 2013 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.
- The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. Billing authorities acting as agents on behalf of the major preceptors, central government and themselves (as principal) are required to make provisions (in accordance with the requirements of the Code and legislation for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts relating to non-domestic rates charged to businesses in 2012-13 and earlier financial years. The amount recognised as a provision should be the best estimate at the Balance Sheet date of the expenditure required to settle the present obligation. The risks and uncertainties that inevitably surround many events and circumstances should be taken into account in reaching the best estimate of a provision. Future events that may affect the amount required to settle an obligation should be reflected in the amount of a provision where there is sufficient objective evidence that they will occur. To achieve this, billing authorities may need to use estimation techniques to establish a range of

possible outcomes for ratepayer appeals and the probable financial effect of these outcomes, in order to determine the amount to settle the appeals. Careful analysis of these possible outcomes, the use of judgement, together with their own expertise in making similar provisions should enable billing authorities to establish provisions based on their best estimate of the most likely outcome. Expert advice may be required for more complex or material appeals. Authorities are required to separately disclose their respective share of these provisions in accordance with section 8.2.4 of the Code. When authorities assumed these liabilities on 1 April 2013 a provision of £600,000 was recognised – Bury Council has increased this in year and as such made a provision of £1,000,000 in the 2013/14 accounts.

- 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 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. The recent improvement in the property market and economic conditions remains a key source of uncertainty as the risk of tenants seeking to increase business overstretching them and going into liquidation, administration or simply default on the rent is still significant, 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 27 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 46.

- 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 Code of Practice on Local Council Accounting in the United Kingdom 2014/15 has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

- IFRS 10 Consolidated Financial Statements – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council does have 2 subsidiaries – Six Town Housing and Bury MBC Townside Fields. After due consideration, there is no impact on the 2013/14 statement of accounts. Further information is provided below in line with the new disclosure requirements of IFRS 12.
- IFRS 11 Joint Arrangements – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council has no joint venture arrangements.
- IFRS 12 Disclosures of Interests in Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. There are no implications for Bury Council in the context of the 2013/14 financial statements.
- IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.
- IAS 32 Financial Instruments Presentation – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
- IAS 1 Presentation of the Financial Statements – The changes clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

ACCOUNTING FOR COUNCIL TAX

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.

See also Collection Fund (page 33).

ACCOUNTING FOR NON-DOMESTIC RATES (NDR)

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. Under the new arrangements non-domestic rating income included in the Comprehensive Income and Expenditure Statement shall be the accrued income for the year. Cash collectable by Bury Council (the billing authority) from non-domestic rating income debtors belongs proportionately to the billing authority, central government (by means of its central share) and the major preceptors (Police and Fire). Therefore there is a debtor / creditor position between the billing authority, central government and each major preceptor to be recognised since the net cash paid to central government and each major preceptor in the year will not be its share of cash collectable from non-domestic rates taxpayers. If the net cash paid to central government or a major preceptor in the year is more than its proportionate share of net cash collected from non-domestic rating income debtors / creditors in the year, the billing authority shall recognise a debit adjustment for the amount overpaid to central government or the major preceptor in the year. If the cash paid to central government or a major preceptor is less than its proportionate share of net cash collected in the year from non-domestic rating income debtors / creditors, the billing authority shall recognise a credit adjustment for the (same) amount underpaid to central government or the major preceptor in the year. Top-Up income receivable and tariff expenditure payable shall be recognised in the Comprehensive Income and Expenditure Statement on an accruals basis. These shall be recognised in the line item Taxation and Non-Specific Grant Income and Expenditure. Safety net income and levy expenditure shall also be recognised in the Comprehensive Income and Expenditure Statement on an accruals basis. These shall be recognised in the line item Taxation and Non-Specific Grant Income and Expenditure. Debtors and creditors in relation to these items are recognised in the balance sheet.

Local authorities now 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 2013/14 and previous years. When authorities assumed these liabilities on 1 April 2013 a provision was recognised – Bury Council has therefore made such a provision of £1,000,000 in the 2013/14 accounts.

See also Collection Fund (page 33).

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 5 (page 52).

CARBON REDUCTION COMMITMENT SCHEME

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the last year of its introductory phase which ends on 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

With the new accounting arrangements for business rates, whilst there remains a single Collection Fund, billing authorities must separate the elements relating to council tax and NDR and calculate separate surplus and deficits on each.

Shares of non-domestic rating income to major preceptors and a billing authority are paid out of the Collection Fund and credited to the Comprehensive Income and Expenditure Statement of the billing authority (and major preceptors). The central share (after allowable deductions) of the non-domestic rating income is paid out of the Collection Fund to central government. Council tax precepts for major precepting authorities (Fire and Police) and a billing authority's demand on the fund are paid out of the Collection Fund and credited to Comprehensive Income and Expenditure Statement of the billing authority (and major preceptors). The year-end surplus or deficit on the Collection Fund is distributed between billing and precepting authorities on the basis of estimates of year-end balance made on 15 January for council tax and 31 January for non-domestic rates.

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.

DONATED ASSETS

A small number of estimated low value items were donated in the year by private individuals to the Council's Art Gallery and the Museum Collections. These include paintings and gifts by authors and subjects mainly 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 current insurance valuation will be used during 2014/15 financial year to establish the value of these items, although it is not expected for this value to be of material impact on the current valuation shown in the accounts for all Heritage Assets held by the Authority.

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 at the earlier or when the Authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the 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 2013.

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

- Service cost comprising:

   - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
   - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
   - Net interest on the net defined benefit liability (asset) i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
   - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
   - Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- Contributions paid to the Greater Manchester Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 transfers 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 2013/2014 are shown in Note 14 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 2013/14 Manchester Airport Group acquired Stansted Airport resulting in a change of structure, details of which can be found in Note 28 on page 83.

FINANCIAL LIABILITIES

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 2013/14 financial statements. Details can be found in Note 22 (page 79).

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.

The land and building assets identified to date 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.

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 2013/14 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 addition of these items should not produce any material impact to the insurance valuation in place and valid for the 2014/15 financial year or to 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.

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.

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.

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 in the cost of acquisition, construction and completion of qualifying assets.

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 following 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, such as operational other land and buildings, non-operational surplus and held for development assets, 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 qualifying assets by the systematic allocation of their depreciable amounts over their useful lives. Qualifying assets are all operational assets that are used to or provide support to service delivery.

An exception is made for assets without a determinable finite useful life (i.e. non operational assets that are not held for investment, freehold land and most 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 2013/14 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 23 (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 2013/2014 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. EVENTS AFTER THE BALANCE SHEET DATE

No events have taken place after 31 March 2014 that will have an impact on the financial statements and notes to the accounts.

DISCLOSURE NOTES RELATING TO MOVEMENT IN RESERVES STATEMENT:

3. GENERAL FUND BALANCE

The 2013/2014 deficit on the General Fund (excluding the use of balances and reserves) of £1.674m is split as follows: -

	DSG Schools	General	Total

	Budget £000's	£000's	£000's
Balance at 31st March 2013	**(6,188)**	**(10,730)**	**(16,918)**
(Surplus)/Deficit for the Year	2,080	(406)	1,674
In Year Contribution	0	(444)	(444)
Balance at 31st March 2014	**(4,108)**	**(11,580)**	**(15,688)**

The directorate carry-forward requests will be considered by the Cabinet on 16 July, 2014.

4. 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 2013 £000's	Transfers out 2013/14 £000's	Transfers in 2013/14 £000's	Balance at 31st March 2014 £000's
ABG Top Slice	**454**	0	0	**454**
Adult Care Services	**6,842**	(2,670)	4,830	**9,002**
Airport Shares	**305**	(279)	923	**949**
Arts & Libraries Reserve	**27**	0	0	**27**
BCCI Reserve	**183**	(56)	0	**127**
Chief Executives	**939**	(805)	691	**825**
Children's Services	**177**	(1)	45	**221**
DCN Reserves	**2,589**	(1,537)	608	**1,660**
Education (Schools) Fire	**131**	0	0	**131**
Energy Conservation	**164**	(155)	217	**226**
Environmental Services	**67**	(15)	1	**53**
GM Connexions Partnership	**804**	(114)	0	**690**
Leisure	**131**	(12)	74	**193**
NNDR Reserve	**108**	0	1,056	**1,164**
Outwood & Kirklees Viaducts	**111**	0	10	**121**
Pay And Grading Reserve	**5,856**	(483)	2,617	**7,990**
Performance Reward Reserves	**4,284**	(315)	0	**3,969**
School Catering Reserve	**404**	(95)	104	**413**
Transformation Reserve	**4,867**	(2,516)	2,460	**4,811**
	28,443	**(9,053)**	**13,636**	**33,026**
Commuted Sums	**1,874**	(301)	573	**2,146**
Other Balances	**11,864**	(140)	0	**11,724**
TOTALS	**42,181**	**(9,494)**	**14,209**	**46,896**

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 £2,448,000 relating to NHS Support for Social Care and £1,052,000 for Supporting People. In addition, two new

reserves were established in 2013/2014 in respect of specific services transferred over from the NHS, namely Public Health (£1,511,000) and Substance Misuse (£595,000).

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.

DCN Reserves
This comprises several individual reserves including those for Planning and Highways purposes, unspent grants, a property reserve (£193,000) to offset loss of income during major town centre developments and a Levy Equalisation reserve (£806,000) 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 Reserve
This reserve is to cover volatility in the Business Rates yield arising from changes to the Business Rates base, and mandatory reliefs.

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 (£36.7m).

5. 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 2013/14 after pooled payments made in the year.

2012/2013		**2013/2014**
£000's		**£000's**
705	Amounts receivable in 2013/14	1,854
(303)	Pooling of Housing Receipts for the year	(991)
(1,373)	Amounts applied to finance new capital investment	(684)
(971)	**Total increase/(decrease) in realised capital resources in 2013/14**	**179**
1,718	Balance brought forward at 1 April 13	**747**
747	**Balance carried forward at 31 March 14**	**926**

6. 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.

2012/2013 £000's		**2013/2014 £000's**
199,342	**Balance at 1st April**	**193,349**
5,305	Upward revaluations in year	20,163

(245)	Downward revaluations in the year not charged to (Surplus) / deficit on the Provision of Services	(76,522)
5,060	**(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(56,359)**
(4,028)	Difference between Fair value depreciation and historical cost depreciation	(4,266)
(954)	Impairment Losses	(4,421)
(71)	Disposal of fixed assets	(34)
(5,053)	**Amount written off to Capital Adjustment Account**	**(8,721)**
193,349	**Balance at 31st March**	**128,269**

7. *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.

2012/13			**2013/14**
£000's			**£000's**
245,893	**Balance at 1st April**		**234,148**
(24,318)	Depreciation and Impairment Losses	(23,948)	
0	Revaluation losses on Property, Plant and Equipment	0	
(957)	Amortisation of Intangible Assets	(961)	
(8,756)	Revenue expenditure funded from capital under statute	(2,897)	
(0)	Housing Revenue expenditure funded from capital under statute	0	
(465)	Disposal of fixed assets	(4,325)	
(807)	Restatement of Value	345	
(1)	Other	(1)	**(31,787)**
210,589	**Net written out amount of the cost of non-current assets consumed in the year**		**202,361**
1,373	Capital receipts applied to capital investment	684	
6,186	Movement on MRR	6,156	

5,923	Grants applied to capital investment credited to I&E	3,385	
2,960	Grants applied to capital investment from the Capital Grants Unapplied Account	8,277	
6,143	Statutory provision for the financing of capital investment charged against General Fund and HRA balances	6,279	
974	Revenue resources applied to capital investment	2,308	
23,559			**27,089**
234,148	**Balance at 31st March**		**229,450**

8. 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:-

	2013/2014 £000's
2012/13 Balance brought forward	**(67)**
Annual write-off of discounts	76
Annual write-off of premiums	0
Effective Interest Rate adjustments for 2 loans	(1)
Balance carried forward	**8**

9. COLLECTION FUND ADJUSTMENT ACCOUNT

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

2012/13 £000's		**2013/14 £000's**
608	**Balance at 1st April**	**1,391**
783	Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory regulations	676
1,391	***TOTAL***	**2,067**

10. 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.

2012/13 £000's		2013/14 £000's
4,554	**Balance at 1st April**	**3,010**
0	Settlement or cancellation of accrual made at the end of the preceding year	0
4,554	**Amounts accrued at the end of the current year**	**3,010**
(1,554)	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	(369)
3,010	**Balance at 31st March**	**2,641**

11. DEFERRED CAPITAL RECEIPTS

The figures shown in the balance sheet (page 25) 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.

12. 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.

2012/13	Usable Reserves					
	General Fund Balance £000's	Housing Revenue Account £000's	Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £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 on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(187)	0	705	0	0	(518)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital	(6,142)	0	0	0	0	6,142

2012/13	General Fund Balance £000's	Housing Revenue Account £000's	Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
	Usable Reserves					
investment						
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)**

2013/14	General Fund Balance £000's	Housing Revenue Account £000's	Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
	Usable Reserves					
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	13,880	7,180	0	0	0	(21,060)
Amortisation of Intangible Assets	961	0	0	0	0	(961)
Capital grant and contributions applied	(11,662)	0	0	0	0	11,662
Revenue expenditure funded from capital under statute	2,424	0	0	0	0	(2,424)
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	2,505	0	1,854	0	0	(4,359)

2013/14	Usable Reserves					
	General Fund Balance £000's	Housing Revenue Account £000's	Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied £000's	Movement in Unusable Reserves £000's
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(6,279)	0	0	0	0	6,279
Capital expenditure charged against the General Fund and HRA balances	(1,538)	(770)	0	0	0	2,308
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,017	0	0	0	(1,017)	0
Adjustments primarily involving the Capital Receipts Reserve:						
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	(684)	0	0	684
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	991	0	(991)	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	744	0	(744)
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	0	0	0	0	0	0
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	17,577	0	0	0	0	(17,577)
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,824)	0	0	0	0	13,824
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	179	0	0	0	0	(179)
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	(369)	0	0	0	0	369
Total Adjustments	**6,645**	**6,410**	**179**	**744**	**(1,017)**	**(12,961)**

DISCLOSURE NOTES RELATING TO INCOME AND EXPENDITURE STATEMENT:

13. 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: -

2012/13 Deficit/ (Surplus) £000's		2013/14 Gross Expenditure £000's	Income £000's	Deficit/ (Surplus) £000's
530	Civic Halls	1,639	(1,085)	554
(1,117)	Markets	1,500	(2,642)	(1,142)

(616)	Property & Estates	2,071	(2,457)	(386)
1,074	Industrial Units	1,168	(1,193)	(25)
127	Highway Network Services	3,626	(3,590)	36
(78)	Architectural Practice	2,443	(2,566)	(123)
(264)	Grounds Maintenance	2,631	(2,803)	(172)
(219)	Cleaning of Buildings	4,948	(5,199)	(251)
(587)	Catering	6,338	(7,153)	(815)
0	Education – Fair Funding	3,062	(3,062)	0
(430)	Emergency & Security Service	894	(1,345)	(451)
(559)	Transport Services	3,449	(3,856)	(407)
(2,139)	**TOTAL**	**33,769**	**(36,951)**	**(3,182)**

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 2012/13 and 2013/14 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)

14. DEFINED BENEFIT PENSION SCHEMES

Pension Schemes accounted for as a Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pension on behalf of the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31st March 2014, the Authority's own contributions equate to approximately 13.73%.

In 2013/14 the council paid £8,092,401 to Teachers' Pensions in respect of teachers' retirement benefits, representing 7.98% of pensionable pay. The figures for 2012/13 were £8,034,421 and 7.45%. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £8,132,863.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis as detailed.

The Authority is not liable to the scheme for any other entities obligations under the plan.

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.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they may eventually fall due.

The Greater Manchester Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pension committee of Tameside Council. Policy is determined in accordance with the Pension fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Director of Finance and Resources of Tameside Council and Hyman Robertson managers.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

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 2013 £000's	Year to 31 March 2014 £000's
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	13,900	17,577
Past service costs including (gain) / loss from Settlements	1,100	1,718
Financing and Investment Income and Expenditure	(21,400)	(22,923)
Net interest expense	30,000	32,847
Other Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**23,600**	**29,219**
Other post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	43,500	11,779
Actuarial gains and losses arising in changes in demographic assumptions	0	(795)
Actuarial gains and losses arising in changes in financial assumptions	(76,100)	(4,606)
Other Experience	(400)	23,028
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(9,400)**	**58,625**
Movement in Reserves Statement		
Reversal of net changes made to the	0	0

Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code		
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	**13,018**	**13,824**

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: -

2012/13 Total Cost £000's		**2013/14** Total Cost £000's	Proportion of Pensionable pay %
	Teachers		
8,034	Contribution to DCSF etc.	8,092	13.73
1,602	Added years and pensions increases	1,590	2.70
0	Lump sum payments	0	
9,636		**9,682**	
	Other employees		
13,018	Contribution to Superannuation Fund	13,824	14.39
1,405	Added years and pension increases	1,395	1.45
0	Lump sum payments	0	
14,423		**15,219**	

Pensions Assets and Liabilities Recognised in the Balance Sheet

	31 Mar 2013 £000	**31 Mar 2014 £000**
Present value of the defined benefit obligation	(626,900)	(730,400)
Fair Value of plan assets	448,300	511,000
Sub-total	**(178,600)**	**(219,400)**
Other movements in the liability (asset) (if applicable)	(40,800)	16,758
Net liability arising from defined benefit obligation	**(219,400)**	**(202,642)**

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

	Year to 31 March 2013 £000's	Year to 31 March 2014 £000's
Opening balance at 1st April	626,900	730,400
Current Service cost	13,900	17,577
Interest cost	30,000	32,847
Contributions from scheme participants	4,700	4,820
Remeasured (gains) and losses:		
Actuarial gains / losses arising from changes in demographic assumptions	0	795
Actuarial gains / losses arising from changes in financial assumptions	76,100	4,606
Other experiences	400	(23,128)
Past service costs	1,100	1,718
Losses / (gains) on curtailment	0	0
Liabilities assumed on entity combinations	0	0
Benefits paid	(22,700)	(23,825)
Liabilities extinguished on settlements	0	0
Closing balance 31st March	**730,400**	**745,810**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets Year to 31 March 2013 £000's	Fair value of scheme assets Year to 31 March 2014 £000's
Cash and cash equivalents	21,684	21,424
Equity instruments:		

By industry type		
Consumer	56,760	57,225
Manufacturing	46,817	52,496
Energy and utilities	45,986	47,989
Financial institutions	56,112	66,328
Health and care	22,811	23,235
Information technology	9,659	10,566
Other	6,885	8,273
Sub-total equity	245,030	266,112
Bonds:		
By sector		
Corporate	39,706	32,287
UK Government	7,949	9,055
Other	17,615	18,828
Sub-total bonds	65,270	60,170
UK Property	14,968	16,000
Overseas Property	0	0
Sub-total property	14,968	16,000
Private equity:		
All	12,346	13,411
Sub-total private equity	12,346	13,411
Investment Funds and Unit Trusts		
Equities	100,907	104,170
Bonds	28,329	28,737
Hedge Funds	0	0
Commodities	0	0
Infrastructure	3,094	3,837
Other	12,557	21,886
Sub-total other investment funds	144,887	158,630
Derivatives:		
Other	6,815	7,421
Total assets	511,000	543,168

All scheme assets have quoted prices in active markets.

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.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hyman Robertson an independent firm of actuaries, estimates for the Greater Manchester Pension Fund based on the latest full valuation of the scheme as at 31st March 2013.

The significant assumptions used by the actuary have been:

Long term expected rate of return on assets in the scheme:	**31 Mar 2013 £000**	**31 Mar 2014 £000**
Actual returns 1st April 2013 to 31st December 2013		6.2%
Total returns from 1st April 2013 to 31st March 2014		7.1%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	20.1 years	21.4 years
- Women	22.9 years	24.0 years
Longevity at 65 for future pensioners:		
- Men	22.5 years	24.0 years
- Women	25.0 years	26.6 years
Rate of inflation	2.8%	2.8%
Rate of increase in salaries	4.6%	3.9%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting scheme liabilities	4.5%	4.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis - Impact on the Defined Benefit obligation in the Scheme

	Approximate % increase to Employer Liability	Approximate amount £000's
1 year increase in members life expectancy	3%	22,374
0.5% decrease in Real Discount Rate	9%	69,915
0.5% increase in the Salary Increase Rate	3%	21,726
0.5% increase in the Pension Increase Rate	6%	47,334

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate as possible. The Greater Manchester Pension Scheme has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next three years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2016.
The scheme will need to take account of the national changes to the scheme under the Public Pensions services Act 2013. Under the Act, The Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2014 (or service after 31st March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £14,089,000 expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 18.8 years, 2013/14 (18.8 years 2012/13).

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 2013 £000's	**Year to 31 March 2014** £000's
Balance 1st April	(178,600)	(219,400)
Remeasurements of the net defined benefit liability / (asset)	(33,000)	29,406
Reversal of items relating to retirement	(20,818)	(26,472)

benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		
Employer's pension contributions and direct payments to pensioners payable in the year	13,018	13,824
Closing Balance	**(219,400)**	**(202,642)**

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.

15. MANCHESTER AIRPORT PLC

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

2012/2013 £000's		2013/2014 £000's
	INCOME	
(429)	Rent Income	(427)
0	Contribution to Reserves	(279)
(1,006)	Dividend Incomes	(1,400)
(1,435)		**(2,106)**
	EXPENDITURE	
80	Repayment of Loans	360
2	Professional fees	0
25	Contribution to Reserve	0
0	Inpairment Charges	0
107		**360**
(1,328)	**NET INCOME**	**(1,746)**

In 2013/14 net income of £1.746 million was transferred to the Comprehensive Income and Expenditure Statement.

16. 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
		£	£	£	£	£
2013/14						
-		-	-	-	-	-
2012/13						
-		-	-	-	-	-

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
		£	£	£	£	£
2013/14						
Chief Executive		149,300	843	**150,143**	26,621	**176,764**
Executive Director – Adult Services		110,139	0	**110,139**	20,153	**130,292**
Executive Director – Communities & Neighbourhoods		101,193	0	**101,193**	18,162	**119,355**
Executive Director – Children's Services		99,162	0	**99,162**	17,797	**116,959**
Executive Director - Resources		104,105	0	**104,105**	18,684	**122,789**
2012/13						
Chief Executive		147,701	963	**148,664**	24,470	**173,134**
Deputy Chief Executive	1	91,933	0	**91,933**	15,721	**107,654**
Executive Director – Adult Services	2	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 - Resources	2	94,170	0	**94,170**	16,236	**110,406**

Note:

1. The postholder left the authority on the grounds of voluntary severance on 31 December 2012.
2. The post of Deputy Chief Executive was deleted and duties passed to other Directors as a result of a restructure.

Note also that the post of Director of Public Health, which is a statutory role following the transfer of NHS staff to the Council on 1 April 2013, is not an employee of Bury Council and has been seconded from Bolton Council. As such the post is not included in the table below. The cost of the post is paid for by Bury Council.

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 (£)	**2012/2013 Teaching Staff**	**2013/2014 Teaching Staff**	**2012/2013 Non-Teaching Staff**	**2013/2014 Non-Teaching Staff**
50,000 to 54,999	41	46	8	6
55,000 to 59,999	39	28	7	10
60,000 to 64,999	29	38	5	2
65,000 to 69,999	8	8	2	1
70,000 to 74,999	4	6	3	2
75,000 to 79,999	5	3	1	4
80,000 to 84,999	3	4	1	1

85,000 to 89,999	2	2	0	0
90,000 to 94,999	1	2	1	0
95,000 to 99,999	2	1	1	1
100,000 to 104,999	0	0	2	2
105,000 to 109,999	0	0	0	0
110,000 to 114,999	0	0	0	1
115,000 to 119,999	0	0	0	0
120,000 to 124,999	0	0	0	0
125,000 to 129,999	0	0	0	0
130,000 to 134,999	0	0	0	0
135,000 to 139,999	0	0	0	0
140,000 to 144,999	0	0	1	0
145,000 to 149,999	0	0	1	1
150,000 to 154,999	0	0	0	0
TOTAL	**134**	**138**	**33**	**31**

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	
	2013/ 2014	**2012/ 2013**	**2013/ 2014**	**2012/ 2013**	**2013/ 2014**	**2012/ 2013**	**2013/ 2014 £000**	**2012/ 2013 £000**
£0 - £20,000	2	2	15	9	**17**	**11**	**188**	**119**
£20,001 – £40,000	1	1	1	3	**2**	**4**	**49**	**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	**3**	**3**	**16**	**13**	**19**	**16**	**237**	**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	
	2013/ 2014	**2012/ 2013**	**2013/ 2014**	**2012/ 2013**	**2013/ 2014**	**2012/ 2013**	**2013/ 2014 £000**	**2012/ 2013 £000**
£0 - £20,000	22	13	72	65	**94**	**78**	**600**	**463**
£20,001 – £40,000	0	0	4	6	**4**	**6**	**93**	**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	**22**	**13**	**76**	**72**	**98**	**85**	**693**	**694**

17. 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.

During 2013/2014 the Council has undertaken the following transactions with related parties:

One 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 £13,841 during 2013/2014 (£11,657 during 2012/2013).

Four 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 £4,795,142 during 2013/2014 (£4,379,645 in 2012/2013). This represents income to the Council of £10,466,557 (£10,305,931 in 2012/2013) and expenditure of £15,261,699 (£14,685,576 in 2012/2013), 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.

18. 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). DSG is ringfenced 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 2013/14 are as follows:

	Central Expenditure	**ISB**	**Total**
	£000	£000	£000
Final DSG for 2013-14 before Academy recoupment			(139,926)
Academy figure recouped for 2013/14			2,378
Total DSG after Academy recoupment for 2013/14			**(137,548)**
Brought Forward from 2012/13			663
Carry-forward to 2014-15 agreed in advance			**0**
Agreed Initial budgeted distribution in 2013/14	**(13,354)**	**(123,531)**	**(136,885)**

In Year Adjustments	0	0	0
Final Budgeted Distribution for 2013/14	**(13,354)**	**(123,531)**	**(136,885)**
Less Actual Central Expenditure	15,908	0	15,908
Less Actual ISB deployed to Schools	0	123,531	123,531
Plus Local Authority contribution for 2013/14	0	0	0
Carry forward to 2014/15	**2,554**	**0**	**2,554**

19. DISCLOSURE OF AUDIT COSTS

In 2013/2014 the Authority incurred the following fees relating to external audit and inspection:

	2012/2013 (£000)	**2013/2014 (£000)**
Fees payable to the Audit Commission / KPMG with regard to external audit services carried out	154	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	24	13
Fees payable in respect of other services provided by KPMG	1	0
Audit Commission subsidy	(13)	0
TOTAL	**166**	**167**

20. 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 pages 10 & 11 of this document is as follows:

2013/14

All figures shown are in £000's

Directorate / Services	Other	Housing General Fund	Children's Services	Communities & Neighbourhoods	Adult Care Services	Directorate Analysis Total
Fees, charges & other service income	(27,954)	(23)	(16,041)	(51,924)	(29,964)	(125,906)
Government Grants	(1,727)	(56,827)	(139,647)	(2,981)	(9,815)	(210,997)
Total Income	**(29,681)**	**(56,850)**	**(155,688)**	**(54,905)**	**(39,779)**	**(336,903)**
Employee expenses	21,933	0	120,233	29,918	24,124	196,208
Other operating expenses	13,313	55,382	74,236	52,196	64,579	259,706
Support service recharges	(705)	1,215	9,060	12,201	7,452	29,223
Total operating expenses	**34,541**	**56,597**	**203,529**	**94,315**	**96,155**	**485,137**
Cost of Service	**4,860**	**(253)**	**47,841**	**39,410**	**56,376**	**148,234**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the	

Comprehensive Income and Expenditure Statement	
	£000's
(Directorate) Analysis	**148,234**
Services and Support Services not in Analysis	2,050
Amounts not reported to management for decision making	167
Amounts not included in I & E	20,001
Sub Total - Cost of Services	**170,452**
Less Corporate Amounts	(152,229)
Total	**18,223**

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	(122,905)	(8,445)	(30,097)	0	(161,473)	(33,889)	(195,362)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	(2,975)	0	0	(18,568)	(21,543)	(3,592)	(25,135)
Income from Council Tax	0	0	0	0	0	(67,279)	(67,279)
Government grants and contributions	(210,997)	(145,047)	(17)	0	(356,061)	(100,307)	(456,368)
Total income	**(336,903)**	**(153,492)**	**(30,114)**	**(18,568)**	**(539,077)**	**(205,067)**	**(744,144)**
Employee expenses	196,208	107,373	0	0	303,581	13,325	316,906
Other service expenses	214,562	45,748	14,926	4,780	280,016	22,657	302,673
Support service recharges	29,223	2,382	0	0	31,605	2,247	33,852
Depreciation, amortisation and impairment	9,244	39	15,318	33,789	58,390	2,402	60,792
Interest payments	8,844	0	37	0	8,881	8,844	17,725
Precepts and Levies	27,056	0	0	0	27,056	0	27,056
Payments to Housing Capital Receipts Pool	0	0	0	0	0	991	991
Gain or Loss on disposal of fixed assets	0	0	0	0	0	2,372	2,372
Total operating expenses	**485,137**	**155,542**	**30,281**	**38,569**	**709,529**	**52,838**	**762,367**
Surplus or deficit on the provision of services	**148,234**	**2,050**	**167**	**20,001**	**170,452**	**(152,229)**	**18,223**

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
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)**

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.

	2012/2013 £000's	2013/2014 £000's
Net expenditure in the (Directorate) Analysis	**140,172**	**148,234**
Net expenditure of services and support services not included in the Analysis	1,543	2,050
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	167	167
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	3,154	20,001
Cost of Services in Comprehensive Income and Expenditure Statement	**145,036**	**170,452**

DISCLOSURE NOTES RELATING TO BALANCE SHEET:

21. 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 2013	208,536	371,727	43,987	12,465	554	637,269
Additions	7,180	6,122	2,806	136	365	16,609
Revaluations recognised in the Revaluation Reserve	7,954	(73,439)	0	0	0	(65,485)
Revaluations recognised in the Surplus/Deficit on the provision of Services	0	(14,851)	0	0	0	(14,851)
Disposals	0	(3,084)	0	0	0	(3,084)
Reclassification (to) / from Held for Sale	(1,174)	(525)	0	0	0	(1,699)

Other movements - Reclassification	0	22,400	0	0	0	22,400
Value of assets at 31 March 2014	**222,496**	**308,350**	**46,793**	**12,601**	**919**	**591,159**
Accumulated depreciation and impairment at 1 April 2013	(6,935)	(26,851)	(15,155)	(6,637)	0	(55,578)
Depreciation - annual charge	(7,154)	(5,025)	(2,290)	(1,109)	0	(15,578)
Depreciation - written out to Revaluation Reserve	6,935	0	0	0	0	6,935
Depreciation - written out to the Surplus/Deficit on the Provision of Services	0	16,729	0	0	0	16,729
Impairments recognised in the Surplus/Deficit on the Provision of Services	(7,180)	(4,881)	(877)	0	(365)	(13,303)
Disposals	0	21	0	0	0	21
Other movements - Reclassification	0	32	0	0	0	32
At 31 March 2014	**(14,334)**	**(19,975)**	**(18,322)**	**(7,746)**	**(365)**	**(60,742)**
Balance Sheet Value of assets at 31 March 2014	**208,162**	**288,375**	**28,471**	**4,855**	**554**	**530,417**
Balance Sheet Value of assets at 1 April 2013	201,601	344,877	28,832	5,828	554	581,692

TANGIBLE FIXED ASSETS - NON-OPERATIONAL	**Non Operational Assets**	**Surplus Assets**	**Assets Under Construction**	**Total**
Certified Valuation or Cost at 1 April 2013	44,153	405	23,268	67,826
Additions	0	0	3,227	3,227
Revaluations recognised in the Revaluation Reserve	(2,166)	0	0	(2,166)
Revaluations recognised in the Surplus/Deficit on the provision of Services	(753)	0	0	(753)
Disposals	(60)	0	0	(60)
Reclassification (to) / from Held for Sale	(0)	0	0	(0)

Other movements - Reclassification	992	0	(23,392)	(22,400)
Value of assets at 31 March 2014	**42,166**	**405**	**3,103**	**45,674**
Accumulated depreciation and impairment at 1 April 2013	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 2014	**0**	**0**	**0**	**0**
Balance Sheet Value of assets at 31 March 2014	**42,166**	**405**	**3,103**	**45,674**
Balance Sheet Value of assets at 1 April 2013	44,153	405	23,268	67,826

Bury Council's share of land owned at Manchester Airport is included in the accounts under Non-Operational Assets at a value of £6.5million, after an upward revaluation of £0.064m in 2013/14. 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 £2.6million. During the year, Radcliffe County Infants and Juniors School has converted to Academy status on a 125 year lease from Bury Council to the sponsor, Bury College. Subsequently, the value of the asset held in Bury Council's accounts has been impaired to reflect the event.

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

Valuations of Fixed Assets carried at Current Value

	Council Dwellings	***Other Land & Bldgs***	***Vehicle Plant & Eqpt***	***Infrastr-ucture Assets***	***Commu-nity Assets***	***Invest ment Props***	***Assets under constru-ction***	***Non-Optnl Assets / 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	-	-	4,855	28,471	554	-	3,103	-	84	-	37,067
Valued at Current / Fair Value:											
2013/14	**208,162**	**(56,502)**	**-**	**-**	**-**	**-**	**-**	**(1,987)**	**-**	**459**	**150,132**
2012/13	-	(5,230)						(1,137)		(716)	(7,083)
2011/2012	-	(6,950)				113		789	23,676	2,227	19,855
2010/2011	-	(2)	-	-	-	-	-	14,323	-	72	14,393
2009/2010 and prior	-	357,059	-	-	-	1,136	-	30,583	-	-	388,778
Total Tangible Fixed Assets	**208,162**	**288,375**	**4,855**	**28,471**	**554**	**1,249**	**3,103**	**42,571**	**23,760**	**2,042**	**603,142**

The statement above 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.

During 2013/2014 the Authority’s housing stock was re-valued to £214.9million.

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.

22. 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	**Art Gallery and Museum**	**Civic Regalia**	**Total**
	Artefacts and Gifts £'000	**Pictures £'000**	**£'000**	**£'000**
Certified Valuation or Cost at 1 April 2013	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 2014	16	23,636	108	**23,760**
Accumulated depreciation and impairment at 1 April 2013	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 2014	0	0	0	**0**
Balance Sheet Value of assets at 31 March 2014	16	23,636	108	**23,760**
Balance Sheet Value of assets at 1 April 2013	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.

The Authority is planning to carry out a revaluation of its Civic regalia collection during 2014/15.

HERITAGE ASSETS: THREE-YEAR SUMMARY OF TRANSACTIONS	2011/2012	2012/2013	2013/2014
	£'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.

There were no disposals of Heritage Assets during the 2013/14 financial year.

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

23. INTANGIBLE FIXED ASSETS

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

	Software Licences £000's
Original cost	**8,950**
Amortisation to 1st April 2013	(5,267)
Balance at 1st April 2013	**3,683**
Purchases in year	568
Amortisation in year	(961)
Balance at 31st March 2014	**3,290**

Expenditure in the year on software licences for new systems totalled £0.568 million. The total cost of the software purchases will be written off over the 5 and 10 years representing the current estimate for their useful life.

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

24. INVESTMENT PROPERTIES

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

	2012/13 £000's	2013/14 £000's
Balance at 1st April	**1,249**	**1,249**
Purchases in year	0	0
Net Gain (Loss) from fair	0	0

value adjustment		
Balance at 31st March	**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:

	2012/13 £000's	2013/14 £000's
Rental Income from Investment Property	140	149
Direct operating expenses arising from investment property	(3)	(10)
Net gain / (loss)	**137**	**139**

25. CAPITAL EXPENDITURE and FINANCING

	2012/2013 £000's	2013/2014 £000's
Opening Capital Financing Requirement	**248,196**	**250,017**
Capital Investment		
Property, Plant And Equipment Additions In the Year		
Operational Assets	13,251	16,609
Non-operational Assets	3,382	3,227
Intangible Assets	20	568
	16,653	**20,404**
Revenue Expenditure Funded from Capital under Statute	1,163	2,424
Revenue Expenditure Funded from Capital under Statute – Equal Pay back Pay	7,593	473
	25,409	**23,301**
Sources of Finance		
Capital Receipts	(1,373)	(684)
Government Grants and other Contributions	(8,918)	(17,812)
Sums set aside from Revenue including Minimum Revenue Provision	(13,297)	(8,389)
	(23,588)	**(26,885)**
Closing Capital Financing Requirement	**250,017**	**246,433**
Explanation of movements in year		
Increase in underlying need to borrow		
- supported by Government financial assistance	0	0
- unsupported by Government financial assistance	7,993	3,007
Minimum Revenue Provision and other repayments in the year	(6,172)	(6,591)
Increase (decrease)in Capital Financing Requirement	**1,821**	**(3,584)**

At 31st March 2013 the Authority had authorised capital expenditure of £24.284 million for 2013/14. The Authority had also identified a capital investment requirement of £35.996 million for the following years under the approved Capital Programme.

Major capital commitments as at 31st March 2014 totalled £8.835million and include:

- Radcliffe Town Centre Redevelopment - £0.874m
- Radcliffe Bus Station Redevelopment - £1.000m
- Adult Social Care Projects - £0.540m
- Radcliffe Empty Property Pilot - £0.418
- Greater Manchester Green Deal Schemes - £1.200m
- Derby High School New Sports Hall - £0.468m
- Elms Bank High Remodelling - £2.761m
- Street Lighting LED (Invest to Save Scheme) - £1.574m

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.

26. 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 2013/2014 was £767,257 (2012/2013 £759,951).

Land and Buildings – the Authority leases numerous buildings, which have been accounted for as operating leases. The rentals payable in 2013/2014 were £1,079,158 (2012/2013 £1,088,221).

The Authority is committed to making payments of £584,503 under operating leases in 2014/2015 for Vehicles, Plant and Equipment and £963,594 for land and Buildings comprising the following elements:

	Land and Buildings £	**Vehicles, Plant and Equipment £**
Leases expiring in 2014/2015	61,100	162,828
Leases expiring between 2015/2016 and 2019/2020	43,660	418,413
Leases expiring after 2019/2020	858,834	3,262
TOTAL	**963,594**	**584,503**

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 2013/2014 were £3,392,327 (2012/2013 £3,314,360).

The gross value of assets held for use in operating leases was £46,855,455. 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 2014.

27. *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 2013 £000	31 March 2014 £000
Vehicles, Plant, Furniture and Equipment	2,563	1,576
Total	**2,563**	**1,576**

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 2013 £000	31 March 2014 £000
Finance lease liabilities (net present value of minimum lease payments)	2,254	1,802
Finance costs payable in future years	210	134
Minimum lease payments	**2,464**	**1,936**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
Not later than 1 year	528	511	452	456
Later than 1 year not later than 5 years	1,771	1,425	1,637	1,346
Later than 5 years	165	0	165	0
	2,464	**1,936**	**2,254**	**1,802**

Authority as Lessor:

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

28. *INVESTMENTS*

Investments at 31st March: consisted of:-	**2012/13 £000's**	**2013/14 £000's**
Manchester Airport Group plc	29,300	36,700
Bury MBC Townside Fields Ltd	13,351	7,257
TOTAL	**42,651**	**43,957**

Manchester Airport Group plc – During 2012/13, Manchester Airport Group acquired Stansted Airport, resulting in a change of structure. The Council's shareholding in Manchester Airport Holdings reduced from a 5% holding to 3.22% of the airports capital as a result of the restructure. The asset is valued using the earning based method and discounted cash flow method resulting in the asset being valued at fair value rather than historic cost, therefore requiring an annual valuation. A firm of financial experts and valuers have provided an independent valuation which includes reviewing the financial performance, stability and business assumptions of the Manchester Airport Group. The valuation provided is based on estimations and assumptions and therefore should the Council sell its shareholding the value held in these statements may not be realised. As at 31 March 2014 the valuers advised of an increase of £7.4m in the fair value Council share from £29.3m to £36.7m which has been reflected in the financial statement.

The revaluation has been balanced by an increase in the Financial Instruments Available-For-Sale Reserve – see Note 37, page 91.

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.

29. ANALYSIS OF DEBTORS

	2012/13	2013/14
	£000's	£000's
Central Government Bodies	8,543	11,107
Other Local Authorities	3,393	2,187
NHS Bodies	(905)	(918)
Public Corporations and Trading Funds	1,040	527
Bodies External to General Government	23,726	23,438
TOTALS	**35,797**	**36,341**

30. ANALYSIS OF CREDITORS

	2012/13	2013/14
	£000's	£000's
Central Government Bodies	1,375	1,949
Other Local Authorities	1,278	2,053
NHS Bodies	689	477
Public Corporations and Trading Funds	1,714	1,420
Bodies External to General Government	21,028	23,071
TOTALS	**26,084**	**28,970**

31. LOANS OUTSTANDING, LONG & SHORT TERM

	2012/2013	2013/2014
	£000's	£000's
Analysis by loan type:		
PWLB loans:		
Bury	155,550	148,024
Airport	4,206	3,397
Market loans	39,646	58,264
Temporary loans	6,006	2,006

Local bonds	3		3	
TOTAL		**205,411**		**211,694**
Analysed by maturity period:-				
Short Term Loans Outstanding				
Within 1 year	14,304	14,304	8,610	8,610
Long Term Loans Outstanding				
1/2 years	6,085		11,311	
2/3 years	9,312		17,028	
3/4 years	508		2,224	
4/5 years	2,675		22	
5/6 years	27		10,160	
6/10 years	14,256		4,096	
10/15 years	554		554	
15+ years	157,690	191,107	157,689	203,084
TOTAL		**205,411**		**211,694**

The PWLB debt at 31st March 2014 includes **£3.397 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

	2012/2013 £000's	**2013/2014 £000's**
Debt ex GMC - Tameside	6,040	5,504
Debt ex Probation - Trafford	19	18
Debt ex Inner City Central Station - MCC	75	68
Debt ex Airport GMMDAF	896	817
TOTAL	**7,029**	**6,407**

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. PROVISIONS

Short Term Provisions

	31st March 2013 £000's	**Income £000's**	**Expenditure £000's**	**31st March 2014 £000's**
Chief Executive's	(268)	0	115	(153)
Children's Services	(1,316)	(180)	203	(1,293)
Adult Care Services	(388)	0	0	(388)

D C N	(265)	(256)	257	(264)
Authority Wide	(608)	0	0	(608)
TOTALS	**(2,845)**	**(436)**	**575**	**(2,706)**

Short term provisions are those provisions that are expected to be expended in the next financial year. The Chief Executive's provision relates to personal search fees expected to be incurred by Legal Services. The Children's Services provision includes amounts relating to schools (£270,000) together with numerous other smaller provisions. The Adult Care Services provision relates to a potential back dated increase in care home fees. The DCN 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 2013 £000's	Income £000's	Expenditure £000's	31st March 2014 £000's
Liability Insurance	(23,705)	(2,845)	2,779	(23,771)
Property Insurance	(837)	(107)	54	(890)
Children's Services	(368)	0	188	(180)
Development Services	(250)	(2)	0	(252)
Equal Pay Back Pay	(6,797)	0	472	(6,325)
Business Rates Appeals	(600)	(1,000)	600	(1,000)
Other	(1,208)	(86)	300	(994)
TOTALS	**(33,765)**	**(4,040)**	**4,393**	**(33,412)**

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 £2.845m 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 £2.779m 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 £107,000 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 (£140,000), and Workforce Non-Devolved (£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 2013/14.

Changes to the Business Rates system came into force with effect from 1st April 2013 under the Localism Act. Local Authorities now retain 50% of rates collected, and also assume responsibility for 50% of any losses due to appeals. The process for lodging and processing appeals is beyond the control of the Local Authority, and reductions can be backdated. The Business Rates provision is to cover the backdating of appeals lodged, but not yet heard.

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 and a Furnished Tenancy Replacement provision of £247,000.

34. 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:

2012/2013		2013/2014
£000's		£000's
	Amounts received in advance in year:	
952	Children's Services grants	422
0	Department for Transport Special Projects	7
69	DEFRA Environmental projects	59
27	Lottery Funding – Sport England	27
10	Other Contributions	0
1,058	**Balance carried forward at 31 March:**	**515**

35. 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 9 outstanding claims with MMI totalling £77,079 as at 31st March 2014. 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 £2,000,440 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 £1,700,440 (i.e. £2,000,440 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.

NNDR Appeals

The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

Modesole

As a result of the Council receiving a distribution of proceeds from the sale of its entire shareholding in Modesole Ltd, a liability may arise, the extent of which cannot yet be determined. An indemnity was given to the buyer against any future liabilities arising in Modesole prior to the date of the sale. This indemnity is limited to the value of the sale proceeds received and will last for a period of 10 years from the date of sale, which was completed on 9 August 2005.

Metrolink

The Association of Greater Manchester Authorities (AGMA), the Greater Manchester Passenger Transport Authority and Executive (PTA/E) and the Department for Transport (DFT) for Metrolink phase 3a have entered into a partnership funding approach. Within the agreement the DFT contribution is capped at £244m in cash and that the PTA/E and the AGMA authorities are jointly and severally responsible for meeting all costs over and above that sum on the strict understanding that the scope of the scheme granted full approval is delivered. The scheme is fully funded at present and the above arrangement will only be operative if it is exceeded. Strict monitoring arrangements will be put in place by all parties to minimise the risk of that happening.

36. 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:

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**

Funds for which the Council acts as custodian trustee:

2013/14	**Income £000**	**Expenditure £000**	**Assets £000**	**Liabilities £000**
Rigby Trust Established in 2006 for the help and comfort of the elderly of Bury	4	0	377	0
British Cotton Growers Established in 1906 for the education and health of children and young people in Ramsbottom	1	0	119	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	7	10	40	0
Prestwich & District Sick Poor Fund Established in 1953 to benefit sick or poor persons in the borough of Prestwich	0	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	1	0	5	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	2	0
Total	**13**	**10**	**618**	**0**

Other Funds:	**£000**
Hollins Institute Education Fund Promotion of education in Hollins and surrounding areas	161
Henry Howarth For education and training of young people from Ramsbottom	1
Others	2
Total	**164**

37. 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: -

It has adopted the CIPFA's Treasury Management in the Public Services: Code of Practice.

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 2013 £000s	**31st March 2014 £000s**	**31st March 2013 £000s**	**31st March 2014 £000s**	**31st March 2013 £000s**	**31st March 2014 £000s**
Borrowings						
Financial liabilities at amortised cost	191,107	203,084	14,304	8,610	205,411	211,694
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	**191,107**	**203,084**	**14,304**	**8,610**	**205,411**	**211,694**

Investments						
Loans and receivables	8,411	8,411	18,067	44,417	26,478	52,828
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	29,300	36,700	0	0	29,300	36,700
Total investments	**37,711**	**45,111**	**18,067**	**44,417**	**55,778**	**89,528**

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**.**
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 2013 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

2013/2014	**Financial Liabilities**	**Financial Assets**			**Total**
	Liabilities measured at amortised cost	**Loans and receivables**	**Available-for-sale assets**	**Fair value through P&L**	
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Interest expense	(8,844)	0	0	0	(8,844)
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable and similar charges	**(8,844)**	**0**	**0**	**0**	**(8,844)**
Interest income	0	3,592	0	0	3,592
Gains on derecognition	0	0	0	0	0
Interest and investment income	**0**	**3,592**	**0**	**0**	**3,592**
Gains on revaluation	0	0	7,400	0	7,400
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**	**7,400**	**0**	**7,400**
Net gain/(loss) for the year	**(8,844)**	**3,592**	**7,400**	**0**	**2,148**

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 2013		**31st March 2014**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000s	**£000s**	**£000s**	**£000s**
PWLB Loans	159,756	169,410	151,421	151,963
LOBO/Market Loans	39,646	43,056	58,264	59,118
Temporary Loans	6,006	6,007	2,006	2,006
Local Bonds	3	3	3	3
Financial liabilities	**205,411**	**218,476**	**211,694**	**213,090**

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 2013		31st March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Call Investments	4,490	4,490	23,529	23,719
Fixed Investments	13,577	13,619	20,887	20,930
Term Deposit	0	0	0	0
Manchester Airport Loan	8,411	8,411	8,411	8,411
Financial assets	**26,478**	**26,520**	**52,827**	**53,060**

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 2014	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2014	Estimated maximum exposure to default and uncollectability
	£000s	**%**	**%**	**£000s**
Deposits with banks and other financial institutions	44,416	0.00%	0.00%	0
Bonds and other securities	0	0.00%	0.00%	0
Sundry Debtors	36,941	1.03%	1.03%	380
Total	**81,357**			**380**

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 £36.341m a main risk of losses relates to system debtors of £8,768. The Council does not generally allow credit for customers, such that **£8,331** of the **£8,768** 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 2014
	£000s
Less than three months	4,473
Three to four months	111
Four months to one year	1,116
More than one year	2,631
Total	**8,331**

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 2013	Loans Outstanding	On 31 March 2014
£000s		**£000s**
158,691	Public Works Loans Board	150,440
39,000	LOBO Loans	39,000
6,000	Market Debt	20,500
3	Local bonds	3

203,694	**Total**	**209,943**
14,251	Less than 1 year	8,579
6,579	Between 1 and 2 years	11,280
11,854	Between 2 and 5 years	19,078
14,003	Between 5 and 10 years	14,000
157,007	More than 10 years	157,006
203,694	**Total**	**209,943**

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 2014, 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	343
Increase in interest receivable on variable rate investments	(309)
Increase in government grant receivable for financing costs	(21)

Impact on Comprehensive Income and Expenditure Statement	**13**
Share of overall impact credited to the HRA	**8**
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)	124
Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure Statement)	25,337

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.

DISCLOSURE NOTES RELATING TO CASH FLOW STATEMENT:

38. 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:

2012/2013			**2013/14**
£000's		**£000's**	**£000's**
(3,196)	**(SURPLUS) /DEFICIT FOR THE YEAR ON PROVISION OF SERVICES**		**18,223**
	Non Cash Movements in I & E Statement:		
(22,247)	Provision for Depreciation & Impairment of Fixed Assets	(37,190)	
(6,410)	Other Provisions	(214)	
5,677	Minimum Revenue Provision	5,839	
(4,740)	Contributions from / (to) Revenue Reserves	(7,917)	
22,922	Other General Fund Items	13,907	
(1,277)	Other non-cash Movements	(2,334)	
(6,075)			**(27,909)**
	Movements in Current Assets and Liabilities:		
9	Increase / (Decrease) in Stock	6	
2,633	Increase / (Decrease) in Revenue Debtors	1,606	
1,025	(Increase) / Decrease in Revenue Grants Received in Advance	(36)	
883	(Increase) / Decrease in Revenue Creditors & Advance Receipts	(2,540)	
4,550			**(964)**
	Items shown elsewhere in the Cash Flow Statement:		

(4,073)	Interest Paid	(3,812)	
3,929	Interest Received	3,592	
1,006	Dividend Income	1,400	
862			**1,180**
(3,859)	**NET CASH INFLOW FROM REVENUE ACTIVITIES**		**(9,470)**

39. ANALYSIS OF NET DEBT

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

	31st March 2013	Receipts	Payments	Other Movements	31st March 2014
	£000's	£000's	£000's	£000's	£000's
Cash Overdrawn	**(4,253)**	(75,912)	73,180	0	**(6,985)**
Cash & Cash Equivalents	**6,771**	0	18,564	0	**25,335**
Debt Due Beyond One Year	**(191,107)**	(18,500)	8,251	(1,728)	**(203,084)**
Debt Due Within One Year	**(14,304)**	(2,000)	6,000	1,694	**(8,610)**
Long Term Debtors	**10,961**	0	124	0	**11,085**
Current Asset Investments	**13,577**	0	7,310	0	**20,887**
TOTALS	**(178,355)**	**(96,412)**	**113,429**	**(34)**	**(161,372)**

40. RECONCILIATION OF NET DEBT

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

2012/2013		2013/2014
£000's		£000's
5,166	**(Increase)/ Decrease in Cash Overdrawn in the Year to 31st March**	15,832
1,594	(Increase)/Decrease in Debt	(6,159)
(6,458)	Increase/(Decrease) in Investments	7,310
302	**Change in Net Debt**	**16,983**
(178,657)	Net Debt at 1st April	(178,355)
(178,355)	Net Debt at 31st March	(161,372)
302	**Movement in Net Debt**	**16,983**

41. ANALYSIS OF GOVERNMENT GRANTS

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

2012/2013		2013/2014
£000's		£000's
35,069	Housing Benefits	35,898
14,286	Council Tax Benefits	0
8,804	Children's Social Care	1,057
138,994	Education Grants	146,623
5,172	Adult Care Services	9,815
19	Probation	20
4,307	Other Grants	4,436

206,651	**TOTAL**	**197,849**

42. 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 2013 £000's	**31st March 2014 £000's**	**Movement £000's**
Bank Overdraft	(4,253)	(6,985)	2,732
Cash and Cash Equivalents	6,771	25,335	(18,564)
TOTALS	**2,518**	**18,350**	**(15,832)**

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.

2012/2013 £000's		2013/2014 £000's	Note
	Income		
(28,605)	Dwelling Rents (gross)	(29,553)	**1,2,9**
(217)	Non-Dwelling Rents	(225)	
(991)	Charges for Services and Facilities	(959)	
(7)	Contributions towards expenditure	(38)	
(29,820)	**Total Income**	**(30,775)**	
	Expenditure		
6,656	Repairs and Maintenance	6,569	
7,745	Supervision and Management	7,706	
57	Rents, Rates, taxes & other charges	130	
(17)	Negative Housing Revenue Account subsidy payable	0	**8**
15,318	Depreciation and Impairment of fixed assets	14,335	**5,6**
37	Debt management costs	41	
191	Increased Provision for Bad & Doubtful Debts	191	**9**
29,987	**Total Expenditure**	**28,972**	
167	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**	**(1,803)**	
11	HRA services share of Corporate and Democratic Core	11	
178	**Net Cost of HRA Services**	**(1,792)**	
	HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:		
4,705	Interest payable and other similar charges	4,492	
(74)	Interest and investment income	(71)	
4,809	**(Surplus) or Deficit for the year on HRA Services**	**2,629**	

Movement on the HRA Statement

2012/2013	2013/2014

£000's		£000's
(765)	**Balance on the HRA at the end of the previous year**	**(3,692)**
4,809	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	2,629
(7,736)	Adjustments between accounting basis and funding basis under regulations	(6,425)
(2,927)	Net (increase) or decrease before transfers to or from reserves	**(3,796)**
0	**Transfers (to) or from reserves**	0
(2,927)	(Increase) or decrease in year on the HRA	**(3,796)**
(3,692)	**Balance on the HRA at the end of the current year**	**(7,488)**

Note to the Movement on the HRA Statement

2012/2013 £000's		2013/2014 £000's	Note
	Adjustments between accounting basis and funding basis under regulations		
(19)	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	(15)	
(8,406)	Reversal of impairment losses	(7,180)	
689	Capital expenditure funded by the HRA	770	
(7,736)		**(6,425)**	
0	Transfer from Major Repairs Reserve	0	**3**
0		**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: -

2012/2013		2013/2014
	Flats and Maisonettes	
2,302	1 Bedroom	2,291
825	2 Bedrooms	818
60	3 Bedrooms	58
233	Bedsitters	156
	Houses & Bungalows	
807	1 Bedroom	807
1,840	2 Bedrooms	1,833
2,198	3 Bedrooms or more	2,175
8,265	**TOTAL**	**8,138**

Council house sales and the disposal of three previously decommissioned sheltered schemes 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 **£1.407 million.** This figure represents an increase in the region of 328% compared to the 2012/13 figure of £0.429 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:-

2012/2013 £000's	Total Balance Sheet value as at 1st April	2013/2014 £000's
203,575	Dwellings	200,086
1,469	Shops, Offices and Garage Colonies	1,515
205,044	**Total Operational Assets**	**201,601**
7,156	Additions	7,180
42	Certificated Revaluation – Shops and Offices	12
(1,236)	Housing Stock Revaluations	7,942
(1,907)	Depreciation	(219)
(7,156)	Impairments	(7,180)
(342)	Sale of Council Houses	(1,174)
0	Sale of other Council Housing assets	0
201,601	**Balance Sheet Value as at 31st March**	**208,162**
200,086	Dwellings	206,614
1,515	Shops, Offices and Garage Colonies	1,548
201,601	**Total Operational Assets**	**208,162**

2. VACANT POSSESSION

(i) The Vacant Possession Value (VPV) of dwellings within the Council's HRA as at 1st April 2013 was £614.0 million representing an approximate increase of 3.64% over the 1st April 2012 figure of £592.2 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 for the North West and Merseyside Region was set from April 2010 at 35% and this has not changed. The adjusted figure for 1st April 2013 is therefore £214.9m.

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 2012/2013		£000's 2013/2014
18	**Balance as at 1st April**	**745**
6,913	Transferred to MRR during the year	7,154
0	Credit in respect of General Fund depreciation	0
0	Transferred from MRR to HRA during the year	0
(6,186)	Debits in respect of capital expenditure within HRA	(6,410)
745	**Balance as at 31st March**	**1,489**

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 2012/2013		£000's 2013/2014
7,156	**Total Capital expenditure within the HRA**	**7,180**
	Financed By:	
219	External Contributions	0
689	Revenue Contributions	770
62	Capital receipts	0
6,186	Major Repairs Reserve	6,410
7,156	**Total**	**7,180**

5. DEPRECIATION

Authorities are required to charge depreciation on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. In 2013/14, the total charge for depreciation for council houses was £7,112,500 (£6,872,000 in 2012/13) and for other property was £41,911 (£40,463 in 2012/13). 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 component average useful life, and is considered to be a reasonable approximation.

6. IMPAIRMENT CHARGES

Impairment charges of £7.180 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. The HRA subsidy system ended in April 2012 and was replaced with self-financing. Total subsidy amount payable to the DCLG in 2012/13 was £17,000.

9. RENT ARREARS / BAD DEBT PROVISION

RENT ARREARS

The rent arrears as at 1 April, 2013 totalled £843,949 and at 31 March, 2014 they totalled £850,460. 57.44% of the arrears at 31 March 2014 related to current tenants (61.88% at 31st March 2013) and 42.56% related to former tenants (38.12% at 31st March 2013). The figures stated represent gross arrears and are not shown net of advances as in previous years.

BAD DEBT PROVISION

£000's 2012/2013		£000's 2013/2014	£000's 2013/2014
594	**Opening Bad Debt Provision**		**589**
191	Charged to HRA	191	
(215)	Written off	(173)	
19	Reinstated previously written off amount	11	
(5)	**Net increase / (decrease)**		**29**
589	**Closing Bad Debt Provision**		**618**

COLLECTION FUND

THE COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of the council tax and non-domestic rates.

2012/ 2013	INCOME AND EXPENDITURE ACCOUNT	2013/ 2014	2013/ 2014	2013/ 2014	Note
		Council Tax	NNDR	Total	
£000's	INCOME	£000's	£000's	£000's	
(73,284)	Income from Council Tax Payers net of Council Tax Benefit Support Scheme	(79,631)	0	(79,631)	1
0	Other	(4)	0	(4)	
(14,228)	Council Tax Benefit	0	0	0	
(48,912)	NNDR collected from Business Rate payers	0	(50,470)	(50,470)	2
0	Transitional Relief	0	(93)	(93)	
(136,424)	***TOTAL INCOME***	**(79,635)**	**(50,563)**	**(130,198)**	
	EXPENDITURE				
87,291	Precepts on the Collection Fund	77,340	0	77,340	3
47,379	NNDR Payments to Government	0	0	0	
0	Payment to Government	0	25,355	25,355	
0	Payment to Fire	0	493	493	
0	Payment to Bury Council	0	24,362	24,362	
238	Cost of Collection	0	240	240	
0	Interest Payable net of refunds	0	0	0	
	Bad and Doubtful Debts				
195	Increased/(Reduced) Provision	(77)	725	648	
1,909	Write Offs	810	657	1,467	
600	Reversal of prior year contribution to provision in respect of NNDR appeals	0	(600)	(600)	
0	Provision in respect of NNDR appeals	0	1,000	1,000	
	Transfer of Previous Year's Estimated Surplus / (Deficit)				

0	To General Fund	0	0	0
0	To Major Preceptors	0	0	0
137,612	***TOTAL EXPENDITURE***	**78,073**	**52,232**	**130,305**
1,188	***FUND DEFICIT/ (SURPLUS) FOR THE YEAR***	**(1,562)**	**1,669**	**107**
0	**PRIOR YEAR ADJUSTMENT**	**0**	**0**	**0**
972	***BALANCE BROUGHT FORWARD***	1,560	600	2,160
2,160	***BALANCE CARRIED FORWARD***	**(2)**	**2,269**	**2,267**

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	25,176	6/9	16,784
B	£40,000 to £52,000	15,971	7/9	12,421
C	£52,000 to £68,000	15,437	8/9	13,721
D	£68,000 to £88,000	8,114	1	8,114
E	£88,000 to £120,000	4,940	11/9	6,037
F	£120,000 to £160,000	1,669	13/9	2,410
G	£160,000 to £320,000	1,185	15/9	1,975
H	More than £320,000	148	18/9	296
		72,640		**61,758**
	Less allowance for losses on collection			(1,853)
	Impact of Council Tax Support Scheme			(8,677)
	COUNCIL TAX BASE 2013/2014			**51,228**

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 **£1,510.81** (£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 2013/2014 was **47.1p** in the pound (45.8p in 2012/2013) and at 31st March 2014 the estimated non-domestic rateable value of the Borough was **£128,300 million** (£129,635 million at 31st March 2013). In addition in 2013/14 the Small Business Rate was set at **46.2p** in the pound (45.0p for 2012/13).

3. PRECEPTS

The precepts on the Collection Fund were: -

	2012/2013 £000's	2013/2014 £000's
Bury Council	75,487	66,793
Greater Manchester Police Authority	8,649	7,602
Greater Manchester Fire & Civil Defence Authority	3,155	2,945
TOTAL	**87,291**	**77,340**

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, Group Balance Sheet and Group 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 pages 119 to 120.

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 2013 to 31 March 2014, 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 2013/2014 are audited by Baker Tilly UK and will be submitted to their Audit and Standards Committee on 6 August, and will be followed by the Board and AGM meetings for approval in September.

Copies of Six Town Housing Ltd 2013/14 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 2014 have been used to prepare the group accounts. The company's auditors are Horsfield and Smith.

GROUP MOVEMENT IN RESERVES STATEMENT

2013/14	General Fund Balance £000's	Earmarked GF Reserves £000's	Housing Revenue Account £000's	Collection Fund Balance £000's	Capital Receipts Unapplied £000's	Major Repairs Reserve £000's	Capital Grants Unapplied £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Group Reserves £000's
Balance at 1st April 2013	**16,918**	**41,869**	**3,692**	**(2,160)**	**747**	**745**	**10,359**	**72,170**	**214,073**	**286,243**
Movement in reserves during 2013/14										
Surplus / (deficit) on the provision of services	(15,594)	(342)	(2,629)	0	0	0	1	(18,564)	0	(18,564)
Other Comprehensive Income and Expenditure	0	849	0	0	0	0	0	849	(19,290)	(18,441)
Total Comprehensive Income and Expenditure	**(15,594)**	**507**	**(2,629)**	**0**	**0**	**0**	**1**	**(17,715)**	**(19,290)**	**(37,005)**
Adjustments between accounting basis & funding basis under regulations	6,645	0	6,410	(107)	179	744	(1,017)	12,854	(12,854)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	**(8,949)**	**507**	**3,781**	**(107)**	**179**	**744**	**(1,016)**	**(4,861)**	**(32,144)**	**(37,005)**
Transfers to / from Earmarked Reserves	7,719	4,715	15	0	0	0	0	12,449	(12,449)	0
Increase / Decrease (movement) in 2013/14	**(1,230)**	**5,222**	**3,796**	**(107)**	**179**	**744**	**(1,016)**	**7,588**	**(44,593)**	**(37,005)**
Balance at 31 March 2014 carried forward	**15,688**	**47,091**	**7,488**	**(2,267)**	**926**	**1,489**	**9,343**	**79,758**	**169,480**	**249,238**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2012/2013				2013/2014	
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000's	**£000's**	**£000's**		**£000's**	**£000's**	**£000's**
			Continuing Services			
33,850	(30,645)	3,205	Central Services to the Public including Court Services	16,670	(12,084)	4,586
16,423	(5,707)	10,716	Cultural and Related Services	17,082	(5,728)	11,354
22,714	(4,162)	18,552	Environment & Regulatory Services	24,851	(3,677)	21,174
2,992	(1,358)	1,634	Planning Services	2,429	(1,914)	515
203,087	(173,286)	29,801	Children's & Education Services	217,964	(166,631)	51,333
28,120	(5,994)	22,126	Highways & Transport Services	27,978	(5,725)	22,253
30,281	(30,115)	166	Local Authority Housing (HRA)	29,379	(31,182)	(1,803)
51,614	(58,359)	(6,745)	Other Housing Services	54,234	(61,580)	(7,346)
81,322	(31,164)	50,158	Adult Social Care Services	82,801	(28,191)	54,610
		0	Public Health	8,002	(9,447)	(1,445)
4,521	6,509	11,030	Corporate & Democratic Core	3,342	7,168	10,510
2,440	(36)	2,404	Non-Distributed Costs	3,140	(329)	2,811
302	(470)	(168)	Other Operating Inc & Exp.	986	(1,061)	(75)
477,666	**(334,787)**	**142,879**	**Cost Of Services**	**488,858**	**(320,381)**	**168,477**
			Other Operating Expenditure			
0	(187)	(187)	(Gain)/Loss on Disposal of Non-Current Assets	2,372	0	2,372
34,645	(34,621)	24	(Surplus)/Deficits on Trading Operations	33,739	(35,617)	(1,878)
303	0	303	Contribution of Housing Capital Receipts to Government Pool	991	0	991
34,948	**(34,808)**	**140**		**37,102**	**(35,617)**	**1,485**
			Financing and Investment Income and Expenditure			
9,035	0	9,035	Interest Payable & other Similar Charges	8,843	0	8,843
0	(3,959)	(3,959)	Interest and Investment Income	0	(3,565)	(3,565)
5,000	(31)	4,969	Pensions Interest Cost and Expected Return on Pensions Assets (IAS19)	9,991	0	9,991
25	0	25	Taxation of Group Entities	75	(5)	70
14,060	**(3,990)**	**10,070**		**18,909**	**(3,570)**	**15,339**
			Taxation and Non-Specific Grant Income			
			Demand On Collection Fund:			
0	(77,375)	(77,375)	Council Tax	0	(67,279)	(67,279)
0	(2,399)	(2,399)	Government Grants (not attributable to specific services)	0	(51,459)	(51,459)
0	(62,015)	(62,015)	Non-Domestic Rate distribution	0	(30,876)	(30,876)
0	(14,480)	(14,480)	Capital grants and contributions	0	(17,972)	(17,972)
0	**(156,269)**	**(156,269)**		**0**	**(167,586)**	**(167,586)**
526,674	**(529,854)**	**(3,180)**	**(Surplus) or Deficit On Provision of Services**	**544,869**	**(527,154)**	**17,715**
		(7)	(Surplus) / Deficit on revaluation of property, plant and equipment			56,359
		954	Impairment Losses on Non-Current Assets charged to Revaluation Reserve			4,421
		(19,008)	(Surplus) / Deficit on revaluation of available for sale financial assets			(7,325)
		41,827	Actuarial (gains) / losses			(21,633)
		(1,775)	Any other (gains)/ losses for the year			(12,532)
		21,991	**Other Comprehensive Income and Expenditure**			**19,290**
		18,811	**Total Comprehensive Income and Expenditure**			**37,005**

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

2012/13 £000's		2013/14 £000's
(3,196)	(Surplus) / deficit for the year on the Authority Comprehensive Income and Expenditure Statement	18,223
0	Adjustments for transactions with other group entities	0
(3,196)	Surplus / Deficit on provision of services in the Group Comprehensive Income and Expenditure Statement attributable to the Authority	18,223
	(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	
16	Joint Venture	(508)
(3,180)	(Surplus) / Deficit on provision of services for the year on Group Comprehensive Income and Expenditure Statement	**17,715**

GROUP BALANCE SHEET AT 31ST MARCH 2014

31/03/2013 £'000		£'000	31/03/2014 £'000	£'000
	PROPERTY, PLANT & EQUIPMENT			
	Tangible Fixed Assets			
	Operational Assets:			
201,601	Council Dwellings	211,561		
344,877	Other Land & Buildings	288,375		
28,832	Infrastructure Assets	28,471		
5,828	Vehicles & Plant	4,855		
554	Community Assets	554		
44,153	Non-Operational Assets	42,166		
28,715	Assets under construction	3,104		
405	Surplus assets held for disposal	405	**579,491**	
3,683	Intangible Fixed Assets	3,290	**3,290**	
12,503	Investment Property	8,262	**8,262**	
23,760	Heritage Assets	23,760	**23,760**	
694,911	**TOTAL FIXED ASSETS**		**614,803**	**614,803**
	LONG TERM INVESTMENTS			
29,300	Manchester Airport PLC		36,700	
29,300				**36,700**
	LONG TERM DEBTORS			
280	Long term Debtors - General		151	
9,536	Loan Accounts		9,395	
19	Debt Managed for Probation Services		18	**9,564**
9,835				
	CURRENT ASSETS			
1,330	Stocks & Work in Progress	1,336		
32,429	Sundry Debtors & Advance Payments	32,785		
1,583	Assets Held for Sale	2,042		
13,577	Short Term Investments	20,887		
12,898	Cash And Cash Equivalents	29,551		
61,817			**86,601**	
	LESS : CURRENT LIABILITIES			
(14,304)	Short Term Loans Outstanding	(8,610)		
(115)	Deposits & Clients' Funds	(173)		
(2,845)	Short Term Provisions	(2,706)		
(28,906)	Sundry Creditors & Advance Receipts	(28,116)		
(256)	Revenue Grant Receipts in Advance	(292)		
(4,253)	Bank Accounts	(6,985)		
(50,679)			**(46,882)**	
11,138	**NET CURRENT ASSETS**			**39,719**
745,184	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**700,786**
	LESS: LONG TERM LIABILITIES			
(191,107)	External Loans Outstanding		(203,084)	
(1,058)	Capital Grants Receipts in Advance		(515)	
(2,254)	Finance Lease Liabilities		(1,802)	
(7,029)	Deferred Liabilities		(6,407)	
(223,728)	Pension Liability		(206,194)	
(33,765)	Long Term Provisions		(33,546)	
(458,941)				**(451,548)**
286,243	**TOTAL NET ASSETS**			**249,238**

31/03/2013 £'000		31/03/2014 £'000	£'000
	FINANCED BY :		
	USABLE RESERVES		
(28,443)	Earmarked Reserves	(33,222)	
(747)	Capital Receipts Unapplied	(926)	
(10,359)	Capital Grants Unapplied	(9,342)	
(16,918)	General Fund	(15,688)	
(3,692)	Housing Revenue Account	(7,488)	
(745)	Major Repairs Reserve	(1,489)	
(1,874)	Competitive Services / Commuted Sums	(2,146)	
2,160	Collection Fund Balance	2,267	
(11,552)	Other Balances	(11,724)	
(72,170)			**(79,758)**
	UNUSABLE RESERVES		
(193,349)	Revaluation Reserve	(128,269)	
(234,148)	Capital Adjustment Account	(229,450)	
(67)	Financial Instruments Adjustment Reserve	8	
(19,086)	Available for Sale Financial Instruments Reserve	(26,486)	
1,391	Collection Fund Adjustment Account	2,067	
3,010	Accumulated Absences	2,641	
221,210	Pension Reserve	203,330	
6,987	Equal Pay Back Pay Reserve	6,693	
(21)	Deferred Capital Receipts	(14)	
(214,073)			**(169,480)**
(286,243)	**TOTAL RESERVES AND BALANCES**		**(249,238)**

GROUP CASH FLOW STATEMENT

2012/13 £000's		2013/2014 £000's	£000's	£000's
	OPERATING ACTIVITIES			
	Cash Outflows:			
186,552	Cash Paid to and on behalf of Employees	194,537		
229,864	Cash Paid for Goods and Services	239,265		
34,959	Housing Benefit paid out	35,574		
140	VAT payments (BMBCTF)	176		
4,380	Interest Paid	4,642		
11	Corporation tax (STH)	2		
303	Payments to Housing Capital Receipts Pool	991		
456,209	**Cash Outflows Generated from Operating Activities**		**475,187**	
	Cash Inflows:			
(28,388)	Rents (after Rebates)	(29,328)		
(63,374)	Council Tax Receipts (excl major preceptors share of receipts)	(68,483)		
(62,015)	NNDR Receipts (excl government and major preceptors)	(24,361)		
(1,202)	Revenue Support Grant	(47,284)		
(49,355)	DWP Grants for Benefits	(35,898)		
(158,746)	Other Government Grants	(162,101)		
(3,959)	Interest Received	(3,611)		
(1,006)	Airport Dividend Received	(1,400)		
(95,523)	Cash Received for Goods and Services	(112,334)		
(463,568)	**Cash Inflows Generated from Operating Activities**		**(484,800)**	
(7,359)	**NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES**			**(9,613)**
	INVESTING ACTIVITIES			
15,578	Purchase of Fixed Assets		17,575	
1,347	Capital Expenditure (STH)			
8	Purchase of Long Term Investments		1,306	
(6,458)	Net Increase / (Decrease) in Short Term Deposits		7,310	
(705)	Proceeds of Sale of Fixed Assets		(6,570)	
(11,324)	Capital Grants received		(515)	
(1,554)	**NET CASH FLOWS FROM INVESTING ACTIVITIES**			**19,106**
	FINANCING ACTIVITIES			
	Repayments of amounts borrowed:			
7,968	Long Term loans repaid		14,417	
2,000	Short Term loans repaid		6,000	
(359)	Net Receipts from Long Term Debtors		124	
0	New Long Term Loans		(18,895)	
(8,000)	New Short Term Loans		(2,000)	
1,894	Billing Authorities – NNDR and Council Tax Adjustments		(23,059)	
3,503	**NET CASH FLOWS FROM FINANCING ACTIVITIES**			**(23,413)**
(5,410)	**NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS**			**(13,920)**

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

5 June 2014.

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.

4. 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.

5. 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 17 (page 69).

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 2013/2014 Six Town Housing made a deficit of £0.640m compared to a deficit of £0.067m in 2012/2013. Bury Council paid management fees of £12.719m in 2013/2014 (£12.719m in 2012/2013) to Six Town Housing for the management of its housing stock.

Bury Council made 2 loans, totalling £1.140m, in 2011/12 to Six Town Housing to facilitate the Redbank housing project. Both loans are for 35.5 years and are at commercial rates of interest. In 2013/14 an additional loan was made, totalling £0.410m, for the acquisition of Mortgage Rescue properties. This loan is over 18 years, and is at a commercial rate of interest.

6. 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 £0.298m for the year ended 31st March 2014 compared to a profit of £0.201m for the period to 31st March 2013. As at 31st March 2014, Bury Council has £7.257m invested in Bury MBC Townside Fields Ltd.

7. 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.

2012/13	GROUP RECONCILIATION OF REVENUE CASH FLOW	2013/14	
£000's		£000's	£000's
(3,196)	**(SURPLUS) / DEFICIT FOR THE YEAR ON REVENUE ACCOUNT**		**18,223**
165	Six Town Housing (Surplus) / Deficit		**640**
(149)	BMBC Townside Fields (Surplus) / Deficit		(298)
	Non Cash Movements in Revenue Account:		
(22,328)	Provision for Depreciation & Impairment	(37,272)	
(6,410)	Other Provisions	(214)	
5,677	Minimum Revenue Provision	5,839	
(4,740)	Contributions from / (to) Revenue Reserves	(7,917)	
20,142	Other non-cash Movements	12,701	
(7,659)			**(26,863)**
	Movements in Current Assets and Liabilities:		
10	Increase / (Decrease) in Stock	6	
837	Increase / (Decrease) in Revenue Debtors	356	
1,025	(Increase) / Decrease in Revenue Grants received in advance	(36)	
1,023	(Increase) / Decrease in Revenue Creditors & Advance Receipts	790	
2,895			**1,116**
	Items shown elsewhere in the Cash Flow Statement:		
(4,380)	Interest Paid	(4,642)	
3,959	Interest Received	3,611	
1,006	Dividend Income	(1,400)	
585			**(2,431)**
(7,359)	**NET CASH (INFLOW)/OUTFLOW FROM REVENUE ACTIVITIES**		**(9,613)**

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 2013/14 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 or intangible fixed assets. Such receipts may be used to finance new capital expenditure or credit arrangement liabilities of a capital nature or set aside to repay debt related to capital expenditure already incurred.

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 in 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.

i. Group – a reporting Authority and its subsidiary entities.

ii. 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.

iii. 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.*

iv. 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 directly 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:

i. 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
ii. 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. The amount of Revenue Support Grant that is provided to authorities is established through the local government finance settlement. Each Council's Settlement Funding Assessment consists of the revenue support grant and the local share of business rates.

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.

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KPMG

cutting through complexity™

Report to those charged with governance (ISA 260) 2013/14

Bury Metropolitan Borough Council

15 July 2014

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, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

Section one

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.**

Scope of this report

This report summarises the key findings arising from:

- our audit work at Bury Metropolitan Borough Council ('the Authority') in relation to the Authority's 2013/14 financial statements and those of the Local Government Pension Scheme it administers ('the Fund'); and
- our work to support our 2013/14 value for money (VFM) conclusion.

Financial statements

Our *External Audit Plan 2013/14*, presented to you in March 2014, set out the four stages of our financial statements audit process.

This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during February 2014 (interim audit) and June and July 2014 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority and the Fund.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendix 2.

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 for the Authority. Sections three and four of this report provide further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 31 July 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	Our audit identified one audit difference with a total value of £23.4 million which has been adjusted. Our audit has also identified two uncorrected audit differences. One relates to the potential impact of revaluations on the corrected adjustment above. The second relates to assets not revalued in accordance with the Authorities policies (see Appendix 1, rec 2). The impact of the corrected adjustment made on the financial statements is to: ■ Move £23.4m of assets out of Asset under construction to Operational Assets (£22.4m) and non-operational assets (£1m). We have included full details of both the adjusted and unadjusted difference at Appendix 3. The uncorrected differences in Appendix 3 are an estimate of the potential difference and is not considered material. The Authority have committed to addressing the issue as a matter of urgency in 2014/15. We have raised a number of recommendations in relation to the matters highlighted above, which are summarised in Appendix 1. We have also raised recommendations in relation to the valuation of heritage assets, finance system access rights and the review of bank reconciliations.
Key financial statements audit risks	We review risks to the financial statements of the Authority on an ongoing basis. We identified no significant risks specific to the Authority during 2013/14 with respect to the financial statements.
Accounts production and audit process	The quality of the working papers continues to be of a good standard. We have made a number of suggestions to the Head of Financial Management in relation to the de-cluttering of the financial statements, which have been actioned. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. This is particularly commendable given the early close down and timing of the audit. Whilst the Authority has implemented the recommendation in our *ISA 260 Report 2012/13* relating to the valuation of heritage assets and we have included a further recommendation this year.

Headlines

This table summarises the headline messages. The remainder of this report provides further details on each area.

Control environment	The Authority's organisational and IT control environment is effective overall however we identified issues in relation to: ■ Access rights of some users on the financial system are not in accordance with their job descriptions; and ■ These inappropriate access rights provided some users with the ability to post journals when their ledger access should have been limited to read only. ■ Two bank reconciliations were not reviewed in a timely manner in line with best practice.
Completion	At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas: ■ Audit of Whole of Government accounts. ■ Receipt of confirmation from the Auditors of the Greater Manchester Pension Fund that there are no issues in relation to our Agreed upon Procedures. ■ Receipt of the ISA260 from the Auditors of the Six Town Housing. ■ Final review of the completed financial statements. Before we can issue our opinion we require a signed management representation letter, which covers the financial statements of the Authority. 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 and risk areas	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 31 July 2014.

Proposed opinion and audit differences

Our audit has identified one corrected audit adjustment. This is presentational and has no material impact on the net worth of the Authority.

Our audit has also identified two uncorrected audit differences relating to the potential impact of revaluations on the corrected adjustment and assets not revalued in year.

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee by 31 July 2014.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Our audit identified one significant audit difference, which we set out in Appendix 3. This has been amended in the final version of the financial statements. Our audit has also identified two uncorrected audit differences.

The corrected audit difference relates to assets totalling £23.4m being incorrectly classified as assets under construction. £22.4m of these assets are operational assets and £1m are non-operational assets. There is no overall impact on the balance sheet as at 31 March 2014, as this is simply a disclosure change. There is a 2013-14 depreciation charge and potentially a 2012-13 charge associated with the movement of these assets into the correct categories, but the value is considered trivial and falls below the threshold for reporting.

The uncorrected audit differences relate to three specific issues affecting revaluations of assets, which we have agreed do not need correcting due to the immaterial impact on the accounts:

- When an asset is moved out of assets under construction into operational assets it should be revalued in line with Authority policy. As the Authority has experienced a significant downward revaluation of its assets in year, it is likely that there would have been an impairment impact of the assets that have been re-categorised by the audit adjustment above.
- The two non-operational assets should potentially have been impaired down to a NIL value due to the nature of the intended use of these assets.
- In addition there is a further group of assets that have not been revlaued within the five year timescale set out in the accounting policy.

Again, due to the overall downward revaluation it is likely that for this group of assets there would have been an impairment impact.

We have not included the unadjusted difference in the tables below as the estimated impact is not considered material to the accounts and will be addressed when the assets are revalued in 14/15 (Appendix 3).

Movements on the General Fund 2013/14

£m	Pre-audit	Post-audit	*Ref (App.3)*
Deficit on the provision of services	(15,594)	(15,594)	
Adjustments between accounting basis & funding basis under Regulations	6,645	6,645	
Transfers to/ from earmarked reserves	7,719	7,719	
Decrease in General Fund	**(1,230)**	**(1,230)**	

Balance Sheet as at 31 March 2014

£m	Pre-audit	Post-audit	*Ref - App.3*
Property, plant and equipment	604,390	604,390	*1,2*
Other long term assets	55,042	55,042	
Current assets	85,898	85,898	
Current liabilities	(47,736)	(47,736)	
Long term liabilities	(447,862)	(447,862)	
Net worth	**249,730**	**249,730**	
General Fund	15,688	15,688	
Other usable reserves	63,874	63,874	
Unusable reserves	170,168	170,168	
Total reserves	**249,730**	**249,730**	

Section three

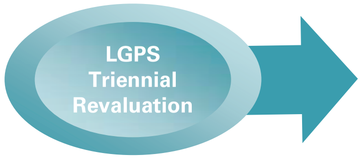
Key financial statements audit risks

We have worked with officers throughout the year to discuss specific risk areas. We identified three areas of risk as well as two areas of audit focus. The Authority addressed the issues appropriately.

In our *External Audit Plan 2013/14*, presented to you in March 2014, we identified a risk in relation to the triennial review of the Pension Scheme affecting the Authority's 2013/14 financial statements. We also identified two areas of audit focus. We have now completed our testing of these areas and set out our evaluation following our substantive work.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues

Key audit risk	Findings
	During the year, the Local Government Pension Scheme for Greater Manchester (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation. As part of our audit, we agreed the data provided to the actuary back to the systems and reports from which it was derived, and we tested the accuracy of this data. We liaised with Grant Thornton, who are the auditors of the Pension Fund. At the date of this report we are still awaiting their response to our agreed upon procedure request. However we do not anticipate any major issues arising from this work.

Section three

Key financial statements audit risks (continued)

We have also considered the two areas of significant risk that professional standards require auditors to consider at all organisations.

Key audit risk	Findings
Management override of controls	Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we have carried out appropriate controls testing and substantive procedures, including the review of journal entries, accounting estimates and significant transactions that are unusual or are outside the normal course of business. There were no adverse findings from our reviews.
Fraudulent Revenue Recognition	We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebutted this risk and did not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Section three

Key financial statements audit risks (continued)

We have also considered the two areas of audit focus specific to the Authority in 2013/14

Area of audit focus	Findings
Savings plan	The Authority achieved an under spend against budget of £406,000 for the year ended 31 March 2014. In doing so they delivered the full £10 million savings identified in the ‘plan for change’. The ‘plan for change’ for 2014/15 has been subject to full consultation and has been approved by Members. The plan clearly sets out the actions required to generate the savings identified of £9.7m for the year. Going forward the Authority has estimated a revised combined savings requirement of nearly £31m for 2015/16 and 2016/17. The proportion of cuts that will have to be made in 2015/16 and future years are such that there will be an impact on front-line services. The Authority has a Medium Term Financial Strategy already in place, and is in the process of developing an overall budget strategy for the coming two years, including detailed budget options for 2015/16 and 2016/17. A full consultation is planned to take place towards the end of 2014. 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 and implementing the plan.
Early close down	The Authority brought forward the close down of the accounts in order to have the statutory accounts approved by the Audit Committee on 15th July 2014. This increased the risk of the need to include more estimates in the production of final accounts such as accruals and pension balances. Our standard audit procedures are designed to identify material misstatements in the accounts. We placed an increased focus on cut-off to ensure that items were included in the correct period. As part of our final accounts audit we will also reviewed the methodology the assumptions and calculations of all estimates included in the final accounts. Our audit work has not identified any errors which are as a direct consequence of an earlier accounts production timetable.

Organizational and IT control environment

Your organisational environment is effective overall. We noted an area for further improvement in relation to IT controls: access to systems and data.

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

We undertook work on journal entries on the ledger system and as a result of identifying access control issues we extended this testing to review access rights of finance system users.

Key findings

We consider that your organisational controls are effective overall. Our review of access to systems and data identified issues in relation to:

- Access rights of some users on the financial system are not in accordance with their job descriptions; and
- These inappropriate access rights provided some users with the ability to post journals when their ledger access should have been limited to read only.

This weaknesses meant that we needed to alter our audit strategy in relation to journal testing and we undertook a review of a full year sample.

Recommendations are included in Appendix 1.

Aspect	Assessment
Organisational controls:	
Management's philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	3
Communications	3
Monitoring of controls	3
IT controls:	
Access to systems and data	2

Key:
1 Significant gaps in the control environment.
2 Deficiencies in respect of individual controls.
3 Generally sound control environment.

Section three

Controls over key financial systems

The controls over the key financial systems are sound.

However, there is a minor best practice improvement point in respect of review of bank reconciliations.

Work completed

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with your internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key findings

The controls over the key financial systems are sound. We noted a minor best practice point in relation to the review of bank reconciliations.

- Improvement point 1: We tested two monthly bank reconciliations for June and September 2013. Both were signed as reviewed more than 31 days after the month in which the reconciliation related to. Best practice would suggest that the reconciliations should be reviewed within 31 days of month end to ensure that any discrepancies arising are corrected on a timely basis.

Recommendations are included in Appendix 1.

Financial system	Controls Assessment
Property, Plant & Equipment	3
Cash	3
Pensions Liabilities	3

Key:
1 Significant gaps in the control environment.
2 Deficiencies in respect of individual controls.
3 Generally sound control environment.

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 2014, 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 S151 officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

We have asked management for specific representations to be made in relation to Heritage assets and the assets not revalued as documented in Appendix 1 and 3.

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, non disclosure, related party, public interest reporting, questions/objections, opening balances 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 2013/14 financial statements.

Section four – VFM conclusion

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.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Set out below are details of our VFM risk assessment.

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	✓

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	1	**Assets under construction** The balance sheet contains £26.495m of assets under construction. A review of these assets has identified that the majority of these assets are categorised incorrectly: • £22.4m should be transferred to operational assets • £992k should be transferred to non-operational assets. This error arises as a consequence of the Authority not having a clear policy in place in relation to the 'trigger' points for when assets are moved from assets under construction into operational assets. As a result of this incorrect categorisation, there is a 2013-14 and potentially a 2012-13 depreciation charge associated with the movement of these assets into the correct categories. However, the value is considered trivial falls below the threshold for adjustment. Furthermore, the assets which should be classified as non-operational should potentially have been impaired down to a NIL value due to the nature of the intended use of these assets. This is included as an unadjusted audit difference. We have included a further unadjusted audit difference in relation to assets that should have been revalued when moved to operational assets, in line with the downward revaluation experienced by the Council on its assets revalued in year (Appendix 3).	Agreed. The Authority will review and clarify its policy of reclassifying its assets and what the 'trigger' points should be. A re-valuation of assets re-classified from assets under construction will be performed during 2014-15 to ensure the fair values are included in the balance sheet at year end. **Responsible Officer:** Principal Management Accountant **Due Date:** With immediate effect

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.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❶	*Assets under construction continued* **Recommendation** The Authority needs to undertake a review of its policy and procedures for determining the process for categorisation of assets in the course of construction. The policy should also reflect the appropriate 'trigger' points for moving such assets from this category into other categories. These assets should be revalued during 14/15 to ensure they are included in the balance sheet at the correct valuation at 31 March 2015.	
2	❶	**Asset revaluations** The Authority has experienced some operational issues with the existing property management system. These are now being addressed through the procurement of a new 'Property Data System', scheduled for implementation later in the year. As a result, our audit has identified that 350 assets with a net book value of a £17.9m have not been revalued within the five year timeframe set out within the policy. All of these assets are categorised as operational with valuation bases of existing use, depreciated replacement cost or market value. As a consequence, the depreciation and impairment values included within the financial statements are misstated. Of the 350 assets, 296 assets have a carrying value in the fixed asset register of £0 or £1 so it is not of major concern that these assets were not included in a formal valuation exercise. However, the remaining assets are of a material value so should be included in the asset rolling revaluation program. We have included an unadjusted audit difference in relation to the potential impact of the assets that should have been revalued, in line with the downward revaluation experienced by the Council on its assets revalued in year (Appendix 3).	Agreed. Processes will be reviewed to ensure revaluation of all assets within a 5 year cycle. This will be factored in to the procurement and implementation of the new "Property Data System" later this year. The Authority will prioritise the revaluation of any assets that may have fallen outside the five year cycle of re-valuations. **Responsible Officer:** Head of Property and Asset Management **Due Date:** With immediate effect

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.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	1	*Assets revaluations continued* **Recommendation** The Authority should review its processes to ensure that all assets are revalued within the five year timescale. The assets that have exceeded this timescale for revaluation should be prioritised within the programme in 2014-15 to ensure that their true value is included in the balance sheet at the correct valuation.	
3	2	**Non-operational assets** The Authority does not have a specific policy relating to the revaluation of non-operational non-investment assets. The depreciation policy in relation to non-operational assets is also not clear. **Recommendation** The Council should review its policy and procedures in relation to non-operational non-investment assets during 2014-15 and ensure that the policy is clearly documented in the financial statements.	The Authority will review its policy and procedures as requested and ensure this is documented accordingly. **Responsible Officer:** Principal Management Accountant **Due Date:** With immediate effect

Appendices

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.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
4	3	**Heritage assets** The Authority currently has no formal policy in place relating to the valuation of heritage assets. These assets were last valued in 2000 and the current cost on the balance sheet is this valuation uplifted for inflation for insurance purposes. In 2012/13 we recommended that the Authority identified the cost of having the heritage assets revalued. This has been completed and during 2014/15 the civic regalia will be reviewed . Due to the potential cost of the exercise, a decision has been taken not to have art works and museum artifacts revalued. Whilst we appreciate the reasons for this decision, the Authority is exposed to potential financial risks: • Without the establishment of a true market value, the Council is unable to insure these assets at an appropriate value. In the event of loss, theft or damage, the Authority may not be in a position to recover the true worth of these items. • A professional valuation may also provide the Authority with advice around appropriate storage of valuable artworks and artifacts to maintain the market value. Should the Authority be in a position where it is holding artworks of a significant value, current storage facilities may not be appropriate and may be jeopardising the full value of the artworks. **Recommendation** As a minimum, we expect the Authority to establish a robust policy for valuation of these assets in 2014/15. The Authority should also reconsider its decision in relation to the valuation of artworks and museum artifacts to ensure that it is appropriately covered for insurance purposes. For example the Authority could choose to revalue the high value items in its collection to gain assurance over the current valuations.	The Authority's policy on valuation of its heritage assets for the purpose of the financial statements is to use the insurance valuation as described in the recommendation. Whilst this is not a specialised market valuation it is permitted by the Code of Practice and considered an appropriate proxy to a full re-valuation. The Authority has, however, taken steps to undertake a revaluation of heritage assets and obtained quotes from external market. Due to the prohibitive cost attached to a revaluation of its Museum and Art Gallery items and artefacts, and consideration that the cost of the exercise will not be proportional to the value of information that this would provide to the users of the accounts, the Authority will as recommended, be looking to re-value a small number of what it considers to be of greater value items in the Art Gallery during 2014-15. This would also ensure that the insurance value for these items will be up to date. **Responsible Officer:** Principal Management Accountant **Due Date:** With immediate effect

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.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
5	3	**Ledger access rights** Our testing of the journals identified that certain employees had inappropriate access rights to post journals. Our extended testing then identified that access rights to the finance system were inappropriate for one more employee within our sample. A further review by the Authority identified that a significant number of users had been allocated inappropriate access rights when compared with their roles and responsibilities. The Authority has reviewed and amended access rights as appropriate. There are some employees with super-user access rights which is not in line with their roles and responsibilities. However, due to an issue with the IT system, this level of access is necessary to enable these employees to undertaken certain tasks within their job description. We have undertaken testing to ensure that there has not been any inappropriate use / abuse of the system in relation to these inappropriate access rights. **Recommendation** Going forward the Authority should undertake periodic reviews of user access rights to ensure that these are in accordance with an employees roles and responsibilities. Furthermore, the Authority should take action to address the issue in relation to super-user access rights is resolved to ensure that system access is at an appropriate level for all employees.	This relates to the ability to transfer income or expenditure from one financial code to another. All users are restricted in the range of codes they can do journals to. Any such movements are reviewed monthly by budget advisors. Reviews have already been undertaken and access rights amended as appropriate. Regular reviews of users access rights will be undertaken in the future, to correctly reflect users roles and responsibilities. A number of budget advisors have "Super" data control access. This gives them the ability to view all financial codes but they are still restricted in their range of actions. "Super" access has had to be given to these users due to a technical issue, whereby if they are given access to just their appropriate range of codes, they are unable to carry out certain functions, e.g. cross-department recharges. The software suppliers are trying to resolve this issue. We wish to assure members that this recommendation relates solely to accounting entries, and that there is no "cash" risk to the Council. **Responsible Officer**: Principal Management Accountant. **Due Date:** With immediate effect.

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.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
6	3	**Bank reconciliations** We tested two monthly bank reconciliations for June and September 2013. Both were signed as reviewed more than 31 days after the month in which the reconciliation related to which is not in line with best practice. **Recommendation** Reconciliations should be reviewed within 31 days of month end to ensure that any discrepancies arising are corrected on a timely basis.	Agreed. The two reconciliations highlighted were 6 days overdue. Arrangements have been put in place to ensure each reconciliation is carried out in a timely manner. **Responsible Officer:** Head of Financial Management **Due Date:** With immediate effect.

Appendix 2: Follow up of prior year recommendations

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13.*

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2012/13* and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	1
Implemented in year or superseded	1
Remain outstanding (re-iterated below)	0

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at July 2014
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. **Recommendation** 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	**Implemented** The Authority obtained an quote to determine the cost of revaluating the Council's heritage assets. However it was decided by the Authority not to revalue the bulk of the assets due to the cost associated. Whilst we appreciate this decision we have raised an additional recommendation in relation to this in Appendix 1.

Appendix 3: Audit differences

This appendix sets out the significant audit differences.

For the Authority audit we are reporting all audit differences over £500k.

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 your 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.

Corrected audit differences – Authority

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 2014. These have been amended in the financial statements.

	Impact					
No.	**Income and Expenditure Statement**	**Movement in Reserves Statement**	**Assets**	**Liabilities**	**Reserves**	**Basis of audit difference**
1			Cr Assets under Construction £23.4m			The audit difference relates to £23.4m of assets incorrectly classified as assets under construction. Our audit knowledge of the area identified that these assets were either in use at 31 March 2014 or there are no current plans in place to build on the site. Therefore £22.4m of these assets should be classified as operational assets in the balance sheet and £1m as non-operational assets. There is no net impact on the balance sheet as at 31 March 2014, as this is simply a disclosure change.
			Dr Other Land and Buildings £22.4m			
			Dr Non-Operational Assets £1m			Our calculations of the depreciation charge associated with this movement indicates that the overall value is below the threshold at which we would require adjustment. This is due to the Authority policy of only commencing depreciation on Assets in the year following addition / reclassification.
	-	-	-	-	-	**Total impact of adjustments**

Appendix 3: Audit differences (continued)

This appendix sets out the significant audit differences.

For the Authority audit we are reporting all audit differences over £500k.

Uncorrected audit differences

The following table sets out the uncorrected audit differences identified by our audit of Bury Metropolitan Borough Council's financial statements for the year ended 31 March 2014. We have agreed that these uncorrected differences do not need adjusting due to their immaterial impact on the accounts.

	Impact					
No.	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	Basis of audit difference
2	Dr Surplus/Deficit on revaluation of PPE £3.7m		Cr Property, Plant and Equipment £3.7m			The uncorrected audit difference relates to the potential revaluation impact on the assets that have been reclassified from AuC (Appendix 1 – Rec 1). When an asset is moved out of assets under construction into operational assets it should be revalued in line with Authority policy. The Authority has experienced a significant downward revaluation of its assets in year and therefore there is potential that the reclassified assets would have also seen a downward revaluation in year. We have therefore calculated this potential revaluation impact based on the Authorities current year experience. The impact is not considered material and will be addressed in 14/15 when the assets are revalued. We have therefore proposed that this remains an uncorrected audit difference.

KPMG

Appendix 3: Audit differences (continued)

This appendix sets out the significant audit differences.

For the Authority audit we are reporting all audit differences over £500k.

	Impact					
No.	**Income and Expenditure Statement**	**Movement in Reserves Statement**	**Assets**	**Liabilities**	**Reserves**	**Basis of audit difference**
3			Cr Property, Plant and Equipment £2.2m		Dr Revaluation Reserve £2.2m	This uncorrected audit difference relates to the potential revaluation impact on the assets identified as not being revalued in year that should have been (Appendix 1 – Rec 2). As for adjustment 2, the Authority has experienced a significant downward revaluation of its assets in year and therefore there is potential that the assets not revalued in year would have also seen a revaluation downwards. We have therefore calculated this potential revaluation impact based on the Authorities current year experience As the majority of these assets have existing revaluation reserve balances any potential downward revaluation would have hit the revaluation reserve as opposed to the Income and Expenditure Statement. The impact is not considered material and will be addressed in 14/15 when the assets are revalued. We have therefore proposed that this remains an uncorrected audit difference.
	Dr £3.7m	**-**	**Cr £5.9m**	**-**	**Dr £2.2m**	**Total impact of uncorrected audit differences**

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 Engagement Lead 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 ending 31 March 2014, 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.

cutting through complexity ™

BURY COUNCIL

Annual Governance Statement 2013/14

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.bury.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 2014, 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.

Additionally, the Council's financial management arrangements conform with the governance requirements of CIPFA's 'Statement on the Role of the Chief Financial Officer in Local Government' (2010).

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 2013/14, 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 Cabinet and non Cabinet 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 clear so that each know what	The Council has set out a clear statement of the respective roles and responsibilities of the Cabinet and of the Cabinet'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 attends all meetings of SLT where financial matters are discussed. 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 are professionally qualified, and the CFO complies with the CIPFA Statement on the Role of the CFO in

Core Principle	Supporting Principles	Specific Actions	Role of Statutory Officer
	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.	Local Government. The roles of the CFO and Monitoring Officer are outlined in the Council Constitution and are 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.
Promoting the values of	Ensuring council Members	The Council has developed, and maintains shared values including leadership values	The CFO ensures that systems and

Core Principle	Supporting Principles	Specific Actions	Role of Statutory Officer
the authority and demonstrating the values of good governance through behaviour.	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.	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.	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 and the general responsibilities placed on	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. Those making decisions are provided with information that is fit for the purpose –	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. The Authority's governance

Core Principle	Supporting Principles	Specific Actions	Role of Statutory Officer
	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.	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.	arrangements offer both the CFO and Head of Financial Management 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 have the capability and	Making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles Developing the capability of	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 Induction programmes are tailored to individual needs and opportunities for Members	The CFO and Monitoring Officer have the necessary skills, knowledge, experience and resources to perform effectively in all aspects of their role. The management responsibilities of the CFO are such that financial duties

Core Principle	Supporting Principles	Specific Actions	Role of Statutory Officer
capacity to deliver effectively	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.	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 Cabinet 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.	are not compromised; e.g. appropriate segregation of duties. The CFO and Monitoring Officer ensure 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. Effective systems are in place to protect the rights of staff. Policies for whistle blowing	

Core Principle	Supporting Principles	Specific Actions	Role of Statutory Officer
		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 cuts under the Plan for Change of £9.871m for 2013/14 and £9.652m for 2014/15; this followed extensive consultation with residents, service users and other stakeholders.

A summary of the key risks the Council faced in 2013/14 is outlined on the table overleaf; these will continue to be monitored on an ongoing basis and reported to members quarterly.

Ref	Risk that......	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	Measures
01	The potential liability facing the Council in respect of Equal Pay significantly weakens the Council's financial position	Mike Owen / Guy Berry	1	1	2	2	2	1	Risk further reduced as most cases have now been settled. To remain on register till exercise complete.
02	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	3	6	6	8	9	2014/15 settlement data now confirmed; indicative allocations for 2015/16. Balanced budget is in place for 2014/15. Significant challenge remains for 2015/16 and beyond.
03	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	6	8	6	Income pressures were largely addressed in 2013/14 budget. Demand pressures remain a risk and will continue to be monitored / managed through Star Chamber process. Month 9 monitor showing £85k overspend
04	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	2	12	12	12	8	Risk reduced as new arrangements have been in place now for 12 months. However, risk remains high given volatility, and influence from factors which are beyond the control of the Council (e.g. appeals).
05	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	1	6	6	4	2	Asset Management Plan now in place; office accommodation moves took place Summer 2013; risk reduced further as new arrangements are working well in practice.

Ref	Risk that......	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	Measures
06	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	2	Risk Removed	Risk Removed	A process for dealing with applications has been approved by Cabinet; none received to date.
07	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	2	1	6	6	4	2	Settlement now received giving greater financial certainty; concerns around contractual performance now lessened as they have been under Council control for 12 months.
08	The Council fails to manage the expectations of residents, service users & other stakeholders in light of funding reductions	Mike Owen	3	2	3	3	6	6	Widespread consultation took place re: Budget / Plan for Change. This will need to continue for the 2015/16 Budget process (and beyond)
09	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	9	9	9	Impact on residents being managed through Welfare Reform Board. Budgetary impact continues to be assessed through monthly monitoring / Star Chamber process.
10	Changes resulting from the wider Welfare reform agenda impact adversly upon the public / vulnerable people.	Mike Owen	3	3	9	9	9	9	Welfare Reform Board coordinating action plan with partner organizations (e.g. Six Town, CAB). Whilst impact on individuals can have significant implications, this is being mitigated where possible.
11	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	8	8	8	Workforce Development Plan now in place to ensure continuity / succession planning. Risk will be closely monitored as the Council-wide restructure takes effect.

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. We have been advised on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

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 Financial Management.

- 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 Performance Indicators. 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 Cabinet 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 Financial Management (previously undertaken by 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.

Audit Commission VFM Profiles:

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.

Any benchmarking data should be used with caution given differences in interpretation between organisations. It should also be noted that some of the data used refers back to 2012/13 and most services have undergone significant transformation since then.

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 (Percentile)	Average
Total net spend per head	**2012/13**	£1,844.45 per head	-1%		Average	£1,795.38 per head
Spend on adult social care per adult	**2012/13**	£468.99 per head 18+	0%		In the highest 10%	£404.17 per head 18+
Spend on council tax benefits and housing benefits administration per head	**2012/13**	£11.71 per head	-12%		Average	£11.37 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 20%	£1,037.41 per head 0-17
Spend on culture and sport per head	**2012/13**	£68.24 per head	0%		Average	£72.90 per head
Spend on environmental services per head	**2012/13**	£38.37 per head	-6%		In the lowest 25%	£59.36 per head
Spend on housing services per head	**2012/13**	£17.87 per head	-1%		In the lowest 10%	£33.48 per head
Spend on sustainable economy per head	**2012/13**	£85.13 per head	-8%		In the lowest 20%	£106.95 per head
Planned net current expenditure per head of population	**2013/14**	£1,861.93 per head	0%		Average	£1,885.10 per head

LGA Corporate Peer Challenge November 2013:

In November 2013 the Council invited the Local Government Association (LGA) to provide an external perspective on Bury's improvement journey and to suggest ways in which we could do things better in the future.

They found Bury to be a good council which is held in high regard by its peers, partners and residents. As a relatively small metropolitan borough the council has above average performance in many areas and delivers these at a low cost and is seen to be punching above its weight.

The review found that the council's financial planning to be sound. Members are actively engaged in budget setting. They understand the financial challenges the council is facing, demonstrating a commitment to supporting budgetary decisions in their local communities.

In their ISA260 statement (August 2013), 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.

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."

7. SICKNESS MONITORING

7.1 The Audit Committee has shown considerable interest in sickness absence, requesting absence data during 2013/14.

7.2 The following tables show the sickness absence figures per head (FTE) for the Council and the individual four Directorates over the last five 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**	**2013/14 Full Year**	**% change**
Adult Care Services	17.7	18.5	16.8	15.1	13.6	**-23.1**
Chief Executives	9.7	5.9	6.6	6.3	6.8	**-29.9**
Children's Services	8.6	8.5	8.2	8.3	8.9	**+3.5**
Communities & Neighbourhoods	12.7	10.5	8.6	9.6	10.8	**-14.9**
Total FTE days lost	**11.1**	**10.2**	**9.4**	**9.4**	**9.8**	**-11.7**

7.3 The conclusions that we can draw from the table is that, while overall, the council's sickness absence rate has fallen by almost 12% over the last four years, the rate has slightly increased 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 3,071 FTE (58% of Council staff), with DCN employing 1,181 FTE (22%), ACS 774 FTE (14%) and Chief Execs the remaining 367 FTE (6%). Full Time Equivalent staff numbers fell over the last five years from 5,570 FTE to 5,393 FTE a reduction of 3.2%.

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.
- A "Joint Venture Board" is in place to oversee activity in this area.
- 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:

<u>Work of Internal Audit</u>

The Internal Audit Section is managed by the Head of Financial Management. In discharging this role, the Head of Financial Management seeks to comply with the five principles of CIPFA's guidance on the Role of the HIA as follows:

The Head of Financial Management in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:	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.

	Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.
To perform this role the Head of Financial Management:	Must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee.
	Must lead and direct an internal audit service that is resourced to be fit for purpose.
	Must be professionally qualified and suitably experienced.

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 2013/14, 54 Internal Audit reports were produced resulting in 239 recommendations (91% accepted).

Internal Audit recommendations are ranked according to risk – there were no recommendations made during 2013/14 that were viewed as high risk.

The Schools Financial Value Standard (SFVS), which began operating in 2012/13, is a self assessment that should be undertaken by maintained schools to ensure the effective financial management of their resources. It is a mandatory requirement that all LA maintained schools complete and submit a signed SFVS template to their Local Authority on an annual basis. All Bury's schools that are 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 Financial Management 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 2013) 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 the one recommendation from the previous year had been satisfactorily implemented.

10. LOOKING AHEAD - 2014/15

Looking forward to 2014/15, the Council is proactively responding to a number of challenges;

- The Council set and achieved a balanced budget for 2013/14; actually returning an underspend of £406,000.

- In February 2014, the Council agreed a budget for 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 2014/15 to ensure that departmental savings plans are being achieved, and also that appropriate preparations are made for future years.

- Economic conditions continue to have an adverse impact on income levels in Departments, notably Resources & Regulation (Property) and 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 2014/15.

- 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 were addressed in setting the 2013/14 budget and monitoring / reporting arrangements were put 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 2014/15.

- 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.

- The Public Health function transferred from NHS Bury to the Council on 1 April 2013. Funding is now in place and contracts are being 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	Leader of the Council
June 2014	June 2014

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Agenda Item 6

REPORT FOR DECISION

Agenda Item	

MEETINGS:	**Strategic Leadership Team** **Audit Committee** **Cabinet** **Council**
DATE:	**23rd June 2014 – Strategic Leadership Team** **15th July 2014 - Audit Committee** **16th July 2014 – Cabinet** **10th September 2014- Council**
SUBJECT:	**Risk Management Annual Report 2013/14**
REPORT FROM:	**Councillor Mike Connolly; Leader of the Council and Cabinet Member for Finance**
CONTACT OFFICER:	**David Hipkiss, Risk & Governance Manager**

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

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SUMMARY:	The Risk Management Annual Report provides Members with details of risk management activity that has taken place over the past 12 months. It outlines risk management policies and practices now in place and the key issues that will be addressed during the coming financial year.
OPTIONS & RECOMMENDED OPTION	Members are requested to re-affirm their support for the Council's approach to Risk Management, and note progress made throughout 2013/14 and actions planned for 2014/15.

IMPLICATIONS:

Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? **Yes**
Financial Implications and Risk	See Executive Director of Resources &

Considerations:	Regulation comment below
Statement by Executive Director of Resources:	There are no direct resource implications arising from this report. Risk management is an integral part of the Council's approach to Corporate Governance and service and financial planning and it is essential that robust risk management practices are put in place to safeguard the Council's assets and its reputation. Corporate, departmental and operational risk assessments have been undertaken and key elements of the resultant Management Action Plans are incorporated into Departmental Service Plans.
Equality/Diversity implications:	No
Considered by Monitoring Officer:	Yes (Governance Panel)
Are there any legal implications?	No
Staffing/ICT/Property:	There are no direct HR, IT or property implications arising from this report.
Wards Affected:	All
Scrutiny Interest:	Overview & Scrutiny

TRACKING/PROCESS **DIRECTOR:**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
23rd June 2014			
Overview & Scrutiny	Committee	Cabinet	Council
	Audit 15th July 2014	16th July 2014	10th September 2014

1.0 BACKGROUND

1.1 The Cabinet approved the Council's Risk Management Policy and Strategy in March 2006 which is reviewed annually.

1.2 A number of challenges were presented to the Council during 2013/14 where risk management played a significant role in preventing disruption to service continuity.

1.3 The Council continued to experience cuts in resources, and responded to this through its "Plan for Change", achieving once again a slight underspend for the year.

1.4 Operationally, two of the four main administrative buildings were vacated to deliver savings in accommodation costs and further promote agile working. This was a major project involving staff from all disciplines.

1.5 2013/14 also saw the first year of operation of the Public Health function since its transfer from the NHS. This involved the transfer of staff and contracts, and has operated well for 2013/14.

1.6 In late 2013/14, the Council announced plans for an Authority restructure which saw the number of Departments to reduce from four to three with effect from April 2014. This will be a focus of risk management activity for the year ahead to ensure the operational transition runs smoothly.

2.0 IMPLEMENTING RISK MANAGEMENT

2.1 Risk management forms an integral part of strategic planning in the Council, ensuring early intervention and management of uncertainty in delivering key strategic priorities. The role of risk management in the Council's Financial and Forward Planning Cycle is at **Appendix A**.

2.2 Early intervention and assessment of risks ensures that departments are able to fully prepare for existing and emerging priorities, and manage their objectives effectively against financial, reputational and performance risks, whilst meeting the Council's Priorities.

2.3 This approach to risk management ensures a continuous and evolving process that runs throughout the council's core functional activities at all levels.

> ***"Good risk management supports accountability, performance measurement and reward, thus promoting operational efficiency at all levels". A Risk Management Standard – Institute of Risk Management.***

2.4 Risk Assessment Action Plan Registers (RAAP's) are used across departments to record identified risks and opportunities, and actions being taken. RAAP Registers as they are referred to throughout this report are used at all levels throughout the Council to record information and help manage Corporate, Departmental, and Operational risks.

2.5 RAAP’s are an effective tool to identify, evaluate and manage areas of uncertainty and exploit opportunities at corporate, departmental and operational levels and to ensure achievement of the Council’s aims and objectives.

2.6 The Council’s risk management framework is outlined in summary below;

- An approved Corporate Policy & Strategy for Risk Management that can be read online or downloaded
- Corporate Risk Management Group (Member level)
- Operational Risk Management Group (Officer level)
- Establishment of a “Governance Panel” comprising the Executive Director of Resources & Regulation, Assistant Director for Legal & Democratic Services, Assistant Director of Resources & Head of Internal Audit.
- Comprehensive Intranet Risk Management Website and Toolkit
- Corporate Risk / Opportunity Assessment Action Plan Register
- Departmental Strategic Risk Assessment Action Plan Registers
- Operational Risk Assessment Action Plan Registers – held by service managers and maintained as part of the day to day management of service provision
- A Common Risk Register (General good practice guide)
- Dedicated Risk Management Section – Operating from Strategic Finance alongside but independent from Internal Audit
- “Team Bury” risk management framework Partnership Risk Assessment Model (PRAM)

2.7 Also in place is an effective communication and risk reporting network, with regular reports to:

- Full Council (annual report)
- Audit Committee
- Strategic Leadership Team
- Corporate Risk Management Group (Members)
- Operational Risk Management Group (Officers)
- Business Continuity Management representatives
- All departments and Service Heads

2.8 The diagram at **Appendix B** has been drawn up to help demonstrate Bury Council’s risk management processes, illustrating strategic and operational planning across the authority, also the delivery of service and the movement and reporting of risks associated with these two key risk drivers within each of the departments.

3.0 DEPARTMENTAL PROGRESS 2013/14

3.2 <u>Childrens Services</u>

2013/14 managed high risks focused upon;

- Budget constraints following large scale reductions
- Loss of experience
- Capacity to deliver services
- Impact of Academies
- Children & Young People in care

- Safeguarding mechanisms

Despite some success during 2013/14, the department is still highlighting a number concerns reflected by the final quarters result. Individual Departmental Risk Registers are available on request.

3.3 Adult Care Services

2013/14 managed high risks focused upon;

- Competition with other service providers
- Business Continuity Management
- Sickness absence levels
- High cost packages relating to Children's transition cases
- Budgets not meeting demands
- Self Directed Support costs
- Data Protection
- Increase in judicial reviews
- Growing demands from increasing population
- Increasing safeguarding cases
- Market failure/capacity and ability to facilitate new types of social enterprise

Despite some success during 2013/14 with managing these risks, the department is still highlighting a number of concerns reflected by the final quarters risk review. Individual Departmental Risk Registers are available on request.

3.4 Department for Communities & Neighbourhoods

2013/14 focussed on a number of high risks, these include:

- Securing, managing and monitoring town centre, regeneration and other development opportunities or developments
- Approval, publication and adoption of Core Strategy
- Continued need to improve recycling
- Workforce and Succession Planning
- Overspending on the revenue budget
- Ongoing budget pressures
- Successful implementation of the Corporate Asset Strategy
- Successful implementation of the Plan for Change saving options
- Investment in buildings, land, highways infrastructure and street lighting
- Robust health & safety procedures in place
- Partnership working
- Business growth for traded services
- Performance & Income Targets

Despite some success during 2013/14, the department is still highlighting a number concerns reflected by the final quarters result. Individual Departmental Risk Registers are available on request.

3.5 Chief Executive's

2013/14 focussed on a number of high risks, these include:

- Equal Pay and potential liability
- Responding effectively to significant funding reductions
- Effective financial planning to take account of national policy
- Asset management
- Localism Bill and its impact
- NHS Funding to manage Public Health Services
- Resident expectations
- Changes to Council Tax benefit
- Changes resulting from the wider welfare reform agenda and its impact

Owing to the nature and wider impact of these risks on public service they are also reflected within the Corporate Risk Register.

4.0 CORPORATE RISKS

4.1 The Corporate Risk Assessment Action Plan records all risks posing the most serious threat to the Council, risks that would impact upon a wider range of services and that are not able to be managed effectively within a directorate. These risks are reviewed continually by the Strategic Leadership Team – both through quarterly reviews, and as agenda items in their own right. The Corporate Risk Register takes account of risk management activity taking place across departments allowing for the transfer of high risk and also of known future risk.

4.2 Member input is sought throughout the year via the Corporate Risk Management Group, and quarterly reports to the Audit Committee.

4.3 The table overleaf tracks the status of corporate risks throughout 2013/14.

4.4 The table at **Appendix C** aligns the Council's most significant risks as at 31st March 14 against the Councils' Priorities and Team Bury Ambitions.

Corporate Risk Register – Year April 2013 – March 2014.

Ref	Risk that……	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	Measures
01	The potential liability facing the Council in respect of Equal Pay significantly weakens the Council's financial position	Mike Owen / Guy Berry	1	1	2	2	2	1	Risk further reduced as most cases have now been settled. To remain on register till exercise complete.
02	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	3	6	6	8	9	2014/15 settlement data now confirmed; indicative allocations for 2015/16. Balanced budget is in place for 2014/15. Significant challenge remains for 2015/16 and beyond.
03	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	6	8	6	Income pressures were largely addressed in 2013/14 budget. Demand pressures remain a risk and will continue to be monitored / managed through Star Chamber process. Month 9 monitor showing £85k overspend

Ref	Risk that…….	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	Measures
04	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	2	12	12	12	8	Risk reduced as new arrangements have been in place now for 12 months. However, risk remains high given volatility, and influence from factors which are beyond the control of the Council (e.g. appeals).
05	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	1	6	6	4	2	Asset Management Plan now in place; office accommodation moves took place Summer 2013; risk reduced further as new arrangements are working well in practice.
06	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	2	Risk Removed	Risk Removed	A process for dealing with applications has been approved by Cabinet; none received to date.
07	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	2	1	6	6	4	2	Settlement now received giving greater financial certainty; concerns around contractual performance now lessened as they have been under Council control for 12 months.

Ref	Risk that…..	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	Measures
08	The Council fails to manage the expectations of residents, service users & other stakeholders in light of funding reductions	Mike Owen	3	2	3	3	6	6	Widespread consultation took place re: Budget / Plan for Change. This will need to continue for the 2015/16 Budget process (and beyond)
09	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	9	9	9	Impact on residents being managed through Welfare Reform Board. Budgetary impact continues to be assessed through monthly monitoring / Star Chamber process.
10	Changes resulting from the wider Welfare reform agenda impact adversly upon the public / vulnerable people.	Mike Owen	3	3	9	9	9	9	Welfare Reform Board coordinating action plan with partner organizations (e.g. Six Town, CAB). Whilst impact on individuals can have significant implications, this is being mitigated where possible.

Ref	Risk that.....	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	Measures
11	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	8	8	8	Workforce Development Plan now in place to ensure continuity / succession planning. Risk will be closely monitored as the Council-wide restructure takes effect.

5.0 CHALLENGES FOR 2014/15

5.1 The challenge for the coming year will be to ensure risk and business continuity management form an integral part of the council's response to continued spending reductions, ensuring threats and opportunities to service provision is managed effectively and service resilience is maintained throughout.

5.2 The following areas will be our main priority for 2014/15:

- Ensuring risk and business continuity management forms an integral part of service planning, performance and the delivery of objectives in light of increased agile working and public service reforms.

- Ensuring a smooth and managed transition to the new Authority structure (3 departments)

- Building upon the work started by Strategic Leadership Team where key corporate risks are considered in depth alongside the quarterly review process.

- Continuing to raise Member involvement in risk management and business continuity.

- Maintaining the Business Continuity Planning Database to ensure it maintains good quality information relating to service priorities and their continuity arrangements.

- Continuing to strengthen risk management arrangements in key strategies such as the Medium Term Financial Strategy, the Workforce Development Strategy, the Asset Management Strategy, and the Plan for Change.

- Continuing the development of risk reporting and monitoring processes.

- Strengthening risk management arrangements at operational level and with partnership arrangements.

- Ensure risk management focus is widened to better understand, manage and take advantage of opportunity risk as well as managing potential risk threats

- Benchmarking with other public and private sector organisations

- Strengthen service resilience against disruption through effective risk and business continuity management.

- Establishing a framework for Business Continuity Management across partnership activity

- Aligning the quarterly reporting of risk, performance and the Council's financial position.

6.0 **CONCLUSIONS**

Considerable progress continues to be made in the area of risk management and in embedding the approach to risk management into the authority's processes and culture. However there is no room for complacency and this subject will continue to be given significant attention over the coming twelve months.

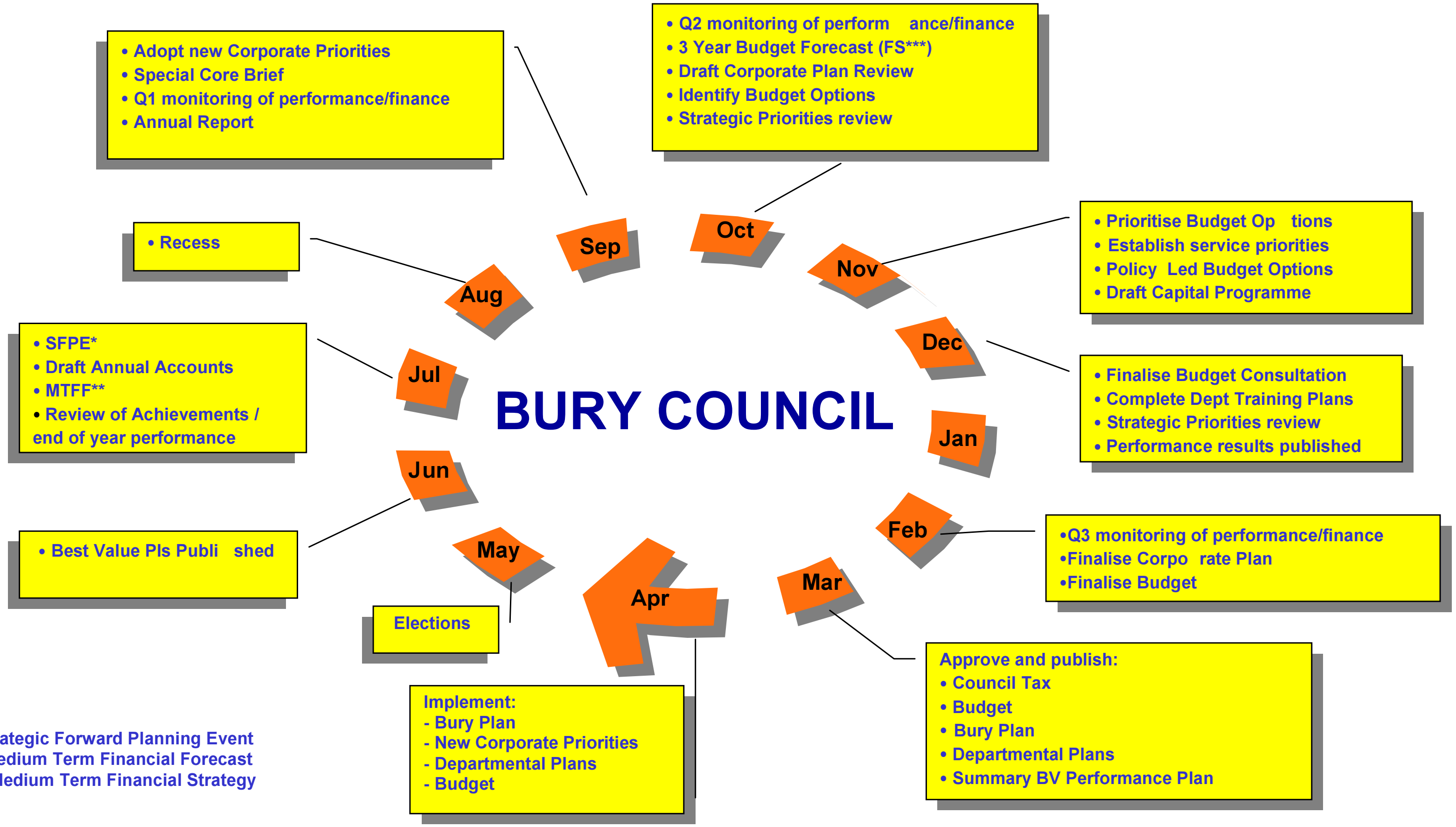
Background documents:

Risk Management Policy, toolkit & risk registers - maintained on Intranet.

For further information on the contents of this report, please contact:

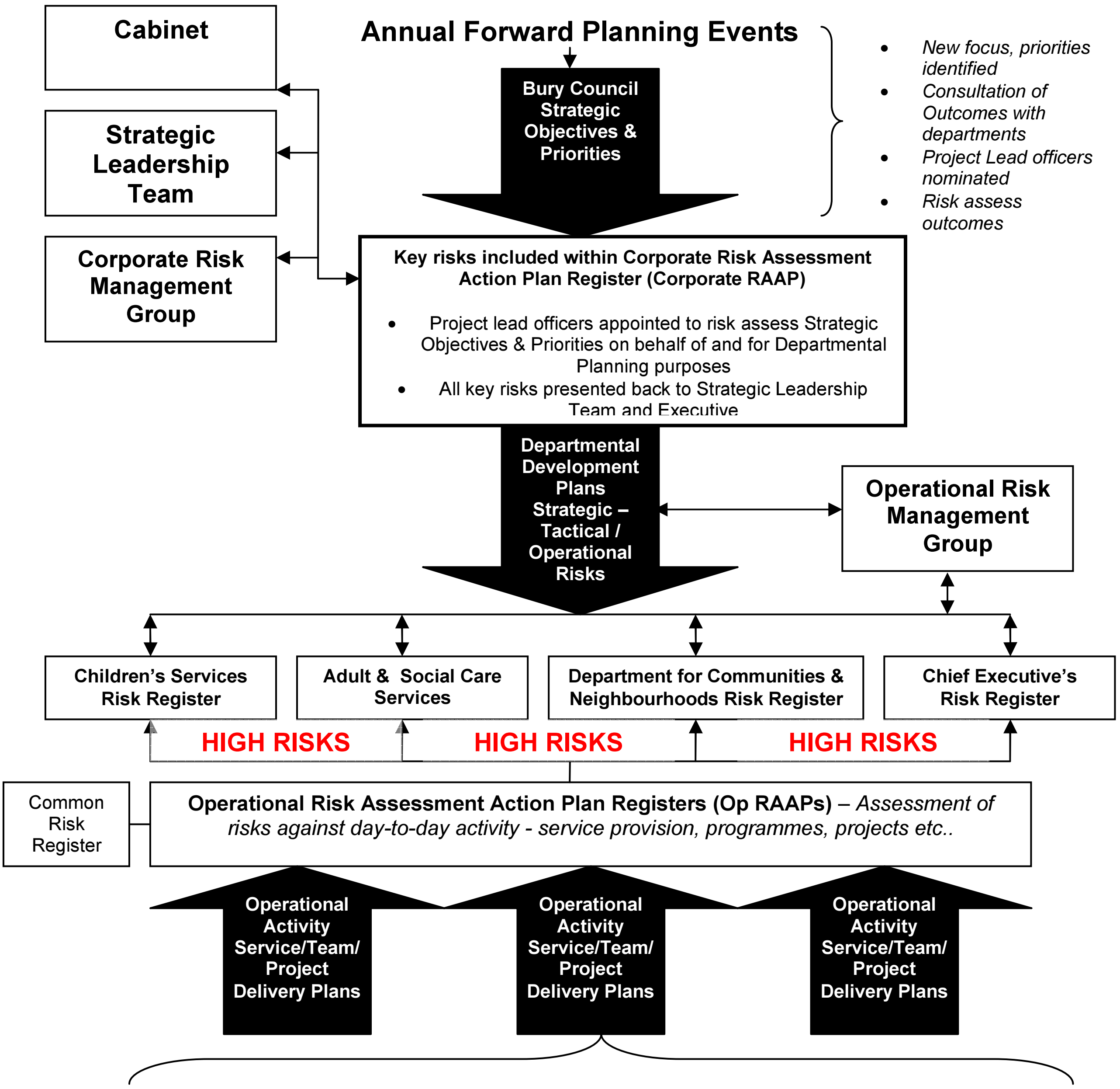
David Hipkiss, Risk and Governance Manager
Tel: 0161 253 6677 e-mail: D.Hipkiss@bury.gov.uk

FINANCIAL AND CORPORATE PLANNING CYCLE



* Strategic Forward Planning Event
** Medium Term Financial Forecast
*** Medium Term Financial Strategy

APPENDIX B



Risks Internal & External Environment

External Drivers

Financial	Strategic	Operational	Hazards
Interest Rates	Competition	Regulations	Contractual Events
Credit	Customer Change	Culture	Natural events
	Industry change		Supply Chains
	Customer Demand		Environmental
	Political Change		

Internal Drivers

Liquidity	Research	Accounting	Employees
Cash Flow	Development	Information	Public Access
		Systems	Properties
			Products/Services

APPENDIX C

The Council's Corporate Risks if not managed effectively will impact upon key strategic objectives of Team Bury and the Council. The table below provides a summary of where corporate risk threats and opportunities are currently impacting:

Corporate Risks	Risk Score	Council Priorities							Team Bury Ambitions								
		Cleaner, Safer, Greener	Choice of Quality Housing	Improved Cultural & Sporting Opportunities	Strengthened Communities	Fit for the Future	Improved Town Centres & Neighbourhoods	Promoting Healthier Living	The Place to Live in Greater Manchester	Area where People feel Safe & Secure	Healthiest Borough in the North West	Popular Visitor Destination	Premier Retail Town	Centre of Excellence for Education & Training	Each Township Thriving	Area with First Class Services	Quality Jobs for Bury People
The potential liability facing the Council in respect of Equal Pay significantly weakens the Council's financial position	1																
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	9																
The budget strategy fails to address the Council's priorities and emerging issues, e.g. demographic and legislative changes	6																

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	**8**																
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**																
The amount of money received from the NHS to manage public health is insufficient to meet the performance outcomes expected by Government	**2**																
The Council fails to manage the expectations of residents, service users & other stakeholders in light of funding reductions	**6**																
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	**9**																
Changes resulting from the wider Welfare reform agenda impact adversly upon the public / vulnerable people.	**9**																
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)	**8**																

REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**AUDIT COMMITTEE**
DATE:	**15 JULY 2014**
SUBJECT:	**INTERNAL AUDIT ANNUAL REPORT AND REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROL 2013/14**
REPORT FROM:	**HEAD OF FINANCIAL MANAGEMENT**
CONTACT OFFICER:	**ANDREW BALDWIN**

TYPE OF DECISION:	Non Key Decision
FREEDOM OF INFORMATION/STATUS:	For Publication

SUMMARY:

This report summarises the work undertaken by the Internal Audit service in the financial year 2013/14 comparing it to the Audit Plan for the year. It contains an "Audit Opinion" which assesses the authority's control framework, finding it to be robust. Members are also updated on some of the issues facing the Internal Audit service in the current year.

OPTIONS & RECOMMENDED OPTION

Members can accept or reject the conclusions reached in the report, or can ask for it to be revised. Based on the evidence provided Members are recommended to accept the report, and to endorse its suitability in support of the Governance Statement for 2013/14.

IMPLICATIONS:

Corporate Aims/Policy Framework:	Yes
Financial Implications and Risk Considerations:	See statement by Assistant Director of Resources & Regulation (Finance and Efficiency).
Statement by Assistant Director of Resources & Regulation (Finance and	There are no direct financial or risk implications arising from the report.

Efficiency):

The work of the Internal Audit section is an essential element of the framework by which I discharge my obligations under s151 of the Local Government Act 1972. The opinion given by the Head of Financial Management on the control framework provides assurance that key controls are operating to an acceptable standard.

The Annual Report and Opinion, (see Appendix B, par. 3) reminds Members of the nature of testing – it covers a proportion of Council activities at a particular point in time. There is, therefore, always a risk that weaknesses in control may have developed that have not yet been identified.

Equality/Diversity implications: No

Considered by Monitoring Officer: Yes. The Internal Audit Annual Report complies with statutory requirements.

Are there any legal implications? Yes. (see Appendix B paragraphs 1.2, 6.1 and 10.2).

Staffing/ICT/Property: There are no direct resource implications arising from the report.

Wards Affected: The work of Internal Audit impacts on all of the Council's wards and Township Forums.

Scrutiny Interest: None.

TRACKING/PROCESS **DIRECTOR:**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	Chair		
Overview & Scrutiny Committee	Cabinet	Committee	Council
		Audit 15/7/14	

1.0 BACKGROUND

1.1 Members of the Audit Committee are actively involved in overseeing Internal Audit work – approving the annual plan, scrutinising reports, and monitoring progress. The Annual Report was introduced in 1999 and is now a regular feature, providing an opportunity to recap the performance of Internal Audit over the whole (completed) year, and to take stock.

2.0 ISSUES

2.1 The Review of the Effectiveness of Internal Audit (attached as Appendix A) gives us the opportunity to consider what constitutes the system of internal audit in its widest sense and determine how effective it is. Significant resources are used in maintaining such systems and it is essential to review them.

2.2 The Annual Report (attached as Appendices B, C and D) examines the overall position with regard to systems and controls, having regard to the risks involved.

2.3 It is intended that the report will form part of the assurance Members are now required to seek under the provisions of the Accounts and Audit (England) Regulations 2011. They will draw upon assurances gathered from various sources in order to fulfil the Council's obligation to issue a Governance Statement.

3.0 CONCLUSION

3.1 The report concludes that the planned work for 2013/14 was completed to a satisfactory degree and to an acceptable standard.

3.2 The report also concludes that the authority has a robust internal control framework and effective governance arrangements.

Andrew Baldwin
Head of Financial Management

List of Background Papers:-

Internal Audit Annual Plan 2013/14

Contact Details:-

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BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
AUDIT COMMITTEE			
Compliant with CIPFA Toolkit and best practice	Audit Committees are a key component of corporate governance in that they provide assurances about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.	The effectiveness of the Audit Committee is reviewed annually by the Head of Internal Audit using the CIPFA Toolkit as a model. From 2014/15 onwards, this role will be undertaken by the Head of Financial Management. The report is available for inspection in the Audit Committee agendas.	The Audit Committee now has a clear statement of purpose, a set of core functions, an awareness of the key features that constitute a good audit committee, and an awareness of good practice in the structure and administration of the Audit Committee. In addition, there is a self-assessment checklist.
CORPORATE GOVERNANCE			
Annual Governance Statement	With effect from 2007/08 it became a requirement to include an Annual Governance Statement within the Authority's published accounts. The purpose of the statement is to provide an assurance as to the effectiveness of	The Authority piloted a Governance Statement in its 2006/07 accounts, and has been produced annually since then in accordance with CIPFA Code of Practice. The statement is refreshed each quarter and presented to the Audit Committee and the	The Statement summarises the effectiveness of the internal control / governance framework and compares this with the Authority's standard as outlined in the "Local Code of Corporate Governance".

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	internal control, and wider corporate governance within the organisation.	Governance Panel. The Statement is prepared using information from the Council's Internal and External Auditors, the views of the Monitoring Officer, S151 Officer, and other reviews. Critically, the Statement is based upon "Assurance Certificates" completed by Executive Directors. The Statement is approved by Strategic Leadership Team, the Governance Panel, and the Audit Committee.	The Statement provides management, Members, Partners and Stakeholders with an assurance as to the effectiveness of the internal control / governance framework. The Statement highlights action points for improvement.
Monitoring Officer	The Monitoring Officer carries out a continuous review of all legal and ethical matters.	The Monitoring Officer receives copies of all agendas, minutes, reports and associated papers, commenting where necessary, or taking appropriate action should it be required.	The Monitoring Officer is responsible for monitoring compliance with the Local Code of Corporate Governance, and ensuring that the highest standards are maintained.
S151 Officer	It is a requirement under	The Assistant Director of	The s151 officer has produced a

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	the Local Government Act 1972 (s151), and the Local Government Finance Act 1988 (s114) that the Council appoints a responsible officer to oversee the proper administration of the financial affairs of the Council.	Resources & Regulation (Finance & Efficiency) fulfilled this role for the Council during 2013/14. Equally there are effective arrangements for staff to deputise in the absence of the s151 officer. During 2013/14 the s151 officer was a qualified accountant.	comprehensive set of Financial Regulations to ensure high standards of financial management throughout the organisation.
Financial Management	Effective financial management ensures the Council deploys its resources efficiently and effectively in pursuit of its objectives.	The Council has invested significantly in the development of its financial systems, and has a well established budget monitoring and reporting framework – to officers and elected members.	The Council has agreed finance procedure rules, and manages its Medium Term Financial Strategy within its own "golden rules". This ensures the Council maintains a balanced budget, and a risk assessed level of balances.
Risk Management	The Authority has developed a comprehensive framework for effectively managing	On-line risk registers are maintained at operational, departmental, and strategic	The Council has adopted a priority led approach to risk, with all risks / opportunities being clearly identified

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14

CONTROL	PURPOSE	EVIDENCE	OUTCOME
	and reporting risk and opportunities; both within the Council, and when working in partnership.	levels. Registers are reviewed at least quarterly, and reported to Management Board and members. An officer level "Operational Risk Management Group" continues to operate, along with a Member level "Corporate Risk Management Group" both groups meet on a regular basis. The Council's approach to Partnership Risk Management continues to be developed; the PRAM framework has now been populated with significant risks identified by Team Bury partner organisations.	and mapped to the Council's Strategic Objectives. Risk registers and the review process have been operating for nearly 3 years now, and are making a positive contribution to effective management of the Council's resources. This is achieved by allowing informed decision making, with a clear understanding of the risks / opportunities involved. The continued development of PRAM has contributed to the effectiveness and confidence of Partnership working.
Performance Management	The Authority maintains a range of Performance Indicators; some are statutory requirements, others are maintained locally to monitor the	The Authority has developed an in-house software package (PIMS) to record, analyse, monitor and report performance data.	The system is available to all managers, and partner organisations in respect of "Team Bury" indicators. Quarterly reports are considered by Strategic Leadership Team and

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	effectiveness of services.		Members. Internal and external review confirms data quality to be of a high standard.
Health & Safety	The Council has a number of obligations in respect of health & safety; employer, landlord; service provider etc.	There is a well established Corporate Health & Safety Team, supported by representatives in service areas.	The Council has clearly defined Health & Safety standards which are communicated to staff through regular training sessions. The Health & Safety Section produce a comprehensive Annual Report outlining work undertaken, and proposing future action.
Business Continuity	Effective business continuity planning ensures that the Council is able to deliver critical services in the event of a disaster / significant disruption. This is now a statutory duty upon the Authority under the Civil Contingencies Act.	The Council has undertaken over 200 Business Impact Assessments to assess the criticality of services, interdependencies, and recovery arrangements. Similarly a revised Corporate Business Continuity Plan was approved in December 2007 and has been reviewed annually	The process of Business Impact Assessment is documented for all service areas and has formed a baseline upon which corporate / departmental responses can be developed.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
		since then. Further work is in progress to develop departmental responses in the event of a major incident.	
Gifts & Hospitality	A robust mechanism to record, approve and monitor offers of gifts and hospitality is fundamental to effective governance.	An online register has been developed where members and officers can declare offers of gifts / hospitality. Quarterly reports of declarations are made to the Monitoring Officer, Strategic leadership Team, the Governance Panel, and the Audit Committee. The s151 Officer emails all staff on a regular basis reminding them of the need to make declarations.	The Council's "Local Code of Corporate Governance" reinforces this through its core principle of "promoting the values of the authority and demonstrating the values of good governance through behaviour". The online registration has recently been extended to include declarations of interests.
Internal Audit Annual Report and Opinion	The Annual Report provides an opportunity to look at the performance of Internal	Copy of the Internal Audit Annual Report and Opinion is presented to the July Audit	The Annual Report provides some of the assurances Members and others have to seek, in order to satisfy the

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	Audit over the whole financial year, and to take stock of the overall position with regard to systems and controls, having regard to the risks involved.	Committee for their approval and is part of this report.	requirements under the provisions of the Accounts and Audit Regulations (England) 2011. The report is particularly concerned with the authority's control framework, and its assessment, which forms the basis of the Audit Opinion.
Partnership Code of Practice	The Authority adopted a "Partnership Code of Practice" in 2007/08 and has entered into a "Memorandum of Understanding" with the PCT. The Council has also set-up Team Bury Protocols around areas such as asset management etc. and has data sharing agreements with all partners.	The Code is available to both officers and Partner organisations and sets out the principles of partnership working.	The Code outlines key considerations when entering into a Partnership, e.g. Finance, HR, Legal issues, Risk Management etc. The Code provides practical guidance in respect of these issues. The Memorandum of Understanding covers the aims and objectives, the partnership principles, roles and responsibilities, accountability, and evidence that the arrangements have led to benefits.
External Audit reliance on the	To have confidence that the Internal Audit Section plays	Audit and Inspection letter.	As the external auditors opinion is that they do have confidence in the

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
opinions of Internal Audit.	a full part in the system of internal financial control.		effectiveness of the Internal Audit service it allows them to concentrate on wider control issues and projects assured that the internal control environment is being properly and professionally audited.
External Audit review of Internal Audit	To ensure that the Internal Audit service can be relied upon to carry out their work to a high standard and in compliance with the CIPFA Code.	Findings reported to the Audit Committee.	This assurance is vital to the Audit Committee and the s151 Officer in giving them the assurance that the Internal Audit service carries out its responsibilities to the highest standard and is continually striving to improve.
Established Scrutiny Committees	Review and scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions.	The Scrutiny Committees must report annually to the full Council on their workings.	Allows the Council to fulfil its obligations under the Local Government Act 2000.
Established Standards Committee	Promote and maintain high standards of conduct by Councillors.	Council Minutes.	Closely monitors compliance with the Members' Code of Conduct.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
Governance Panel	Established in 2008/09 to provide a forum to discuss, challenge and improve all aspects of ethical governance within the Council. The Panel meets on a quarterly basis.	The Panel will receive details of current investigations, the quarterly Governance Statement, Freedom of Information requests, Risk Management reports, and updates from Internal Audit, the S151 Officer, and the Monitoring Officer.	The Council's approach to Governance is monitored to ensure compliance with the Local Code of Corporate Governance. Any improvements that are recommended as a result can be followed-up.
INTERNAL AUDIT INWARD LOOK			
Compliant with CIPFA Code of Practice	To ensure that the Internal Audit function takes full account of the Accounts & Audit Regulations (England) 2011.	Compliance with the Code reviewed in April 2013 and found a compliance of 98%. Copy available in Internal Audit.	Compliance with the Code fulfils the Accounts & Audit Regulations in that the relevant body must "maintain an adequate and effective system of Internal Audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".
Internal Audit is appropriately resourced	To ensure that the Audit Team possesses the qualifications, skills, competencies, experience	Benchmarking results and personal files.	A highly respected Internal Audit Team that can be relied upon to deliver a quality service that adds value to the Authority.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	and personal attributes required to meet its objectives and comply with CIPFA Standards.		
Quality Assurance	To ensure that all audit work is of a high standard.	All audit reports and files are reviewed by the Audit Manager and/or the Head of Financial Management and evidenced in the file.	Audit work is allocated to staff with the appropriate skills, experience and competence.
Client Satisfaction Questionnaires	To obtain feedback on the quality of the service from the user.	Results from the questionnaires are reported to the Audit Committee and retained in the Internal Audit office.	To ensure that Internal Audit is working effectively and that the whole experience of the user is a good one that will encourage them to seek further work and advice on the areas they see as at risk.
Benchmarking	Benchmarking provides the evidence of how we are performing.	We benchmark ourselves annually within the North West Chief Internal Auditors Group which consists now of 21 Authorities.	The benchmarking enables us to answer some fundamental performance questions; how does our performance compare with our peers; can we learn anything from other organisations; and do we provide value for money.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
Risk Based Audit Plan	To ensure that the resources available to Internal Audit are used to best effect.	The risk based audit planning process is fully recorded.	The Authority's resources are targeted where they are most needed.
Internal Audit Performance Indicators	To measure performance over time to ensure improvements are continuously being achieved.	A range of 27 performance measures are presented to the Audit Committee each quarter.	Ensuring a good and improving service and enable the Audit Committee to monitor the performance of Internal Audit.
Membership and regular attendance at the North West Chief Internal Auditor's Group.	This group primarily exists to allow Chief Auditors across AGMA and beyond to discuss the important issues of the day.	Minutes of the meetings.	The Group (reporting to Treasurers Group) is invaluable in maintaining the highest levels of competence by inviting speakers to address the Group on important issues and being a forum for new and innovative ideas.
Membership and regular attendance at the North West Computer Audit Group.	This group primarily exists to allow Computer audit experts within AGMA to discuss the important issues of the day and provide a forum to raise the overall	Minutes of the meetings. This group reports to the Chief Auditors Group.	The development and sharing of best practice in the field of Computer Audit. The sharing of knowledge and in some cases resources through partnership working. The standard of work and the extent of our

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	standard of work. The Group has set-up a Greater Manchester Computer Audit Consortium to supplement our own staff. The Council bought–in 20 days from the consortium in 2013/14.		knowledge is enhanced by inviting specialists to speak to us. We have also benefited from polling our training requirements and obtaining this valuable resource at a competitive rate. The Group have also arranged for in-house training to disseminate expertise amongst the AGMA members.
Membership and regular attendance at the North West Contracts Audit Group.	This group primarily exists to allow Contracts audit experts within AGMA and beyond to discuss the important issues of the day and provide a forum to raise the overall standard of work.	Minutes of the meetings. This group reports to the Chief Auditors Group.	The development and sharing of best practice in the field of Contracts Audit. The sharing of knowledge and in some cases resources through partnership working. The standard of work and the extent of our knowledge is enhanced by inviting specialists to speak to us. We have also benefited from polling our training requirements and obtaining this valuable resource at a competitive rate. The Group have also arranged for in-house training to disseminate

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
			expertise amongst the AGMA members.
Membership and regular attendance at the North West Fraud Group.	This group primarily exists to allow those working within the area of fraud investigations within AGMA and beyond to discuss the important issues of the day and provide a forum to raise the overall standard of work	Minutes of the meetings. This group reports to the Chief Auditors Group.	The development and sharing of best practice in the field of proactive and reactive work. The sharing of knowledge and experiences. The standard of work and the extent of our knowledge is enhanced by inviting specialists to speak to us. We have also benefited from polling our training requirements and obtaining this valuable resource at a competitive rate. The Group have also arranged for in-house training to disseminate expertise amongst the AGMA members.
Participation in the National Fraud Initiative overseen by the Audit Commission.	To tackle a broad range of fraud risks faced by the public sector	Process overseen by the Audit Commission and independently audited by KPMG as Bury's external auditors. The NFI scheme is overseen internally by the Internal Audit section.	Thousand of pounds worth of savings and the deterrent effect that goes with the scheme are sound reasons for taking part.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
POLICIES & PROCEDURES			
Local Code of Corporate Governance	The 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.	To this end the authority has approved and adopted a Local Code of Corporate Governance which has been reviewed and updated in accordance with the principles and requirements of the CIPFA/SOLACE document *"Delivering Good Governance in Local Government : A Framework"* and the 2010 CIPFA Application Note to the Framework.	The Local Code is built around six core principles of governance, each with more detailed supporting principles. An assessment against the standards in the Local Code of Corporate Governance forms the basis of the Annual Governance Statement. The Local Code has been communicated to both officers and members. The Council undertaken a review of ethical governance to determine the level of awareness, and assess training needs. As a result, an e-learning module has been developed and made available to Officers and Members.
Risk Management Policy	The Council formally adopted its Risk	The Policy gives an overview of the Council's approach to risk	The documents have been effective in defining the Council's approach to

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	Management Policy in 2006; this outlined its approach to the identification, management & reporting of risk.	management. This is further supported by a "Policy into Practice" document which outlines the detailed operation of the various levels of risk register, reporting lines, and membership of officer and member groups.	risk management. This is evidenced through a fully populated set of risk registers; frequent (and well attended) meetings of officer and member risk management groups. The Council's Annual Report on Risk Management provides further details of the positive impact of the risk management process.
Anti-Fraud & Corruption Strategy	In the light of the Nolan Report and several well publicised fraud and corruption cases, it became accepted that standards and practices needed to be formalised and developed into a distinct anti-fraud and corruption strategy.	The Strategy is available on the intranet and a link is available through the Internal Audit web page. The Strategy was updated and expanded to cover the Bribery Act 2010 during 2011 and approved by the Audit Committee.	The public is entitled to expect conduct of the highest standard from members and officers of the Council. Bury Council recognises the need for the highest standards of probity in dealing with public money, and is firmly committed to the prevention, detection and investigation of all forms of fraud and corruption. It will deal equally with perpetrators from inside and outside the authority. This strategy explains how we shall

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
			achieve this aim. To raise staff and Member awareness, an e-learning module has been developed.
Whistleblowing Policy	To provide an avenue for all those to whom the policy applies to raise concerns and receive feedback on any action taken.	Files are maintained on a strictly confidential basis.	The Council is made aware of important issues, including criminal activity within the Council, that it otherwise may not have been made aware of.
Complaints procedure	To ensure all complaints are recorded and acted upon in accordance with the procedure. This is now made possible by retaining the information within a purpose built database.	Statistics on complaints; learned outcomes and problems raised are distributed to management within departments and reported to Departmental Management Teams.	Informing the Council when things do not work as efficiently or effectively as they should.
Freedom of Information Policy	The Council must comply with the Freedom of Information Act 2000. The Act gives a general right of access to all types of	Freedom of Information request documentation.	The Council will comply with the legislation and be seen to be assisting persons to obtain valid information upon request.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	recorded information held by the Council.		
Data Protection Procedures	To ensure the Council complies with the Data Protection Act 1998 and protects the personal data the Council maintains on individuals; whether paper or computer based.	The Council's arrangements are inspected regularly by the Offices of the Information Commissioner.	The Council will comply with the Act and maintain proper control over its information retention arrangements.
Financial Procedure Rules	To conduct its business efficiently, the Council needs to ensure that it has sound financial management policies and that they are strictly adhered to.	The work of external and internal audit.	The Financial Procedure Rules assist the s151 Officer to carry out his responsibilities under the Local Government Act 1972 and s144 of the Finance Act 1988 for the proper administration of the financial affairs of the Council.
Contract Procedure Rules	It is a requirement of every contract between the Council and any person who is not an employee of the Council that they comply with the requirements of	Procedure rules are audited by Internal Audit every year.	The Procedure Rules clarify the way the Council expects its employees, partners and contractors to conduct their business. A review was undertaken during 2010.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2013/14			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	this rule.		
Policies on the Regulation of Investigatory Powers Act 2000	It gives the power to investigating officers to carry out covert surveillance and use covert human intelligence sources subject to a system of authorisation.	The Legal Services section maintains a central record of all RIPA applications.	Prevents the Council from breaching Article 8 of the Convention on Human Rights 1953 as applied by the Human Rights Act 1988. It also prevents the Legal representatives of defendants from excluding evidence obtained in this way.

INTERNAL AUDIT OPINION

The Internal Audit Section has undertaken a continuous risk based review of the System of Internal Control and the Council's Governance arrangements during 2013/14.

No material weaknesses were identified, and in my professional opinion, the Council has a robust Internal Control framework and effective Governance arrangements.

Andrew Baldwin CPFA
Head of Financial Management

15th July 2014

BURY COUNCIL INTERNAL AUDIT

ANNUAL REPORT AND OPINION FOR 2013/14

1.0 INTRODUCTION

1.1 The Internal Audit Annual Report provides an opportunity to look at the performance of Internal Audit over the whole financial year, and to take stock of the overall position with regard to systems and controls.

1.2 The Council has an obligation to issue a Governance Statement (under the provisions of the Accounts and Audit (England) Regulations 2011 which must demonstrate that Members and Officers regularly review, and are satisfied with, the Council's control framework. This report will provide some of the assurances Members and others have to seek, in order to satisfy those requirements. They will also draw upon assurances gathered from a variety of other sources.

1.3 Members of the Audit Committee are actively involved in the planning and monitoring of the work of Internal Audit, which focuses on reviewing the corporate governance arrangements of the Council. They achieve this involvement through their approval of the annual plan, scrutiny of reports produced, and regular progress monitoring.

1.4 A comprehensive Internal Audit Annual Plan for the financial year 2013/14 was approved by the Audit Committee at its meeting on 12 February 2013.

1.5 Throughout the year Members of the Audit Committee have received regular progress reports which monitor performance and keep them informed of our day to day activities.

1.6 Detailed reports of all the audit work carried out by the Section have been circulated to Members of Audit Committee.

1.7 This annual report aims to assess overall performance against that original plan, giving additional information about the productivity and costs of the service.

1.8 The report details the activities of Internal Audit during 2013/14, comparing the output of work against the approved Audit Plan for the year.

1.9 It is particularly concerned with the Authority's control framework, and its assessment, which forms the basis of the Audit Opinion.

1.10 The stated intention in the plan was that the emphasis of our work would be the examination, review and testing of systems and controls, paying particular attention to the fundamental systems.

1.11 This report gives an opinion of the adequacy and effectiveness of those systems and controls, based on our work throughout the year, and our accumulated knowledge of those systems and the control framework within the Authority.

2.0 KEY MESSAGES

- When planning our risk based approach for 2013/14, Internal Audit identified over 600 separate auditable areas within the Council's four Directorates (Chief Executive's/ Development and Communities/ Children's Services/ Adult Care Services), and Six Town Housing. We had selected 71 areas for attention during the year. This objective changed during the year and 57 areas were examined along with participation in 4 investigations.

- We planned to undertake 1,045 rechargeable working days for the year – our actual output was 1,036. Our non-rechargeable days were 461, against an original estimate of 546.

- 102 reports (54 draft and 48 final) were issued and responded to during the course of the year. Two thirds of these reports were completed within the originally allocated time, and 70% issued within 14 days of the audit ending. Whilst we do try to cover additional issues arising during the course of an audit, we also have to ration the time allocated by making a measured judgement.

- In total, 239 recommendations were made in our reports and 91% of them were accepted for implementation, and there were no serious disputes arising.

- Satisfaction rating from our post audit questionnaires was 100%.

- The quality of our work is reviewed every three years by our external auditors and the last occasion was during March 2011. The External Auditors concluded that "Internal Audit have achieved the required standard in all eleven areas set out in the CIPFA Code of Practice on Internal Audit in Local Government in the United Kingdom. (N.B. Standards from the Chartered Institute of Public Accountancy Code of Practice for Internal Audit). The report identified that there were no issues arising from the review.

- 36 specialist audits were conducted.

- 109 key controls were examined, in 10 key control areas.

- 4 investigations were successfully concluded.

- The cost of the Section was £298,000 i.e. an underspend of £35,000 compared to the budget of £333,000 excluding recharges), and equates to £287 per rechargeable day.

- Our colleagues in the Benefits Fraud Team had a successful year with 41 cases being proved to the criminal standard and resulting in the application of a criminal sanction (one case was reported on by both local and national media). They continued to work closely with colleagues from the DWP on cases where benefits are being claimed from both parties. Joint working with GMP has increased where cases required an arrest and search to be carried out. A further 25 customers were warned regarding their conduct. In total, investigations led to a demand for £617,147 to be recovered. If these cases had been allowed to continue, the potential loss to the taxpayer would be substantial.

3.0 OPINION

Control Framework

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.

Systems and Controls

A major part of our function is to provide a continuous review and appraisal of systems and controls, to report our findings, and to make recommendations where appropriate. I am satisfied with the coverage that we have achieved, and I believe that systems and controls are generally sound. We have singled out weak systems and identified situations where existing systems have been allowed to lapse or fall behind, and where we believe that improvements can be made. We have continued to report on these issues to Executive Directors, Chief Officers and Members, making appropriate recommendations. The Audit Committee has been instrumental in our approach to following up our recommendations.

I believe that we have achieved a good coverage of systems and controls, but as always, I must remind Members that we only ever examine a proportion of the Council's activities (hence the need to focus our attention on "significant" systems and key controls), and that our examination often only represents a "snapshot" in time. Internal Audit is only a part of the Council's control framework, and is not a substitute for management. For this reason we have tried to proactively encourage changes to the culture of the authority in promoting good corporate governance, an anti-fraud and corruption strategy and recognition of the need to build upon the Council's risk management and business continuity arrangements.

4.0 EVIDENCE - FRAMEWORK

My opinion is based on the following:

4.1 The Council's Constitution has clear and unambiguous Standing Orders, Financial Regulations and Scheme of Delegated Powers which have been updated, and are subject to continual review.

4.2 The Council's Constitution also encompasses codes of conduct for both Members and employees, clearly linked to the appropriate Standing Orders, Financial Regulations etc. The National Code for Members has been adopted at Bury, and the National Code for Employees has been adopted.

4.3 The Council has an up to date Anti-Fraud and Corruption Strategy which has been widely publicised. The policy takes a strong line on fraud, which underlines the anti-fraud culture within the authority. Incorporated into the Strategy are its Confidential Reporting (Whistleblowing) Policy, Benefit Fraud Prosecution Policy, Members' Guidance (re outside bodies), and a Local Code of Corporate Governance. Standards of Conduct and an Anti-Money Laundering Guidance, are also reiterated here. In addition, I have liaised with our Legal Section to produce an Anti-Bribery Policy, which was presented to this Committee in December 2011 and this has also been incorporated into the Strategy.

4.4 The Council has a Standards Committee (supported by the Monitoring Officer), and an Audit Committee (supported by the s151 Officer, Head of Financial Management and the Council's external auditors) promoting the high standards expected. I see this as strengthening the control framework and helping to encourage an anti-fraud and corruption culture throughout the authority.

4.5 During 2013/14, the Governance Panel has continued to provide a forum to discuss, challenge and improve all aspects of governance in the Council. The panel is made up of four officers whose responsibilities form the core of the Council's ethical framework (S151 Officer, Monitoring Officer, Head of Financial Management, and the Executive Director of Resources & Regulation).

4.6 No limits have been placed on the scope of Internal Audit work, and as Head of Financial Management I have direct access to the Chief Executive in the capacity of Head of Internal Audit. I report directly to the Assistant Director of Resources & Regulation (Finance & Efficiency), Executive Directors, and to Members, and liaise regularly with the Council's external auditors.

4.7 The Accounts and Audit (England) Regulations 2011 state in paragraph 6 (3) that "the relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit". The regulations go on to state that the findings of this review be considered by a committee of the relevant body. The review is included in Appendix A to this report. Our approach is to divide the assurance framework into four categories (Audit Committee, Corporate Governance, Internal Audit, and Policies and Procedures) and look at the Controls in place, the purpose of this control, the evidence that this control exists, and the value of the control. I conclude that, in my professional opinion, the Council has a robust internal control framework and ethical governance arrangements.

5.0 EVIDENCE – SYSTEMS AND CONTROLS

My opinion is based on the following which relate to last year's work:

5.1 Throughout the year we have conducted a rigorous examination of the Council's fundamental systems and key controls. This has included work on Debtors, Creditors, Cash Collection, Housing Rents, Payroll, Housing Benefits, the Main Accounting System, Treasury Management, Council Tax and NNDR. Many other systems have also been examined.

5.2 We have continued to work closely with the Council's external auditors enabling us to co-ordinate our efforts and achieve maximum coverage in our systems audit work.

5.3 In addition to formal examination of systems, we have also carried out a series of random tests throughout the course of the year. For example we regularly check invoices, payroll variations and suchlike, making sure that systems are working in practice and are being adhered to. We have also continued to offer support to inter-departmental working groups, providing advice on new or revised systems. Requests for our advice and involvement at the early stages of schemes continued during 2013/14.

5.4 I have been encouraged, once again, by the general acceptance of audit recommendations, and by the support of Members. We have continued to develop our follow-up procedures under the auspices of the Audit Committee, which has led to an improved ratio of implementation. This, in turn, has helped to improve confidence in our systems.

5.5 Significant progress has been made with risk management. The Authority now has comprehensive risk registers updated on a quarterly basis, a Member level Group, quarterly reports to Strategic Leadership Team and a full training programme for Members and staff.

5.6 Controls often weaken when change has taken place, necessitating a revision of procedures. The authority has been, and still is, undergoing a period of change and innovation. Throughout this period I have continued to constantly remind management and Members of the need to maintain adequate controls in such circumstances.

5.7 We have again been directly involved in a number of special investigations, and I have reported individually on these in as much detail as is permissible. The lessons learned from some of these should help us to improve controls and remind us to remain alert.

6.0 ABOUT THE INTERNAL AUDIT SECTION

6.1 Audit Objectives

The Internal Audit Section is the Council's own directly employed in-house Internal Audit Service, and provides a continuous review in accordance with the Council's obligations under the Local Government Act 1972, and the Accounts and Audit (England) Regulations 2011. It operates under the APB (Auditing Practices Board) Guidelines and CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Internal Audit in Local Government, as approved by the Council. Its objectives are:

- independently review and appraise systems of control throughout the authority and its activities;
- ascertain the extent of compliance with procedures, policies, regulations and legislation;
- provide reassurance to management that their agreed policies are being carried out effectively;
- facilitate good practice in managing risks;
- recommend improvements in control, performance and productivity in achieving corporate objectives;
- review the value for money processes, Best Value arrangements, systems, and units within the authority;
- work in partnership with the external auditors;
- identify fraud as a consequence of its reviews and to deter crime.

6.2 Audit Staff

- Internal Audit has a staffing establishment of seven. This includes three Auditors, two Seniors and an Audit Manager in addition to myself.

6.3 Audit Skills

- We employ qualified staff (Accountant or Technician). Additionally, three of our team are also graduates, and some hold additional qualifications, e.g. Chartered Public Financial Accountant (CPFA), Chartered Institute of Management Accountants (CIMA), Member of the Institute of Internal Auditors (IIA), Qualification in Computer Audit (QiCA) Certificate in Investigative Practices (CIIP).

- We have continued to supplement professional training with on-the-job training, specialist courses and seminars. These are identified mainly through the employee review system and help us to maintain a highly trained team. Two members of the Section have undergone the Senior Management Breakthrough training.

- We also support the activities of professional bodies such as CIPFA and working groups such as the North West Chief Internal Auditors Group, the North West Computer Audit Group, the North West Fraud Group and the North West Contract Audit Group. We have supported the National and Greater Manchester Fraud Initiatives from the outset and have maintained our participation in the ground breaking data matching exercises, which have produced such impressive savings over the years.

- Our broad spread of skills and experience in the section is constantly under review. This year we have purchased additional computer audit expertise, from the Greater Manchester Computer Audit Consortium, to supplement our own. Specialist staff from the Consortium (operated on our behalf by Salford City Council) have worked alongside our own, in-house staff, whilst we continue to develop our in-house capability.

- Appendix D reports the performance management data for Internal Audit for the 2013/14 financial year. This document represents a collation of the regular performance management updates brought before Members of the Audit Committee throughout the year.

7.0 THE PLAN - INPUTS

- We planned to provide 1,045 days of directly rechargeable work. Our actual output was 1,036.

- An analysis of time planned and worked can be seen at Appendix C.

8.0 THE PLAN – OUTPUTS

- The analysis at Appendix C shows that targets were generally achieved, at least in terms of inputs. It reflects the fact that some re-scheduling of time has taken place to effect changes in priority and allow for the involvement of auditors on working groups and in conducting investigations.

- Members have been made aware of these changes through regular updates throughout the year.

- We have ensured that the core systems work has been carried out, and any reductions have been limited to the lower risk areas, which we have been able to defer in the short term.

9.0 THE COSTS

- The cost of the Section (including recharges) for the year was £341,000 (against a budget of £376,000). This has been recharged to our clients on an hourly recharge basis in accordance with our Service Level Agreement.

- Average cost per auditor was £48,714 (inclusive of overheads).

- Our recharge rate was £40.00 per hour.

- Our costs/charges have remained amongst the lowest in Greater Manchester for several years. This was confirmed in the July 2010 (Most recent figures) CIPFA Benchmarking Club results that revealed the average cost per Auditor in England is £319 per day. Bury's costs amounted to £278 per day placing us in the top performing quartile. Last year we managed to reduce our costs further to £227 per day. However, the cost of participation in the Benchmarking Club has led to the Council taking the decision not to continue our participation. This is in line with most of our AGMA colleagues.

- Our rates compare very favourably with firms in the profession.

10.0 LOOKING AHEAD

10.1 We are now delivering our plan for 2014/15 (approved 3 March 2014). I will continue to inform Members of progress throughout the year, and will again present an annual report at the year end. The following issues will also impact upon the performance of Internal Audit and its measurement, and are shown for the information of Members:

- Audit Planning – Internal Audit will continue to develop a risk based approach to its planning process.
- Intranet – The Section will continue to develop its entry on the Authority intranet site as a means of promotion.
- Performance Indicators – Internal Audit will continue producing their own key indicators as part of a Performance Management Framework developed by the Section 151 Officer.

10.2 In accordance with the Council's requirement to produce a Governance Statement annually (Accounts and Audit (England) Regulations 2011), it is hoped that this report, and the work of Internal Audit, will provide some of the assurance needed in supporting the Statement.

ANDREW BALDWIN CPFA

HEAD OF FINANCIAL MANAGEMENT

Background documents:
Internal Audit Plan 2013/14

For further information on the details of this report, please contact:
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INTERNAL AUDIT PLAN 2013/2014 — **Appendix C**

From the 1st April, 2013 to 31st March, 2014 **Section 151 Assurance**	**FULL YEAR TOTAL PLANNED**	**Full Year TOTAL ACHIEVED**
Business Continuity	8	1
Cash and bank reconciliation	41	47
Council Tax	18	1
Creditors	22	13
Debtors	21	10
Housing Benefit	16	17
Housing Rent	22	22
Income	0	0
Main Accounting System	16	2
NNDR	26	13
Payroll	31	59
Risk Management	16	27
Taxation	0	0
Treasury Management	26	14
Sub Total	**263**	**225**
Governance/VFM		
Physical	58	49
Financial	81	80
People and Partners	30	41
Sub Total	**169**	**170**
Fraud		
Detection	45	22
Investigation	70	146
Prevention	26	41
Sub Total	**141**	**209**
Front Line Services		
Place	120	68
People	352	364
Sub Total	**472**	**432**
TOTAL CHARGEABLE DAYS	**1,045**	**1,036**
TOTAL DAYS NOT CHARGED	546	461
TOTAL WORKING DAYS	**1,591**	**1,497**

INTERNAL AUDIT PLAN 2013/2014

From the 1st April, 2013 to 31st March, 2014 **NON-RECHARGEABLE**	**FULL YEAR TOTAL PLANNED**	**FULL YEAR TOTAL ACHIEVED**
Audit Management and Admin	*204*	*152*
Leave	*270*	*234*
Training	*33*	*14*
Sickness absence	*39*	*61*
TOTAL NON-RECHARGEABLE DAYS	**546**	**461**
TOTAL WORKING DAYS	**1,591**	**1,497**

Appendix C

INTERNAL AUDIT PLAN 2013/2014

From the 1st April to 31st March
Thematic breakdown

	Annual Planned Days	Actual Achieved Full Year	Actual % Achieved	Comments
Section 151 Assurance	263	225	86	
Governance/VFM	169	170	101	
Fraud	141	209	148	
Front Line Services	472	432	92	
Total	**1,045**	**1,036**	**99**	

Directorate breakdown

	Annual Planned Days	Actual Achieved Full Year	Actual Achieved %
Corporate	338	364	108
Chief Executive's	89	104	117
Adult Services	105	101	96
Children's Services	250	241	96
DCN & STH	263	226	86
Total	**1,045**	**1,036**	**99**
Non-Chargeable	546	461	84

Internal Audit Performance Indicators -Final Outturn 2013/14

APPENDIX D

Work in Progress		Target	Actual
PI 01	Incomplete Audits b/f from previous period(s)	N/A	12
PI 02	Planned Audits started in Period	47	49
PI 03	Unplanned Audits started In Period	N/A	7
PI 3a	Fraud work	8	8
PI3b	Other	14	19
	Total Audits in Progress	69	95

Productivity		Target	Actual
PI 04	Chargeable Days for Period	1045	1036
PI 05	Non-Chargeable Days for Period	546	461
	Total Days worked for Period	1591	1497
PI 06	% of Audits completed within Allocated days	75%	60%

Specialist Areas		Target	Actual
PI 07	Contract Schemes Examined in Period	1	1
PI 08	Computer Audits undertaken in Period	1	0
PI 09	Fundamental Financial Systems Examined	8	10
PI 10	School Audits undertaken in Period	25	25
	Total Specialist Audits Undertaken	35	36

Reporting		Target	Actual
PI 11	Draft reports issued in Period	33	54
PI 12	Final Reports issued in Period	40	48
	Total reports issued in Period	73	102
PI 13	Percentage of Reports issued within 14 days of completing field work	95%	66%

Financial		Target	Actual
PI 14	Average Salary Per Staff Member (£)	45,871	36,705
PI 15	Internal Audit Budget Outturn to date (£)	333,000	298,000
PI 16	Cost Per Audit Day (£)	318	287

Staffing		Target	Actual
PI 17	Percentage of Qualified Staff	100	100
PI 18	Average post-qual experience (years)	5	10+
PI 19	Days Training	28	14
PI 20	Days lost to Sickness	33	61

Recommendations		Target	Actual
PI 21	No. of Recs made in final reports issued	N/A	239
PI 22	% of Recommendations Accepted	100	91
PI 23	% of Recs followed up within 6 mths	100	100

Quality		Target	Actual
PI 24	External Audit Consultation Meetings Held	3	3
PI 25	Client Satisfaction - Planning / Approach	97	100
PI 26	Client Satisfaction - Quality of Report	97	100
PI 27	Client Satisfaction - Value of Audit	97	100

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