AGENDA FOR

AUDIT COMMITTEE

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To: All Members of Audit Committee

Councillors : N Bayley, E Fitzgerald, Mallon (Chair), S Nuttall, S Smith, Southworth, R Walker, Whitby and M Wiseman

Dear Member/Colleague

Audit Committee

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

Date:	Wednesday, 15 July 2015
Place:	Meeting Rooms A & B - Town Hall
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 APOLOGIES FOR ABSENCE

2 DECLARATIONS OF INTEREST

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

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

The Minutes of the last meeting held on 2 March 2015 are attached.

4 AUDITED STATEMENT OF ACCOUNTS *(Pages 7 - 136)*

A report from the Interim Director of Resources and Regulation is attached.

The Post Audit Statement of Accounts are attached.

5 ISA 260 *(Pages 137 - 164)*

The ISA 260 is attached.

6 RISK MANAGEMENT ANNUAL REPORT 2014/2015 *(Pages 165 - 182)*

A report from Councillor Rishi Shori the Deputy Leader of the Council and Cabinet Member for Finance and Housing is attached.

7 INTERNAL AUDIT ANNUAL REPORT AND REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROL 2014/15 *(Pages 183 - 214)*

A report from the Head of Financial Management is attached
Appendices A – D are attached.

8 ANNUAL GOVERNANCE STATEMENT 2014/2015 *(Pages 215 - 232)*

A joint report from the Leader of the Council and the Chief Executive is attached.

9 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.

10 REPORT ON THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2014/15 *(Pages 233 - 240)*

A report from the Head of Financial Management is attached

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Minutes of:	**AUDIT COMMITTEE**
Date of Meeting:	2 March 2015
Present:	Councillor E Fitzgerald (in the Chair) Councillors P Heneghan, S Nuttall, N Parnell, R Walker and Whitby
Also in attendance:	G Burrows – KPMG R Fenton – KPMG
Public Attendance:	No members of the public were present at the meeting.
Apologies for Absence:	Councillor Mallon and Councillor K Rothwell

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AU.755 DECLARATIONS OF INTEREST

There were no declarations of interest made at the meeting with regard to any item on the agenda.

AU.756 MINUTES OF THE LAST MEETING

It was agreed:

That the Minutes of the last meeting of the Audit Committee held on 15 December 2014 be approved as a correct record and signed by the Chair.

AU.757 MATTERS ARISING

Councillor Heneghan referred to the questions that had been raised with regards to the pie charts relating to sickness levels across the borough and asked whether the actions recorded had been followed up.

It was explained that this had been followed up and all Audit members had been sent an e-mail on 27 January 2015 regarding the issue.

AU.758 PUBLIC QUESTION TIME

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

AU.759 TRAINING - VALUE FOR MONEY

Steve Kenyon, Assistant Director, Resources and Regulation (Finance & Efficiency) gave a presentation explaining how the Council ensures Value for Money is achieved across its departments.

Steve explained that value for money could be described as:
Doing things cheaper, doing things better, doing things quicker.

The Council's definition was:-

"The production of the desired effects or results with the minimum waste of time, money or effort"

The Council needs to ensure Value for Money because:-

- It is responsible for the stewardship of Public Funds
- It is a statutory requirement (s151 officer) / Best Value Act
- Ensuring best use of scarce resources (balanced against increasing pressures)
- Providing better outcomes for residents

The Council achieves Value for Money through:

- Corporate / Service Planning
- Effective procurement
- Medium Term Financial Strategy
- Budgetary Control
- Star Chambers
- ICT Strategy
- Workforce Strategy
- Asset Management Strategy
- Risk Management Strategy
- Performance monitoring

The Council measures Value for Money, externally:

- External Auditor Judgement
- Audit Commission VFM Profiles
- Views of residents / service users

VFM profiles allow us to access a useful online tool covering the following areas;

- General Overview
- Financial Resilience
- Adult Care
- Benefits
- Children & Young People
- Culture / Sport
- Environment
- Housing
- Sustainable Economy
- Public Health

It was also explained that the role of the Audit Committee as being "those charged with governance" in Value for Money is to:-

- Approve Annual Governance Statement
- Receive Quarterly Governance Statement updates
- Receive key budget monitoring information
- Receive specific reports following Audits
- Assist in following up recommendations from audit reports
- Request Directors / Manager to attend
- Generally oversee and challenge the control framework

It was agreed:

That the contents of the presentation be noted.

AU.760 FINANCIAL MONITORING REPORT

The Assistant Director of Resources and Regulation, presented a report updating Members of the Committee on the Authority's financial position. I
This is 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 £0.902m for the 2014/2015 financial year based on spending and income information as at 31 December 2014.

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 2014/2015 Municipal Year.

A fuller version of the report was considered by Overview & Scrutiny on 11 February 2015.

Delegated decision:

That the contents of the report be noted.

AU.761 QUARTERLY GOVERNANCE STATEMENT - APRIL TO DECEMBER 2014

The Head of Financial Management, Andrew Baldwin, 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 15 July 2014.

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, 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.762 GIFTS AND HOSPITALITY

The Assistant Director of Resources and Regulation 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 July 2014 to December 2014.

Delegated decision:

That the contents of the report be noted.

AU.763 KPMG - CERTIFICATION OF GRANTS AND RETURNS - 2013/2014

Jillian Burrows from KPMG presented the Committee with the Certification of Grants and Returns report for 2013/2014 which summarised the results of the work that had been undertaken by KPMG in this area.

Delegated decision:

That the report be approved.

AU.764 KPMG - AUDIT PLAN 2014/2015

Jillian Burrows from KPMG presented a report setting out the work that KPMG would be undertaking relating to 2014/2015 financial year 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 2015 Audit Committee.

It was explained that as part of the audit there would be some work carried out in relation to assets under construction and accounting for local authority maintained schools.

The other areas that the External Auditors will be undertaking work 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.

Delegated decision:

That the External Audit Plan be accepted

AU.765 INTERNAL AUDIT REPORT - MEMBERS' FEEDBACK

The Head of Financial Management 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.

AU.766 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.767 INTERNAL AUDIT ANNUAL PLAN

The Head of Financial Management presented the Committee with the 2015/2016 Annual Plan.

The report set out the proposed Internal Audit Plan for the year 2015/2016.

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

Delegated decision:

That the 2015/2016 Internal Audit Annual Plan be approved.

AU.768 INTERNAL AUDIT PROGRESS REPORT - APRIL - DECEMBER 2014

The Head of Financial Management submitted a report briefing the Committee Members on the work being carried out currently by Internal Audit in line with the Annual Audit Plan 2014/2015.

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.

COUNCILLOR E FITZGERALD
Chair

(Note: The meeting started at 7.00 pm and ended at 9.10 pm)

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REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**AUDIT COMMITTEE**
DATE:	**15th JULY 2015**
SUBJECT:	**STATEMENT OF ACCOUNTS 2014/15**
REPORT FROM:	**INTERIM EXECUTIVE DIRECTOR OF RESOURCES & REGULATION**
CONTACT OFFICER:	**STEVE KENYON, INTERIM EXECUTIVE DIRECTOR OF RESOURCES & REGULATION**

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

SUMMARY:

The report provides Members with details of the Authority's audited Statement of Accounts for the financial year ended 31 March 2015.

The pre-audited Statement of Accounts was approved by the Responsible Finance Officer on 5 June 2015. The accounts have now been audited and Members are asked to note:

- No audit adjustments have been identified;
- Six recommendations have been made. The auditors have classified three as high priority and three as medium 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 second 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 final version of the Statement of Accounts for the 2014/15 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 Interim Executive Director of Resources & Regulation 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 2014/15 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: Steve Kenyon**

Chief Executive/ Strategic Leadership	Cabinet Member /Chair	Ward Members	Partners

Team			
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 Interim Executive Director of Resources & Regulation.

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 2014/15 draft Accounts were approved by the Responsible Finance Officer (Section 151 Officer) on 5 June 2015 and KPMG commenced their audit of the accounts on Monday 8 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 2014/15 Accounts were available for inspection at Bury Town Hall between 8th June and 3rd 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 8 July 2015 and the Overview & Scrutiny Committee on 28 July 2015 and will contain details of the Council's financial performance against budget.

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 Deputy Leader of the Council and Cabinet Member for Finance & Housing;
- An Explanatory Foreword;
- Summary of the Council's Financial Results;
- Statement of Responsibilities;
- Core Financial Statements:
    - The Comprehensive Income and Expenditure Statement;
    - Balance Sheet;
    - Movement In Reserves Statement;
    - 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 2014/15 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 2014/15 are:

i. Accounting for schools – in connection with the accounting treatment of local authority maintained schools and the potential impact on the Income and Expenditure Statement, Segment Reporting and non-current assets;
ii. Group Accounts – changes that reflect new or amended standards introduced by the International Accounting Standards Board;
iii. Carbon Reduction Commitment Energy Efficiency Scheme – update of accounting requirements for the4 second phase of the scheme, which commenced in April 2014 and runs until March 2019.

4.0 AMENDMENTS TO THE ACCOUNTS

4.1 For the 2014/15 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 There are no audit adjustments that KPMG (the auditors) have identified from the draft accounts that were approved by the Responsible Finance Officer on 5th June.

4.5 **Members are therefore recommended to approve these Accounts.**

4.6 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:

	2014/15	**2013/14**	**2012/13**	**2011/12**	**2010/11**	**2009/10**	**2008/09**
Audit Adjustments	**0**	**1**	2	1	3	0	0
Recommendations	**6**	**6**	1	1	10	0	3
Recommendations outstanding from previous years	**4**	**0**	0	1	0	1	0

4.7 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 Interim Executive Director of Resources & Regulation 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
INTERIM EXECUTIVE DIRECTOR OF RESOURCES & REGULATION

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, Interim Executive Director of Resources & Regulation;
tel. 0161 253 6922, (email: S.Kenyon@bury.gov.uk)

Bury COUNCIL

FINANCIAL MANAGEMENT SERVICES

Statement of Accounts 2014/2015

CONTENTS

Introduction by Councillor Rishi Shori, Deputy Leader of the Council and Cabinet Member for Finance and Housing

I am delighted to welcome you to the Council's Statement of Accounts for 2014/15.

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. Almost £26 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 continue to be ever increasing demands on e 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 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. The 2014-2015 update to the Corporate Plan outlines the Council's future strategic direction and provides a framework around which to focus our efforts and measure our progress towards the vision for our Borough. 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=15842&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 2014/15 delivery of the budget for the year was overseen by Councillor Mike Connolly, Leader of the Council and Cabinet Member for Finance at the time, and I am extremely grateful for the work that he put into 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 Rishi Shori
Deputy Leader of the Council and Cabinet Member for Finance and Housing

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, 2015.

Signed on behalf of Bury Metropolitan Borough Council:

Councillor John Mallon
Chair of Audit Committee

15 July, 2015

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 2015.

Signed on behalf of Bury Metropolitan Borough Council:

S Kenyon CPFA
Interim Executive Director of Resources & Regulation

5 June, 2015

EXPLANATORY FOREWORD

EXPLANATORY FOREWORD

These Accounts have been prepared in accordance with the 2014/15 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 2014/15.

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 2014** to **31st March 2015** along with details of the assets and liabilities of the Council at **31st March 2015**. Wherever it is relevant the corresponding figures for the last financial year, 2013/2014, are also shown for comparison.

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

CORE FINANCIAL STATEMENTS

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 transferred from primary care trusts (PCTs) to local authorities. This service has been separately identified in the 2014/15 Comprehensive Income and Expenditure Statement as required by the 2014/15 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'.

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.

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. Since 2013/14 onwards local authorities keep 50% of all business rates income.

THE GROUP ACCOUNTS:

The Group Accounts show the 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, Group Movement in Reserves Statement 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 2014, by **£0.095m.**

At 31st March 2015 the borough's schools had accumulated a total underspending against their budget of **£2.993m**. 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 2015/2016 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 2015/2016 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. Any directorate carry-forwards requests are included in the Revenue Outturn report which was considered by Cabinet on 8 July, 2015.

Revenue expenditure during 2014/2015 was: -

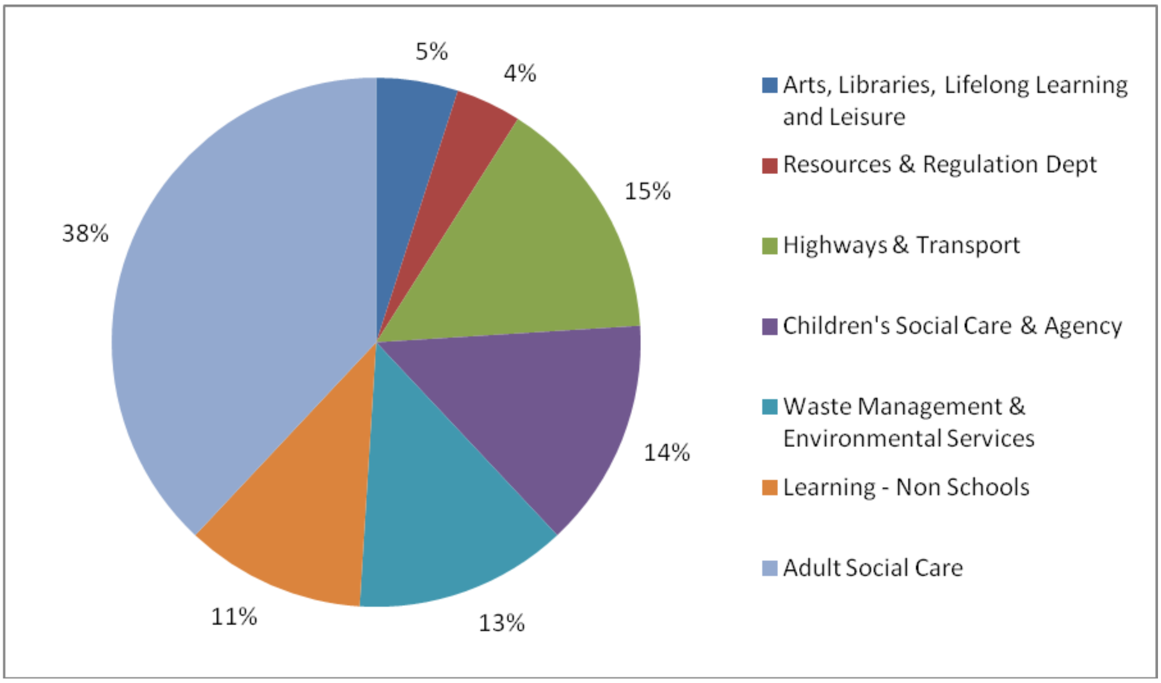
		Revised Estimate £000's	Actual £000's	Difference £000's
Net cost of Bury services		143,760	143,665	(95)
Precepts :-	Police	7,802	7,802	0
	Fire	2,953	2,953	0
		154,515	154,420	(95)
TOTAL NET EXPENDITURE				
Financed from:-				
	Revenue Support Grant	(42,562)	(42,562)	0
	Locally Retained Business Rates	(31,839)	(31,839)	0
	Council Tax	(78,996)	(78,996)	0
	Movement between specific and formula grants	(1,118)	(1,023)	95
BALANCE		**0**	**0**	**0**

The Corporate Revenue Outturn Report details the overall performance of the Council in 2014/2015.

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

Service Area	**£000's**
Children's Agency Placements	1,366
Communities and Wellbeing	1,081
Provisions	(900)
Cost of Borrowing	(745)
Housing	(322)
Learning – Non Schools Budget	(328)
Resources & Regulation	(262)
Other Children's Services	114
DCN Residual	(109)
Other Variances	10
Total	**(95)**

The Council spent £143.665m (excluding precepts) in 2014/2015 as follows:



	£m
Learning – Non Schools	16.062
Adult Social Care	54.561
Children's Social Care & Agency	20.219
Arts, Libraries, Parks and Sports	7.224
Waste Mgt & Environmental Services	18.542
Highways & Transport	21.710
Resources & Regulation Dept	6.048
Other	(0.701)
Total	**143.665**

CAPITAL OUTTURN

Total Capital Expenditure achieved in the year was **£25.914** million.

In addition to the figures shown for the year, Bury's Voluntary Aided schools received **£1.464m** 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 14 (page 74).

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

SERVICE	PROJECT	£000's	£000's
COMMUNITIES & WELLBEING			
Environmental Works	Contaminated Land	7	
	Air Quality	10	**17**
Leisure Services	Parks and Countryside	2	
	Radcliffe Temporary Pool	327	**329**
Adult Care Services	Learning Disabilities	261	
	Older People Services	563	**824**
Urban Renewal	Empty Properties	77	**913**
	Disabled Facilities Grant	836	
Waste Management	Zero Waste Strategy	164	**164**
Equal Pay	Back Pay Capitalisation	8	**8**
CHILDREN, YOUNG PEOPLE & CULTURE			
Children's Services	Support Services	95	
	Devolved Formula Capital	727	
	Modernisation / New Pupil Places	4,455	
	Access Initiatives	38	
	Targeted Capital Funding	30	
	New Sports Hall – Derby High	190	
	Free School Meal Capital Grant	225	
	Early Education Fund	29	
	Elms Bank 16-19 Demographic Growth	447	**6,236**
Libraries	RFID Libraries Schemes	30	
	Sculpture Gallery	12	**42**
Equal Pay	Back Pay Capitalisation	8	**8**
RESOURCES & REGULATION			
Highways and Transportation	Street Lighting LED Invest to Save	733	
	Traffic Management Schemes	79	
	Highways Planned Network Maintenance	1,295	
	Bridges	332	
	Traffic Calming and Improvement	33	**2,472**
Planning Services	Development Group Schemes	60	
	East Lancashire Railway Trust	23	
	Environmental Projects	253	**336**
Corporate ICT	iTrent Projects	58	
	CADCORP – GIS Mapping	27	**85**

Depot & Operational	Fernhill to Bradley Fold Relocation	92	**92**
Property Services	Property Development	1,568	
	Property Management	77	**1,645**
Equal Pay	Back Pay Capitalisation	1	**1**
Housing Public Sector	Asbestos Removal	9	
	Environment/Security Work	369	
	Energy Efficiency	1,091	
	Modernisations	5,470	
	Roofing Schemes	3,482	
	Disabled Facilities Adaptations	494	
	Miscellaneous Housing Schemes	1,827	**12,742**
TOTAL		25,914	**25,914**

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

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

Expenditure:	**£000's**	**£000's**
Fixed assets	25,503	
Intangible assets	227	
Vehicle, Plant and Equipment	184	
Total		**25,914**
Financed by:	**£000's**	**£000's**
Loan	705	
Capital Receipts	875	
Grants & Contributions	9,567	
General Fund Revenue and Reserves	2,024	
Housing Revenue Account	3,975	
Major Repair Allowance	8,768	
Total		**25,914**

BORROWING OUTTURN

During 2014/15 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 31/03/14 £000's	**Loans raised £000's**	**Loans repaid £000's**	**Balance at 31/03/15 £000's**
PWLB	146,362	0	(5,809)	140,553

PWLB Airport	4,078	0	(770)	3,308
Market	57,500	0	0	57,500
Temporary Loans	2,000	3,000	(5,000)	0
Other loans	3	0	0	3
Total Debt	**209,943**	**3,000**	**(11,579)**	**201,364**

OUTTURN REPORTS

The Revenue & HRA, Capital and Treasury Management Outturn reports will be submitted to the Cabinet on 8 July and to Overview & Scrutiny Committee on 29 July, 2015. 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 96 produced a deficit of **£0.331 million** during the year. This was against an estimated deficit for the year of £0.446 million.

COLLECTION FUND

The information shown on page 102 demonstrates that at 31st March 2015 there was a surplus balance on the Collection Fund of **£0.589 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 8 June 2015 and the External Auditor was available for questioning on or after 6 July 2015. This facility was advertised in the local press and on the Bury Council website.

S KENYON, CPFA,
Interim Executive Director of Resources & Regulation

5 June 2015

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 Interim Executive Director of Resources & Regulation.
- 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 Audit Committee

Audit Committee is required:

- To monitor the integrity of the financial statements of the Council and to review significant financial reporting judgements contained in them;
- To review the Council's internal financial controls including its risk management systems;
- To monitor and review the effectiveness of the Council's internal audit function;
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process;
- To consider significant accounting policies, any changes to them, and any significant estimates and judgements;
- To review the clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are set properly in context;
- To approve the audited Statement of Accounts.

The Responsibilities of the Interim Executive Director of Resources & Regulation

The Interim Executive Director of Resources & Regulation 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 2015.

In preparing the Statement of Accounts the Interim Executive Director of Resources & Regulation 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 Interim Executive Director of Resources & Regulation has also:

- Kept proper accounting records which are 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 18.

S. KENYON CPFA,
Interim Executive Director of Resources & Regulation

5 June 2015.

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 2015 on pages 21 to 124. 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 2014/15.

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 Interim Executive Director of Resources and Regulation and Auditor

As explained more fully in the Statement of Responsibilities, the Interim Executive Director of Resources and Regulation 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 circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Interim Executive Director of Resources and Regulation; 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 as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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.

Other matters on which we are required to conclude

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. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2014, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, and
- assessment of potential VFM risks.

On the basis of our work, we have concluded that there are no matters to report.

Delay in certification of completion of the audit

Due to work on the WGA Return not being completed by the date of the audit report

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
1 St Peter's Square
Manchester
M2 3AE
15 July, 2015

CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/2014				2014/2015			
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				
16,670	(12,084)	4,586	Central Services to the Public including Court Services	14,468	(10,645)	3,823	
17,082	(5,728)	11,354	Cultural & Related Services	16,266	(6,918)	9,348	
24,851	(3,677)	21,174	Environment & Regulatory Services	24,417	(3,273)	21,144	
2,429	(1,914)	515	Planning Services	2,249	(2,110)	139	
217,990	(166,635)	51,355	Children's & Education Services	223,050	(182,175)	40,875	
27,978	(5,725)	22,253	Highways & Transport Services	27,731	(5,673)	22,058	
29,379	(31,182)	(1,803)	Local Authority Housing (HRA)	35,466	(31,530)	3,936	
64,398	(62,197)	2,201	Other Housing Services	63,184	(62,172)	1,012	
82,843	(28,253)	54,590	Adult Social Care Services	78,133	(25,676)	52,457	
8,002	(9,447)	(1,445)	Public Health	8,036	(10,014)	(1,978)	
2,957	(21)	2,936	Corporate & Democratic Core	2,884	(25)	2,859	
3,140	(329)	2,811	Non-Distributed Costs	2,513	(36)	2,477	
986	(1,061)	(75)	Other Operating Inc & Exp.	467	(631)	(164)	
498,705	**(328,253)**	**170,452**	**Cost Of Services**	**498,864**	**(340,878)**	**157,986**	
			Other Operating Expenditure				
2,372	0	2,372	(Gain)/Loss on Disposal of Non-Current Assets	768	0	768	
33,769	(36,951)	(3,182)	(Surplus)/Deficits on Trading Operations	34,158	(37,374)	(3,216)	3
991	0	991	Contribution of Housing Capital Receipts to Government Pool	1,032	0	1,032	
37,132	**(36,951)**	**181**		**35,958**	**(37,374)**	**(1,416)**	
			Financing and Investment Income and Expenditure				
8,844	0	8,844	Interest Payable & other Similar Charges	8,637	0	8,637	
0	(3,592)	(3,592)	Interest and Investment Income	0	(3,668)	(3,668)	
9,924	0	9,924	Pensions Interest Cost and Expected Return on Pensions Assets (IAS19)	8,749	0	8,749	4
18,768	**(3,592)**	**15,176**		**17,386**	**(3,668)**	**13,718**	
			Taxation and Non-Specific Grant Income & Expenditure				
0	(67,279)	(67,279)	Demand On Collection Fund: Council Tax	0	(68,263)	(68,263)	
0	(51,459)	(51,459)	Government Grants (not attributable to specific services)	0	(43,069)	(43,069)	
0	(30,876)	(30,876)	Non-Domestic Rate distribution	0	(31,823)	(31,823)	
0	(17,972)	(17,972)	Capital grants and contributions	0	(20,356)	(20,356)	
0	**(167,586)**	**(167,586)**		**0**	**(163,511)**	**(163,511)**	
554,605	**(536,382)**	**18,223**	**(Surplus) or Deficit On Provision of Services**	**552,208**	**(545,431)**	**6,777**	
		56,359	(Surplus) / Deficit on revaluation of property, plant and equipment			14,466	
		4,421	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			1	
		(7,325)	(Surplus) / Deficit on revaluation of available for sale financial assets			(4,226)	
		(20,511)	Actuarial (gains) / losses on pension assets and liabilities			75,341	
		(12,532)	Any other (gains)/ losses for the year			(349)	
		20,412	**Other Comprehensive Income and Expenditure**			**85,233**	
		38,635	**Total Comprehensive Income and Expenditure**			**92,010**	

BALANCE SHEET AT 31ST MARCH 2015

31/3/2014		31/3/2015			
		£'000	£'000	£'000	Note
	PROPERTY, PLANT & EQUIPMENT				
	Tangible Fixed Assets				
	Operational Assets:				
208,162	Council Dwellings	194,395			
288,375	Other Land & Buildings	281,832			
28,471	Infrastructure Assets	27,919			
4,855	Vehicles & Plant	4,031			
554	Community Assets	1,522			
42,166	Non-Operational Assets	42,605			
3,103	Assets under construction	2,577			
405	Surplus assets held for disposal	401	**555,282**		**10**
3,290	Intangible Fixed Assets	2,439	**2,439**		**12**
1,249	Investment Property	1,249	**1,249**		**13**
23,760	Heritage Assets	24,088	**24,088**		**11**
604,390	**TOTAL FIXED ASSETS**		**583,058**	**583,058**	
	LONG TERM INVESTMENTS				
36,700	Manchester Airport PLC		41,000		**17**
7,257	Bury MBC Townside Fields Ltd		7,257	**48,257**	**17**
43,957					
	LONG TERM DEBTORS				
151	Long term Debtors – General		129		
10,916	Loan Accounts		12,797		
18	Debt Managed for Probation Services		17	**12,943**	
11,085					
	CURRENT ASSETS				
1,291	Stocks & Work in Progress	1,379			
2,042	Assets Held for Sale	920			**10**
36,341	Sundry Debtors & Advance Payments	39,116			**18**
20,887	Short Term Investments	30,201			
25,335	Cash And Cash Equivalents	3,476			
85,896			**75,092**		
	LESS : CURRENT LIABILITIES				
(8,610)	Short Term Loans Outstanding	(11,884)			**20**
(173)	Deposits & Clients' Funds	(173)			
(2,706)	Short Term Provisions	(4,391)			**22**
(28,970)	Sundry Creditors & Advance Receipts	(28,831)			**19**
(292)	Revenue Grants Receipts in Advance	(296)			
(6,985)	Bank Accounts	(798)			
(47,736)			**(46,373)**		
38,160	**NET CURRENT ASSETS**			**28,719**	
697,592	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**672,977**	
	LESS: LONG TERM LIABILITIES				
(203,084)	External Loans Outstanding		(191,179)		**20**
(515)	Capital Grants Receipts in Advance		(862)		
(1,802)	Finance Lease Liabilities		(1,346)		**16**
(6,407)	Deferred Liabilities		(5,754)		**21**
(202,642)	Pension Liability		(281,615)		**4**
(33,412)	Long Term Provisions		(34,501)		**22**
(447,862)				**(515,257)**	
249,730	**TOTAL NET ASSETS**			**157,720**	

BALANCE SHEET AT 31ST MARCH 2015

31/3/2014		31/3/2015			
		£'000	£'000	£'000	Note
	FINANCED BY :				
	USABLE RESERVES				
(33,026)	Earmarked Reserves		(29,479)		**27**
(926)	Capital Receipts Unapplied		(3,659)		
(9,342)	Capital Grants Unapplied		(9,058)		
(15,688)	General Fund		(13,480)		**26**
(7,488)	Housing Revenue Account		(7,157)		
(1,489)	Major Repairs Reserve		(125)		
(2,146)	Competitive Services / Commuted Sums		(2,200)		**27**
2,267	Collection Fund Balance		1,678		
(11,724)	Other Balances		(11,724)		**27**
(79,562)				**(75,204)**	
	UNUSABLE RESERVES				
(128,269)	Revaluation Reserve		(109,051)		**28**
(229,450)	Capital Adjustment Account		(231,833)		**29**
8	Financial Instruments Adjustment Reserve		82		
(26,486)	Available for Sale Financial Instruments Reserve		(30,786)		**25**
2,067	Collection Fund Adjustment Account		188		**30**
2,641	Accumulated Absences		600		
202,642	Pension Reserve		281,615		**4**
6,693	Equal Pay Back Pay Reserve		6,676		**22**
(14)	Deferred Capital Receipts		(7)		**31**
(170,168)				**(82,516)**	
(249,730)	**TOTAL RESERVES AND BALANCES**			**(157,720)**	

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

2014/15	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 2014	**15,688**	**46,896**	**7,488**	**(2,267)**	**926**	**1,489**	**9,342**	**79,562**	**170,168**	**249,730**
Movement in reserves during 2014/15										
Surplus / (deficit) on the provision of services	1,637	0	(8,414)	0	0	0	0	**(6,777)**	0	**(6,777)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(85,233)	**(85,233)**
Total Comprehensive Income and Expenditure	**1,637**	**0**	**(8,414)**	**0**	**0**	**0**	**0**	**(6,777)**	**(85,233)**	**(92,010)**
Adjustments between accounting basis & funding basis under regulations	(7,338)	0	8,083	589	2,733	(1,364)	(284)	**2,419**	(2,419)	**0**
Net increase / (decrease) before transfers to earmarked reserves	**(5,701)**	**0**	**(331)**	**589**	**2,733**	**(1,364)**	**(284)**	**(4,358)**	**(87,652)**	**(92,010)**
Transfers to / from ear-marked reserves	3,493	(3,493)	0	0	0	0	0	**0**	0	**0**
Increase / (decrease) movement in 2014/15	**(2,208)**	**(3,493)**	**(331)**	**589**	**2,733**	**(1,364)**	**(284)**	**(4,358)**	**(87,652)**	**(92,010)**
Balance at 31 March 2015 carried forward	**13,480**	**43,403**	**7,157**	**(1,678)**	**3,659**	**125**	**9,058**	**75,204**	**82,516**	**157,720**

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**

CASH FLOW STATEMENT

2013/14		2014/2015		
£000's		£000's	£000's	£000's
	OPERATING ACTIVITIES			
	Cash Outflows:			
187,617	Cash Paid to and on behalf of Employees	188,126		
230,032	Cash Paid for Goods and Services	235,700		
35,574	Housing Benefit paid out	35,090		
3,812	Interest Paid	3,726		
991	Payments to Housing Capital Receipts Pool	1,032		
458,026	**Cash Outflows Generated from Operating Activities**		**463,674**	
	Cash Inflows:			
(29,328)	Rents (after Rebates)	(29,898)		
(68,483)	Council Tax Receipts (excl major preceptors share of receipts)	(69,935)		
(24,361)	NNDR Receipts (excl government and major preceptors)	(23,700)		
(47,284)	Revenue Support Grant	(38,890)		
(35,898)	DWP Grants for Benefits	(35,418)		
(161,951)	Other Government Grants	(166,683)		
(3,592)	Interest Received	(3,668)		
(1,400)	Airport Dividend Received	(1,484)		
(95,199)	Cash Received for Goods and Services	(95,140)		
(467,496)	**Cash Inflows Generated from Operating Activities**		**(464,816)**	
(9,470)	**NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES**			**(1,142)**
	INVESTING ACTIVITIES			
16,609	Purchase of Fixed Assets		20,807	
1,306	Purchase of Long Term Investments		4,300	
7,310	Net Increase / (Decrease) in Short Term Deposits		9,314	
(1,854)	Proceeds of Sale of Fixed Assets		(4,640)	
(515)	Capital Grants received		(862)	
22,856	**NET CASH FLOWS FROM INVESTING ACTIVITIES**			**28,919**
	FINANCING ACTIVITIES			
	Repayments of amounts borrowed:			
8,217	Long Term loans repaid		6,631	
6,000	Short Term loans repaid		5,000	
124	Net Receipts from Long Term Debtors		1,858	
(18,500)	New Long Term Loans		0	
(2,000)	New Short Term Loans		(3,000)	
(23,059)	Billing Authorities – NNDR and Council Tax Adjustments		(22,594)	
(29,218)	**NET CASH FLOWS FROM FINANCING ACTIVITIES**			**(12,105)**
(15,832)	**NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS**			**15,672**
2,518	**Cash and Cash Equivalents at beginning of the reporting period**			**18,350**
18,350	**Cash and cash equivalents at the end of the reporting period**			**2,678**
	Cash and cash equivalents include:			
	Cash held:			
89	Imprest accounts			89
1,717	Schools cash advances			1,029
(6,985)	Bank current accounts			(798)
23,529	Short term deposits with banks & building societies			2,358
18,350				**2,678**

S KENYON, CPFA,
Interim Executive Director of Resources & Regulation

5 June 2015

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 2014/2015 financial year and its position at year end of 31 March 2015. 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 2014 Code of Practice on Local Authority Accounting issued by CIPFA.

This Code of Practice is 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 the Code of Practice.

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

- Investment Properties. The investment portfolio valuation is determined using internal valuations of each of the property assets in the portfolio, which currently total 49. An assessment of the yields for each of these properties is undertaken using Valuation Office Property Market Reports, market transaction evidence or external valuations as required; and these are then used to produce multipliers and applied to the rental streams from each of the individual properties to form an overall valuation. A key source of uncertainty however is the current economic downturn, where the risk of tenants going into liquidation, administration or simply defaulting on the rent is higher than before, which has the potential to affect the value of investment properties.
- Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Authority. This judgement has been based upon the degree to which the lease transfers the risks and rewards of ownership to the Authority in accordance with IAS 17. The Authority has recognised as operating leases a number of arrangements which are recognised, in accordance with IFRIC 4, and further details are disclosed in note 16 on page 76.
- 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 for Schools – Balance Sheet Recognition of Schools:

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

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

  The Council has completed a school by school assessment across the different types of schools it controls within the Borough. Letters of confirmation have been received from the Diocese of Manchester, Salford Diocese, Peel Brow Foundation School, Manchester Mesivta and Bury and Whitefield Jewish Primary School that state that the schools occupy the school premises subject to the direction of the Trustees who own the land on which the schools are sited. All decisions relating to land and buildings rest with the Trustees and there has been no assignment of rights to the property. No formal documentation exists, the schools occupy the premises under a "mere" licence which has passed no interest to the school's governing body and which is terminable by the Trustees at any time. As such none of these schools are included on the Council's balance sheet.

  All 42 community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet.

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

ACCOUNTING STANDARDS ISSUED, BUT NOT YET BEEN ADOPTED

The Code of Practice on Local Council Accounting in the United Kingdom 2015/16 has introduced several changes in accounting policies which will be required from 1 April 2015. If these had been adopted for the financial year 2014/15 there would be no material changes as detailed below.

IFRS 13 Fair Value Measurement: This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts due to the low value of surplus assets held by the Council.

IFRIC 21 Levies: This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts.

CAPITAL RECEIPTS

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

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.

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 2014/2015 are shown in Note 4 on page 50.

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 INSTRUMENTS

Introduction

With effect from 1 April 2007 local authorities have had to adopt a major change of accounting policy with 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 the disclosure notes (see pages 81 to 87) 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.

See also Financial Assets (page 36) and Financial Liabilities (page 38).

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).

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 2014/15 financial statements. Details can be found in Note 11 (page 72).

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 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.

It is envisaged that addition of these items should not produce any material impact to the insurance valuation in place and valid for the 2015/16 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 Worthington's 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.

LOCAL AUTHORITY SCHOOLS

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies within the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

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 2014/15 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 12 (page 73).

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 2014/2015 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 2015 that will have an impact on the financial statements and notes to the accounts.

DISCLOSURE NOTES RELATING TO INCOME AND EXPENDITURE STATEMENT:

3. 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: -

2013/14 Deficit/ (Surplus) £000's		2014/15 Gross Expenditure £000's	2014/15 Income £000's	2014/15 Deficit/ (Surplus) £000's
554	Civic Halls	1,593	(1,111)	482
(1,142)	Markets	2,571	(2,643)	(72)
(386)	Property & Estates	2,060	(2,414)	(354)
(25)	Industrial Units	1,221	(1,416)	(195)
36	Highway Network Services	1,716	(2,275)	(559)
(123)	Architectural Practice	2,424	(2,952)	(528)
(172)	Grounds Maintenance	2,386	(2,644)	(258)
(251)	Catering	6,500	(7,308)	(808)
(815)	Cleaning of Buildings	5,041	(5,131)	(90)
0	Education – Fair Funding	4,331	(4,331)	0
(451)	Emergency & Security Service	904	(1,331)	(427)
(407)	Transport Services	3,411	(3,818)	(407)
(3,182)	**TOTAL**	**34,158**	**(37,374)**	**(3,216)**

All material trading accounts are shown above. Both 2013/14 and 2014/15 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)

4. 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 2015, the Authority's own contributions equate to approximately 15.36%.

In 2014/15 the council paid £8,082,601 to Teachers' Pensions in respect of teachers' retirement benefits, representing 7.98% of pensionable pay. The figures for 2013/14 were £8,092,401 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 £8,417,062.

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 2014 £000's	Year to 31 March 2015 £000's
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	17,577	18,362
Past service costs including (gain) / loss from Settlements	1,718	1,100
Financing and Investment Income and Expenditure	(22,923)	(23,269)
Net interest expense	32,847	32,018
Other Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**29,219**	**28,211**
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)	11,779	39,518
Actuarial gains and losses arising in changes in demographic assumptions	(795)	0
Actuarial gains and losses arising in changes in financial assumptions	(4,606)	(112,153)

Other Experience	23,028	4,469
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**58,625**	**(39,955)**
Movement in Reserves Statement		
Reversal of net changes made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	0	0
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	**13,824**	**14,730**

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: -

2013/14 Total Cost £000's		**2014/15** Total Cost £000's	Proportion of Pensionable pay %
	Teachers		
8,092	Contribution to DCSF etc.	8,083	13.76
1,590	Added years and pensions increases	1,579	2.70
0	Lump sum payments	0	
9,682		**9,662**	
	Other employees		
13,824	Contribution to Superannuation Fund	14,730	15.36
1,395	Added years and pension increases	1,388	1.45
0	Lump sum payments	0	
15,219		**16,118**	

Pensions Assets and Liabilities Recognised in the Balance Sheet

	31 Mar 2014 £000	**31 Mar 2015 £000**
Present value of the defined benefit	(745,810)	(884,231)

obligation		
Fair Value of plan assets	543,168	602,616
Net liability arising from defined benefit obligation	**(202,642)**	**(281,615)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	31 Mar 2014 £000	**31 Mar 2015 £000**
Opening fair value of scheme assets	511,000	543,168
Interest income	22,923	23,269
The return on plan assets, excluding the amount included in the net interest expense	11,779	39,518
Other (if applicable)	0	0
The effect of changes in foreign exchange rates		
Contribution from employer	13,541	14,517
Contributions from employees in the scheme	4,820	4,917
Benefits paid	(20,895)	(22,773)
Other (if applicable)		
Fair Value of plan assets	543,168	602,616

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

	Year to 31 March 2014	**Year to 31 March 2015**

	£000's	£000's
Opening balance at 1st April	730,400	745,810
Current Service cost	17,577	18,462
Interest cost	32,847	32,018
Contributions from scheme participants	4,820	4,917
Remeasured (gains) and losses:		
Actuarial gains / losses arising from changes in demographic assumptions	795	0
Actuarial gains / losses arising from changes in financial assumptions	4,606	112,153
Other experiences	(23,128)	(4,469)
Past service costs	1,718	1,100
Losses / (gains) on curtailment	0	0
Liabilities assumed on entity combinations	0	0
Benefits paid	(23,825)	(25,760)
Liabilities extinguished on settlements	0	0
Closing balance 31st March	**745,810**	**884,231**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets Year to 31 March 2014 £000's	**Fair value of scheme assets** Year to 31 March 2015 £000's
Cash and cash equivalents	21,424	15,714
Equity instruments:		
By industry type		
Consumer	57,225	60,578
Manufacturing	52,496	56,377
Energy and utilities	47,989	50,412
Financial institutions	66,328	71,393
Health and care	23,235	28,477
Information technology	10,566	12,130

Other	8,273	7,580
Sub-total equity	**266,112**	**286,947**
Bonds:		
By sector		
Corporate	32,287	35,510
UK Government	9,055	5,608
Other	18,828	29,800
Sub-total bonds	**60,170**	**70,918**
UK Property	16,000	16,684
Overseas Property	0	0
Sub-total property	**16,000**	**16,684**
Private equity:		
All	13,411	16,743
Sub-total private equity	**13,411**	**16,743**
Investment Funds and Unit Trusts		
Equities	104,170	111,266
Bonds	28,737	33,420
Hedge Funds	0	0
Commodities	0	0
Infrastructure	3,837	6,613
Other	21,886	37,587
Sub-total other investment funds	**158,630**	**188,886**
Derivatives:		
Other	7,421	6,724
Total assets	**543,168**	**602,616**

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 2014 £000**	**31 Mar 2015 £000**

Actual returns 1st April to 31st December	6.2%	5.5%
Total returns from 1st April to 31st March	7.1%	11.6%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.4 years	21.4 years
- Women	24.0 years	24.0 years
Longevity at 65 for future pensioners:		
- Men	24.0 years	24.0 years
- Women	26.6 years	26.6 years
Rate of inflation	2.8%	2.4%
Rate of increase in salaries	3.9%	3.6%
Rate of increase in pensions	2.8%	1.25%
Rate for discounting scheme liabilities	4.3%	3.2%

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%	26,527
0.5% decrease in Real Discount Rate	10%	88,489
0.5% increase in the Salary Increase Rate	3%	29,109
0.5% increase in the Pension Increase Rate	7%	57,526

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 2015 (or service after 31st March 2016 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 £15,305,000 expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 18.2 years, 2014/15 (18.8 years 2013/14).

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 2014 £000's	Year to 31 March 2015 £000's
Balance 1st April	(219,400)	(202,642)
Remeasurements of the net defined benefit liability / (asset)	29,406	(68,166)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(26,472)	(25,537)
Employer's pension contributions and direct payments to pensioners payable in the year	13,824	14,730

Closing Balance	**(202,642)**	**(281,615)**

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.

5. *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
		£	£	£	£	£
2014/15						
Chief Executive – M Kelly		151,743	0	**151,743**	0	**151,743**
2013/14						
-		-	-	**-**	-	**-**

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
		£	£	£	£	£
2014/15						
Executive Director – Communities & Wellbeing		113,934	0	**113,934**	21,118	**135,052**
Executive Director – Communities & Neighbourhoods	1	50,597	0	**50,597**	9,360	**59,957**
Executive Director – Children, Young People & Culture		104,625	0	**104,625**	19,356	**123,981**
Executive Director - Resources & Regulation		108,905	0	**108,905**	20,148	**129,053**
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 & Regulation	104,105	0	**104,105**	18,684	**122,789**

Note:

1. The postholder left the authority on the grounds of voluntary early retirement on 30 September 2014 and duties were passed to the other Executive Directors as a result of a restructure whereby the department of Communities and Neighbourhoods was disestablished and the Adult Care Services department was renamed Communities & Wellbeing and the Children's Services department was renamed Children, Young People and Culture. These two departments plus the department of Resources & Regulation absorbed the work and services provided by this former department.

   Note also that the post of Director of Public Health is a statutory role following the transfer of NHS staff to the Council on 1 April 2013. The postholder, who was previously seconded from Bolton Council, was appointed to the role by Bury Council on a permanent basis on 1 October, 2014. As such the part year salary for this post is not above the £50,000 band and is therefore not included in the table below.

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 (£)	2014/2015 Teaching Staff	2013/2014 Teaching Staff	2014/2015 Non-Teaching Staff	2013/2014 Non-Teaching Staff
50,000 to 54,999	54	46	13	6
55,000 to 59,999	30	28	10	10
60,000 to 64,999	36	38	3	2
65,000 to 69,999	12	8	1	1
70,000 to 74,999	6	6	2	2
75,000 to 79,999	0	3	3	4
80,000 to 84,999	5	4	2	1
85,000 to 89,999	3	2	0	0
90,000 to 94,999	0	2	0	0
95,000 to 99,999	2	1	0	1
100,000 to 104,999	1	0	1	2
105,000 to 109,999	0	0	1	0
110,000 to 114,999	0	0	1	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	0	0
145,000 to 149,999	0	0	0	1
150,000 to 154,999	0	0	1	0
TOTAL	**149**	**138**	**38**	**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	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

special payments)								
	2014/ 2015	**2013/ 2014**	**2014/ 2015**	**2013/ 2014**	**2014/ 2015**	**2013/ 2014**	**2014/ 2015 £000**	**2013/ 2014 £000**
£0 - £20,000	4	2	17	15	**21**	**17**	**200**	**188**
£20,001 – £40,000	2	1	1	1	**3**	**2**	**79**	**49**
£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	0	**0**	**0**	**0**	**0**
£100,001 – £150,000	0	0	0	0	**0**	**0**	**0**	**0**
Total	**6**	**3**	**18**	**16**	**24**	**19**	**279**	**237**

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	
	2014/ 2015	**2013/ 2014**	**2014/ 2015**	**2013/ 2014**	**2014/ 2015**	**2013/ 2014**	**2014/ 2015 £000**	**2013/ 2014 £000**
£0 - £20,000	4	22	107	72	**111**	**94**	**1,022**	**600**
£20,001 – £40,000	0	0	23	4	**23**	**4**	**600**	**93**
£40,001 – £60,000	0	0	1	0	**1**	**0**	**44**	**0**
£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	**4**	**22**	**131**	**76**	**135**	**98**	**1,666**	**693**

6. 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 2014/2015 the Council has undertaken the following transactions with related parties:

Member Interest	Amount Paid 2014/15 (£)	Amount Paid 2013/14 (£)
Chief Executive of a Day Centre	15,003	13,841
Community Members of a Not-for-Profit Out of Hours Medical Care Organisation (2 Councillors)	27,669	39,266
Area Operations Manager with a Social Enterprise	104,814	116,416
Committee Member of a Sports Club	2,500	0

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 £5,764,888 during 2014/2015 (£4,795,142 in 2013/2014). This represents income to the Council of £10,611,246 (£10,466,557 in 2013/2014) and expenditure of £16,376,134 (£15,261,699 in 2013/2014), including the management fee paid to Six Town Housing, of £12,972,800.

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.

7. 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 2014/15 are as follows:

	Central Expenditure	**ISB**	**Total**
	£000	£000	£000
Final DSG for 2014-15 before Academy recoupment			(143,274)
Academy figure recouped for 2014/15			3,903
Total DSG after Academy recoupment for 2014/15			**(139,371)**
Brought Forward from 2013/14			2,554
Carry-forward to 2015-16 agreed in advance			**0**
Agreed Initial budgeted distribution in 2014/15	**(13,175)**	**(123,642)**	**(136,817)**
In Year Adjustments	0	0	0
Final Budgeted Distribution for 2014/15	**(13,175)**	**(123,642)**	**(136,817)**
Less Actual Central Expenditure	16,906	0	16,906
Less Actual ISB deployed to Schools	0	123,642	123,642
Plus Local Authority contribution for 2014/15	0	0	0
Carry forward to 2015/16	**3,731**	**0**	**3,731**

8. DISCLOSURE OF AUDIT COSTS

In 2014/2015 the Authority incurred the following fees relating to external audit and inspection:

	2013/2014 (£000)	2014/2015 (£000)
Fees payable to the Audit Commission / KPMG with regard to external audit services carried out	154	156
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	13	11
Fees payable in respect of other services provided by KPMG	0	2
Audit Commission rebate	0	(21)
TOTAL	**167**	**148**

9. 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:

2014/15							
	All figures shown are in £000's						Directorate Analysis
Directorate / Services	Resources & Regulation	Other	Housing General Fund	Children, Young People & Culture	Communities & Wellbeing	Voluntary Aided & Foundation Schools only	Total
Fees, charges & other service income	(41,610)	(3,447)	(982)	(30,139)	(46,476)	(1,393)	(124,047)
Government Grants	(2,688)	0	(55,687)	(116,820)	(12,024)	(38,671)	(225,890)
Total Income	**(44,298)**	**(3,447)**	**(56,669)**	**(146,959)**	**(58,500)**	**(40,064)**	**(349,937)**
Employee expenses	17,349	470	0	99,609	39,010	28,275	184,713
Other operating expenses	21,815	34,148	54,561	82,391	84,514	8,907	286,336
Support service recharges	11,374	(8,518)	1,400	8,923	8,317	1,057	22,553
Total operating expenses	**50,538**	**26,100**	**55,961**	**190,923**	**131,841**	**38,239**	**493,602**
Cost of Service	**6,240**	**22,653**	**(708)**	**43,964**	**73,341**	**(1,825)**	**143,665**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	
	£000's
(Directorate) Analysis	**143,665**
Services and Support Services not in Analysis	1,045
Amounts not reported to management for decision making	3,932
Amounts not included in I & E	9,344
Sub Total - Cost of Services	**157,986**
Less Corporate Amounts	(151,209)
Total	**6,777**

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	(121,072)	(12,216)	(31,530)	0	(164,818)	(33,043)	(197,861)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	(2,975)	0	0	(19,394)	(22,369)	(3,668)	(26,037)
Income from Council Tax	0	0	0	0	0	(68,263)	(68,263)
Government grants and contributions	(225,890)	(158,682)	0	0	(384,572)	(95,249)	(479,821)
Total income	**(349,937)**	**(170,898)**	**(31,530)**	**(19,394)**	**(571,759)**	**(200,223)**	**(771,982)**
Employee expenses	184,713	109,263	0	0	293,976	14,154	308,130
Other service expenses	242,710	55,818	15,283	4,731	318,542	20,160	338,702
Support service recharges	22,553	6,847	0	0	29,400	1,392	30,792
Depreciation, amortisation and impairment	9,107	15	20,146	24,007	53,275	2,871	56,146
Interest payments	8,300	0	33	0	8,333	8,637	16,970
Precepts and Levies	26,219	0	0	0	26,219	0	26,219
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1,032	1,032
Gain or Loss on disposal of fixed assets	0	0	0	0	0	768	768
Total operating expenses	**493,602**	**171,943**	**35,462**	**28,738**	**729,745**	**49,014**	**778,759**
Surplus or deficit on the provision of services	**143,665**	**1,045**	**3,932**	**9,344**	**157,986**	**(151,209)**	**6,777**

2013/14							
			All figures shown are in £000's				Directorate Analysis
Directorate / Services	Resources & Regulation	Other	Housing General Fund	Children, Young People & Culture	Communities & Wellbeing	Voluntary Aided & Foundation Schools only	Total
Fees, charges & other service income	(42,949)	(3,870)	(705)	(27,092)	(50,230)	(1,060)	(125,906)
Government Grants	(2,514)	0	(56,145)	(103,204)	(11,744)	(37,390)	(210,997)
Total Income	**(45,463)**	**(3,870)**	**(56,850)**	**(130,296)**	**(61,974)**	**(38,450)**	**(336,903)**
Employee expenses	18,572	283	0	110,935	38,616	27,802	196,208
Other operating expenses	23,247	23,912	55,382	62,923	86,387	7,855	259,706
Support service recharges	12,101	(8,391)	1,215	9,329	13,989	980	29,223
Total operating expenses	**53,920**	**15,804**	**56,597**	**183,187**	**138,992**	**36,637**	**485,137**
Cost of Service	**8,457**	**11,934**	**(253)**	**52,891**	**77,018**	**(1,813)**	**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	(122,931)	(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**

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 relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/2014 £000's	2014/2015 £000's
Net expenditure in the (Directorate) Analysis	**148,234**	**143,665**
Net expenditure of services and support services not included in the Analysis	2,050	1,045
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	167	3,932
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	20,001	9,344
Cost of Services in Comprehensive Income and Expenditure Statement	**170,452**	**157,986**

DISCLOSURE NOTES RELATING TO BALANCE SHEET:

10. 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 2014	215,316	303,467	45,916	12,601	555	577,855
Additions	12,743	5,097	2,471	184	312	20,807
Revaluations recognised in the Revaluation Reserve	(12,254)	(2,689)	0	0	37	(14,906)
Revaluations recognised in the Surplus/Deficit on the provision of Services	(2)	(2,167)	0	0	(226)	(2,395)
Disposals	0	(323)	0	0	0	(323)
Reclassification (to) / from Held for Sale	(1,262)	(850)	0	0	0	(2,112)

Other movements - Reclassification	0	1,838	0	0	1,156	2,994
Value of assets at 31 March 2015	**214,541**	**304,373**	**48,387**	**12,785**	**1,834**	**581,920**
Accumulated depreciation and impairment at 1 April 2014	(7,154)	(15,094)	(17,444)	(7,746)	0	(47,438)
Depreciation - annual charge	(7,404)	(4,672)	(2,367)	(1,008)	0	(15,451)
Depreciation - written out to Revaluation Reserve	0	0	0	0	0	0
Depreciation - written out to the Surplus/Deficit on the Provision of Services	7,154	810	0	0	0	7,964
Impairments recognised in the Surplus/Deficit on the Provision of Services	(12,742)	(4,154)	(657)	0	(312)	(17,865)
Disposals	0	160	0	0	0	160
Other movements - Reclassification	0	409	0	0	0	409
At 31 March 2015	**(20,146)**	**(22,541)**	**(20,468)**	**(8,754)**	**(312)**	**(72,221)**
Balance Sheet Value of assets at 31 March 2015	**194,395**	**281,832**	**27,919**	**4,031**	**1,522**	**509,699**
Balance Sheet Value of assets at 1 April 2014	208,162	288,375	28,471	4,855	554	530,417

TANGIBLE FIXED ASSETS - NON-OPERATIONAL	**Non Operational Assets**	**Surplus Assets**	**Assets Under Construction**	**Total**
Certified Valuation or Cost at 1 April 2014	42,166	405	3,105	45,676
Additions	60	0	2,561	2,621
Revaluations recognised in the Revaluation Reserve	522	0	0	522
Revaluations recognised in the Surplus/Deficit on the provision of Services	0	(4)	0	(4)
Disposals	(188)	0	0	(188)
Reclassification (to) / from Held for Sale	(70)	0	0	(70)

Other movements - Reclassification	115	0	(3,089)	(2,974)
Value of assets at 31 March 2015	**42,605**	**401**	**2,577**	**45,583**
Accumulated depreciation and impairment at 1 April 2014	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 2015	**0**	**0**	**0**	**0**
Balance Sheet Value of assets at 31 March 2015	**42,605**	**401**	**2,577**	**45,583**
Balance Sheet Value of assets at 1 April 2014	42,166	405	3,103	45,674

Bury Council's share of land owned at Manchester Airport is included in the accounts under Non-Operational Assets at a value of £7.0million, after an upward revaluation of £0.540m in 2014/15. 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.

During the year, Elton County Primary 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 this 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

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.

	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	-	-	4,031	27,919	1,522	0	2,577	-	37	-	36,086
Valued at Current / Fair Value:											
2014/15	**194,395**	**(6,543)**	**-**	**-**	**-**	**-**	**-**	**435**	**375**	**(1,122)**	**187,540**
2013/14	-	(56,502)	-	-	-	-	-	(1,987)	-	459	(58,030)
2012/13	-	(5,230)	-	-	-	-	-	(1,137)	-	(716)	(7,083)
2011/2012	-	(6,950)	-	-	-	113	-	789	23,676	2,227	19,855
2010/2011 and prior	-	357,057	-	-	-	1,136	-	44,906	-	72	403,171
Total Tangible Fixed Assets	**194,395**	**281,832**	**4,031**	**27,919**	**1,522**	**1,249**	**2,577**	**43,006**	**24,088**	**920**	**581,539**

During 2014/2015 the Authority's housing stock was re-valued to £201.5million.

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.

11. HERITAGE ASSETS

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

	Art Gallery and Museum Artefacts and Gifts £'000	**Art Gallery and Museum Pictures £'000**	**Civic Regalia £'000**	**Total £'000**
Certified Valuation or Cost at 1 April 2014	16	23,636	108	**23,760**
Additions	0	0	0	**0**
Disposals	0	0	0	**0**
Revaluations recognised in the Revaluation Reserve	0	0	375	**375**
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 2015	16	23,636	483	**24,135**
Accumulated depreciation and impairment at 1 April 2014	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	(47)	**(47)**
Other movements, reclassification	0	0	0	**0**
Depreciation and impairment at 31 March 2015	0	0	(47)	**(47)**
Balance Sheet Value of assets at 31 March 2015	16	23,636	436	**24,088**
Balance Sheet Value of assets at 1 April 2014	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 Worthington's Grave in Hawkshaw.

HERITAGE ASSETS: THREE-YEAR SUMMARY OF TRANSACTIONS	**2013/2014**	**2014/2015**
	£'000	**£'000**
Cost of Acquisitions of Heritage Assets		
Art Gallery and Museum - artefacts and gifts	16	16
Art Gallery and Museum - pictures	68	68
Civic Regalia	0	0
Total Cost of Purchases	**84**	**84**
Value of Heritage Assets Acquired by Donation		
Total Donations	**0**	**0**
Impairment of Civic Regalia Assets		
Carrying value	**0**	**(47)**
Proceeds	**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.

An impairment resulting from a loss through theft of Civic Regalia within the year has resulted in a downward adjustment of the carrying value for Heritage Assets during the 2014/15 financial year.

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

12. INTANGIBLE FIXED ASSETS

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

	Software Licences
	£000's
Original cost	**9,518**
Amortisation to 1st April 2014	(6,228)
Balance at 1st April 2014	**3,290**
Purchases in year	209
Amortisation in year	(1,060)
Balance at 31st March 2015	**2,439**

Expenditure in the year on software licences for new systems totalled £0.209 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.

13. INVESTMENT PROPERTIES

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

	2013/14 £000's	2014/15 £000's
Balance at 1st April	**1,249**	**1,249**
Purchases in year	0	0
Net Gain (Loss) from fair value adjustment	0	0
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:

	2013/14 £000's	2014/15 £000's
Rental Income from Investment Property	149	143
Direct operating expenses arising from investment property	(10)	(14)
Net gain / (loss)	**139**	**129**

14. CAPITAL EXPENDITURE and FINANCING

	2013/2014 £000's	2014/2015 £000's
Opening Capital Financing Requirement	**250,017**	**246,433**
Capital Investment		
Property, Plant And Equipment Additions In the Year		
Operational Assets	16,609	18,959
Non-operational Assets	3,227	4,470
Intangible Assets	568	209
	20,404	**23,638**
Revenue Expenditure Funded from Capital under Statute	2,424	2,259
Revenue Expenditure Funded from Capital under Statute – Equal Pay back Pay	473	17
	23,301	**25,914**
Sources of Finance		
Capital Receipts	(684)	(875)
Government Grants and other Contributions	(17,812)	(18,335)
Sums set aside from Revenue including Minimum Revenue Provision	(8,389)	(12,323)
	(26,885)	**(31,533)**
Closing Capital Financing Requirement	**246,433**	**240,814**
Explanation of movements in year		
Increase in underlying need to borrow		

- supported by Government financial assistance	0	0
- unsupported by Government financial assistance	3,007	705
Minimum Revenue Provision and other repayments in the year	(6,591)	(6,324)
Increase (decrease)in Capital Financing Requirement	**(3,584)**	**(5,619)**

At 31st March 2015 the Authority had authorised capital expenditure of £25.690million for 2014/15. The Authority had also identified a capital investment requirement of £23.300million for the following years under the approved Capital Programme.

Major capital commitments as at 31st March 2015 totalled £14.579million and include:
- Radcliffe Temporary Pool - £0.825m
- Radcliffe Bus Station Relocation - £0.902m
- Empty Homes Strategy - £0.109m
- Radcliffe Empty Property Pilot - £0.418
- Primary Schools Modernisation - £1.228m
- All schools including Secondary Schools Modernisation - £3.958m
- Elms Bank High Remodelling - £2.778m
- Other Special Schools - £0.378m
- Traffic Management Schemes - £0.442m
- Planning Schemes - £0.910m
- Highways Schemes - £1.071m
- Street Lighting LED (Invest to Save Scheme) - £0.861m
- Housing Public Sector - £0.699m

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.

15. 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 2014/2015 was £659,543 (2013/2014 £767,257).

Land and Buildings – the Authority leases numerous buildings, which have been accounted for as operating leases. The rentals payable in 2014/2015 were £1,014,466 (2013/2014 £1,079,158).

The Authority is committed to making payments of £533,612 under operating leases in 2015/2016 for Vehicles, Plant and Equipment and £999,246 for land and Buildings comprising the following elements:

	Land and Buildings £	Vehicles, Plant and Equipment £
Leases expiring in 2015/2016	0	129,038
Leases expiring between 2016/2017 and 2020/2021	146,434	402,164
Leases expiring after 2020/2021	852,812	2,410
TOTAL	**999,246**	**533,612**

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 2014/2015 were £3,593,044 (2013/2014 £3,392,327).

The gross value of assets held for use in operating leases was £47,624,128. 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 2015.

16. 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 2014 £000	**31 March 2015 £000**
Vehicles, Plant, Furniture and Equipment	1,576	1,099
Total	**1,576**	**1,099**

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 2014 £000	**31 March 2015 £000**
Finance lease liabilities (net present value of minimum lease payments)	1,802	1,346
Finance costs payable in future years	134	79
Minimum lease payments	**1,936**	**1,425**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000
Not later than 1 year	511	420	456	381
Later than 1 year not later than 5 years	1,425	1,005	1,346	965
Later than 5 years	0	0	0	0
	1,936	**1,425**	**1,802**	**1,346**

Authority as Lessor:

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

17. INVESTMENTS

Investments at 31st March: consisted of:-	**2013/14 £000's**	**2014/15 £000's**
Manchester Airport Group plc	36,700	41,000
Bury MBC Townside Fields Ltd	7,257	7,257
TOTAL	**43,957**	**48,257**

Manchester Airport Group plc – 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 2015 the valuers advised of an increase of £4.3m in the fair value Council share from £36.7m to £41.0m 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 25, page 83.

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.

18. ANALYSIS OF DEBTORS

	2013/14 £000's	**2014/15 £000's**
Central Government Bodies	11,107	11,232
Other Local Authorities	2,187	2,107
NHS Bodies	(918)	(661)
Public Corporations and Trading Funds	527	246
Bodies External to General Government	23,438	26,192
TOTALS	**36,341**	**39,116**

19. ANALYSIS OF CREDITORS

	2013/14 £000's	**2014/15 £000's**
Central Government Bodies	1,949	1,816
Other Local Authorities	2,053	2,013
NHS Bodies	477	680
Public Corporations and Trading Funds	1,420	970

Bodies External to General Government	23,071	23,352
TOTALS	**28,970**	**28,831**

20. LOANS OUTSTANDING, LONG & SHORT TERM

	2013/2014 £000's		2014/2015 £000's	
Analysis by loan type:				
PWLB loans:				
Bury	148,024		142,172	
Airport	3,397		2,630	
Market loans	58,264		58,258	
Temporary loans	2,006		0	
Local bonds	3		3	
TOTAL		**211,694**		**203,063**
Analysed by maturity period:-				
Short Term Loans Outstanding				
Within 1 year	8,610	8,610	11,884	11,884
Long Term Loans Outstanding				
1/2 years	11,311		16,927	
2/3 years	17,028		1,742	
3/4 years	2,224		16	
4/5 years	22		10,160	
5/6 years	10,160		1,017	
6/10 years	4,096		3,079	
10/15 years	554		554	
15+ years	157,689	203,084	157,684	191,179
TOTAL		**211,694**		**203,063**

The PWLB debt at 31st March 2015 includes **£2.630 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.

21. DEFERRED LIABILITIES

	2013/2014 £000's	2014/2015 £000's
Debt ex GMC - Tameside	5,504	4,942
Debt ex Probation - Trafford	18	17
Debt ex Inner City Central Station - MCC	68	61
Debt ex Airport GMMDAF	817	734
TOTAL	**6,407**	**5,754**

22. *PROVISIONS*

Short Term Provisions

	31st March 2014 £000's	Income £000's	Expenditure £000's	31st March 2015 £000's
Resources and Regulation	(417)	(207)	466	(158)
Children, Young People and Culture	(1,293)	(343)	1,317	(319)
Communities and Wellbeing	(388)	0	0	(388)
Business Rates	0	(2,918)	0	(2,918)
Authority Wide	(608)	0	0	(608)
TOTALS	**(2,706)**	**(3,468)**	**1,783**	**(4,391)**

Long Term Provisions

	31st March 2014 £000's	Income £000's	Expenditure £000's	31st March 2015 £000's
Liability Insurance	(23,771)	(2,822)	2,504	(24,089)
Property Insurance	(890)	(103)	4	(989)
Children Young People and Culture	(180)	(332)	512	0
Resources and Regulation	(252)	(10)	0	(262)
Equal Pay Back Pay	(6,325)	0	17	(6,308)
Business Rates Appeals	(1,000)	(729)	0	(1,729)
Other	(994)	(130)	0	(1,124)
TOTALS	**(33,412)**	**(4,126)**	**3,037**	**(34,501)**

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 £2.822m 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 £2.504m 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 £103,000 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 Resources and Regulation provision is mainly 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 2014/15.

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 £377,000.

23. 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 12 outstanding claims with MMI totalling £140,309 as at 31st March 2015. 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 £2,002,264 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 £300,340 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 £1,701,924 (i.e. £2,002,264 less £300,340 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.

Greater Manchester Housing Investment Fund

The Greater Manchester Devolution Agreement provides for a Housing Investment Fund of £300m over a 10 year lifetime, to be invested in the form of recoverable loans and equity into property investments to deliver the growth ambitions of Greater Manchester (GM). The Fund will have a 10 year lifetime and will be administered by Manchester City Council as accountable body. The Fund will provide the opportunity to invest in locally prioritised schemes and give the flexibility required to stimulate the market, accelerate growth and increase housing supply. In return for GM receiving this Fund it must guarantee that 80% (£240m) of the Fund will be repaid to Her Majesty's Treasury (HMT) at the end of the Fund life. The Department of Communities and Local Government (DCLG) will underwrite the first £60m of the Fund. The proposal is that each GM District will indemnify a proportion of the Fund based on its percentage of GM population. For Bury Council the maximum indemnity will be £16.489m which is 6.87% of the total indemnity. The target date for the launch of the Fund is 1 April 2015.

24. 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. For further information please contact Andrew Baldwin, Head of Financial Management at Bury Town Hall (telephone 0161 253-5034).

25. FINANCIAL INSTRUMENTS

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 2014 £000s	31st March 2015 £000s	31st March 2014 £000s	31st March 2015 £000s	31st March 2014 £000s	31st March 2015 £000s
Borrowings						
Financial liabilities at amortised cost	203,084	191,179	8,610	11,884	211,694	203,063
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	**203,084**	**191,179**	**8,610**	**11,884**	**211,694**	**203,063**

Investments						
Loans and receivables	8,411	8,411	44,417	32,559	52,827	40,970
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	36,700	41,000	0	0	36,700	41,000
Total investments	**45,111**	**49,411**	**44,417**	**32,559**	**89,527**	**81,970**

The above long term figures are based on the Code of Practice 2014 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

2014/2015	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	(8,637)	0	0	0	(8,637)
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable and similar charges	**(8,637)**	**0**	**0**	**0**	**(8,637)**
Interest income	0	3,668	0	0	3,668
Gains on derecognition	0	0	0	0	0

Interest and investment income	**0**	**3,668**	**0**	**0**	**3,668**
Gains on revaluation	0	0	4,300	0	4,300
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**	**4,300**	**0**	**4,300**
Net gain/(loss) for the year	**(8,637)**	**3,668**	**4,300**	**0**	**(669)**

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 2014		**31st March 2015**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**

	£000s	**£000s**	**£000s**	**£000s**
PWLB Loans	151,421	151,963	144,802	172,385
LOBO/Market Loans	58,264	59,118	58,258	71,358
Temporary Loans	2,006	2,006	0	0
Local Bonds	3	3	3	3
Financial liabilities	**211,694**	**213,090**	**203,063**	**243,746**

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 2014		**31st March 2015**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000s	**£000s**	**£000s**	**£000s**
Call Investments	23,529	23,719	2,358	2,426
Fixed Investments	20,887	20,930	30,201	29,107
Term Deposit	0	0	0	0
Manchester Airport Loan	8,411	8,411	8,411	8,411
Financial assets	**52,827**	**53,060**	**40,970**	**39,944**

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 2015	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2015	Estimated maximum exposure to default and uncollectability
	£000s	**%**	**%**	**£000s**
Deposits with banks and other financial institutions	32,559	0.00%	0.00%	0
Bonds and other securities	0	0.00%	0.00%	0
Sundry Debtors	39,116	0.07%	0.07%	26
Total	**71,675**			**26**

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 £39.116m a main risk of losses relates to system debtors of £10.052m. The Council does not generally allow credit for customers, such that **£9.663m** of the **£10.052m** 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 2015
	£000s
Less than three months	5,393
Three to four months	164
Four months to one year	1,286
More than one year	2,820
Total	**9,663**

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 2014	Loans Outstanding	On 31 March 2015
£000s		**£000s**
150,440	Public Works Loans Board	143,861
39,000	LOBO Loans	39,000
20,500	Market Debt	18,500
3	Local bonds	3
209,943	**Total**	**201,364**
8,579	Less than 1 year	11,853
11,280	Between 1 and 2 years	16,807
19,078	Between 2 and 5 years	11,698
14,000	Between 5 and 10 years	4,000
157,006	More than 10 years	157,006
209,943	**Total**	**201,364**

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 2015, 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	326
Increase in interest receivable on variable rate investments	(378)
Increase in government grant receivable for financing costs	(27)
Impact on Comprehensive Income and Expenditure Statement	**(79)**
Share of overall impact credited to the HRA	**22**
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)	109
Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure Statement)	33,755

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 (£41.0m).

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 MOVEMENT IN RESERVES STATEMENT:

26. GENERAL FUND BALANCE

The 2014/2015 deficit on the General Fund (excluding the use of balances and reserves) of £1.020m is split as follows: -

	DSG Schools Budget £000's	**General £000's**	**Total £000’s**
Balance at 31st March 2014	**(4,108)**	**(11,580)**	**(15,688)**
(Surplus)/Deficit for the Year	1,115	(95)	1,020
In Year Contribution	0	1,188	1,188

Balance at 31st March 2015	**(2,993)**	**(10,487)**	**(13,480)**

27. 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 2014 £000's	Transfers out 2014/15 £000's	Transfers in 2014/15 £000's	Balance at 31st March 2015 £000's
ABG Top Slice	**454**	0	0	**454**
Airport Shares	**949**	0	0	**949**
Arts & Libraries	**27**	(1)	0	**26**
BCCI Reserve	**127**	0	0	**127**
Children, Young People and Culture	**221**	(125)	5	**101**
Communities and Wellbeing	**9,206**	(2,281)	3,960	**10,885**
Education (Schools) Fire	**131**	0	0	**131**
Energy Conservation	**226**	(110)	173	**289**
GM Connexions Partnership	**690**	(4)	0	**686**
GMWDA Levy Equalisation	**806**	(766)	273	**313**
Leisure	**193**	(77)	139	**255**
NNDR Appeals	**1,164**	(962)	1,066	**1,268**
Pay And Grading Reserve	**7,990**	(4,870)	0	**3,120**
Performance Reward	**3,969**	(38)	0	**3,931**
Resources and Regulation	**1,649**	(547)	779	**1,881**
School Catering Reserve	**413**	0	100	**513**
Transformation Reserve	**4,811**	(3,505)	3,244	**4,550**
	33,026	**(13,286)**	**9,739**	**29,479**
Commuted Sums	**2,146**	(404)	458	**2,200**
Other Balances	**11,724**	0	0	**11,724**
TOTALS	**46,896**	**(13,690)**	**10,197**	**43,403**

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.

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

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

BCCI Reserve
This reserve is to fund future expenses arising from the collapse of the Bank of Credit and Commerce International.

Children, Young People and Culture
This reserve relate to grants received that have not yet been spent.

Communities and Wellbeing
The main Communities and Wellbeing Reserves relate to adult care grants and other external funds received that have not yet been spent. These include £1,259,000 relating to NHS Support for Social Care and £1,232,000 for Supporting People. In addition, two new reserves were established in 2013/2014 in respect of specific services transferred over from the NHS.

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 payback period

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

GMWDA Levy Equalisation
The Greater Manchester Waste Disposal Authority Levy Equalisation reserve is used to offset increased waste levy costs during the early years of the PFI contract for waste disposal.

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

NNDR Appeals Reserve
This reserve is to cover volatility in the Business Rates yield arising from changes to the Business Rates base, and mandatory reliefs.

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.

Resources and Regulation
These reserves mainly relate to grants received that have not yet been spent. Also included are a number of individual reserves in respect of Planning and Highways.

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 (£41m).

28. REVALUATION RESERVE

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.

2013/2014 £000's		2014/2015 £000's
193,349	**Balance at 1st April**	**128,269**
20,163	Upward revaluations in year	3,751
(76,522)	Downward revaluations in the year not charged to (Surplus) / deficit on the Provision of Services	(18,217)
(56,359)	**(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(14,466)**
(4,266)	Difference between Fair value depreciation and historical cost depreciation	(4,163)
(4,421)	Impairment Losses	1
(34)	Disposal of fixed assets	(590)
(8,721)	**Amount written off to Capital Adjustment Account**	**(4,752)**
128,269	**Balance at 31st March**	**109,051**

29. CAPITAL ADJUSTMENT ACCOUNT

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.

2013/14 £000's			2014/15 £000's
234,148	**Balance at 1st April**		**229,450**
(23,948)	Depreciation and Impairment Losses	(22,845)	
0	Revaluation losses on Property, Plant and Equipment	0	
(961)	Amortisation of Intangible Assets	(1,060)	
(2,897)	Revenue expenditure funded from capital under statute	(2,277)	
0	Housing Revenue expenditure funded from capital under statute	0	
(4,325)	Disposal of fixed assets	(3,127)	

345	Restatement of Value	196	
(1)	Other	(1)	**(29,114)**
202,361	**Net written out amount of the cost of non-current assets consumed in the year**		**200,336**
684	Capital receipts applied to capital investment	875	
6,156	Movement on MRR	8,768	
3,385	Grants applied to capital investment credited to I&E	5,128	
8,277	Grants applied to capital investment from the Capital Grants Unapplied Account	5,963	
6,279	Statutory provision for the financing of capital investment charged against General Fund and HRA balances	6,289	
2,308	Revenue resources applied to capital investment	4,474	
27,089			**31,497**
229,450	**Balance at 31st March**		**231,833**

30. 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.

2013/14 £000's		**2014/15 £000's**
1,391	**Balance at 1st April**	**2067**
676	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	(1,879)
2,067	**TOTAL**	**188**

31. DEFERRED CAPITAL RECEIPTS

The figures shown in the balance sheet (page 24) 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.

DISCLOSURE NOTES RELATING TO CASH FLOW STATEMENT:

32. 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:

2013/2014			2014/15
£000's		£000's	£000's
18,223	**(SURPLUS) /DEFICIT FOR THE YEAR ON PROVISION OF SERVICES**		**6,777**
	Non Cash Movements in I & E Statement:		
(37,190)	Provision for Depreciation & Impairment of Fixed Assets	(27,978)	
(214)	Other Provisions	(2,774)	
5,839	Minimum Revenue Provision	5,748	
(7,917)	Contributions from / (to) Revenue Reserves	4,357	
13,907	Other General Fund Items	8,482	
(2,334)	Other non-cash Movements	532	
(27,909)			**(11,633)**
	Movements in Current Assets and Liabilities:		
6	Increase / (Decrease) in Stock	88	
1,606	Increase / (Decrease) in Revenue Debtors	2,151	
(36)	(Increase) / Decrease in Revenue Grants Received in Advance	(4)	
(2,540)	(Increase) / Decrease in Revenue Creditors & Advance Receipts	53	
(964)			**2,288**
	Items shown elsewhere in the Cash Flow Statement:		
(3,812)	Interest Paid	(3,726)	
3,592	Interest Received	3,668	
1,400	Dividend Income	1,484	
1,180			**1,426**
(9,470)	**NET CASH INFLOW FROM REVENUE ACTIVITIES**		**(1,142)**

33. ANALYSIS OF NET DEBT

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

	31st March 2014	Receipts	Payments	Other Movements	31st March 2015
	£000's	£000's	£000's	£000's	£000's
Cash Overdrawn	**(6,985)**	(21,387)	27,574	0	**(798)**
Cash & Cash Equivalents	**25,335**	(21,859)	0	0	**3,476**
Debt Due Beyond One Year	**(203,084)**	0	6,579	5,326	**(191,179)**
Debt Due Within One Year	**(8,610)**	(3,000)	5,000	(5,274)	**(11,884)**
Long Term Debtors	**11,085**	0	1,858	0	**12,943**
Current Asset	**20,887**	0	9,314	0	**30,201**

Investments					
TOTALS	**(161,372)**	**(46,246)**	**50,325**	**52**	**(157,241)**

34. RECONCILIATION OF NET DEBT

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

2013/2014		**2014/2015**
£000's		**£000's**
15,832	**(Increase)/ Decrease in Cash Overdrawn in the Year to 31st March**	(15,672)
(6,159)	(Increase)/Decrease in Debt	10,489
7,310	Increase/(Decrease) in Investments	9,314
16,983	**Change in Net Debt**	**4,131**
(178,355)	Net Debt at 1st April	(161,372)
(161,372)	Net Debt at 31st March	(157,241)
16,983	**Movement in Net Debt**	**4,131**

35. ANALYSIS OF GOVERNMENT GRANTS

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

2013/2014		**2014/2015**
£000's		**£000's**
35,898	Housing Benefits	35,418
1,057	Children's Social Care	623
146,623	Education Grants	151,341
9,815	Adult Care Services	10,130
20	Probation	20
4,436	Other Grants	4,569
197,849	**TOTAL**	**202,101**

36. 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 2014 £000's	**31st March 2015 £000's**	**Movement £000's**
Bank Overdraft	(6,985)	(798)	(6,187)
Cash and Cash Equivalents	25,335	3,476	21,859
TOTALS	**18,350**	**2,678**	**15,672**

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.

2013/2014 £000's		2014/2015 £000's	Note
	Income		
(29,553)	Dwelling Rents (gross)	(30,119)	**1,2,8**
(225)	Non-Dwelling Rents	(221)	
(959)	Charges for Services and Facilities	(1,030)	
(38)	Contributions towards expenditure	(27)	
(30,775)	**Total Income**	**(31,397)**	
	Expenditure		
6,569	Repairs and Maintenance	6,841	
7,706	Supervision and Management	8,038	
130	Rents, Rates, taxes & other charges	107	
14,335	Depreciation and Impairment of fixed assets	20,146	**5,6**
41	Debt management costs	33	
191	Increased Provision for Bad & Doubtful Debts	168	**8**
28,972	**Total Expenditure**	**35,333**	
(1,803)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**	**3,936**	
11	HRA services share of Corporate and Democratic Core	11	
(1,792)	**Net Cost of HRA Services**	**3,947**	
	HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:		
4,492	Interest payable and other similar charges	4,534	
(71)	Interest and investment income	(67)	
2,629	**(Surplus) or Deficit for the year on HRA Services**	**8,414**	

Movement on the HRA Statement

2013/2014 £000's		2014/2015 £000's
(3,692)	**Balance on the HRA at the end of the previous year**	**(7,488)**
2,629	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	8,414
(6,425)	Adjustments between accounting basis and funding basis under regulations	(8,083)
(3,796)	Net (increase) or decrease before transfers to or from reserves	**331**
0	**Transfers (to) or from reserves**	0
(3,796)	(Increase) or decrease in year on the HRA	**331**
(7,488)	**Balance on the HRA at the end of the current year**	**(7,157)**

Note to the Movement on the HRA Statement

2013/2014 £000's		2014/2015 £000's	Note
	Adjustments between accounting basis and funding basis under regulations		
(15)	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)	
(7,180)	Reversal of impairment losses	(12,742)	
770	Capital expenditure funded by the HRA	4,674	
(6,425)		**(8,083)**	
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: -

2013/2014		2014/2015
	Flats and Maisonettes	
2,291	1 Bedroom	2,289
818	2 Bedrooms	816
58	3 Bedrooms	58
156	Bedsitters	156
	Houses & Bungalows	
807	1 Bedroom	806
1,833	2 Bedrooms	1,823
2,175	3 Bedrooms or more	2,149
8,138	**TOTAL**	**8,097**

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 **£1.576 million.** This figure represents an increase in the region of 112% compared to the 2013/14 figure of £1.407 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:-

2013/2014		2014/2015
£000's	Total Balance Sheet value as at 1st April	**£000's**
200,086	Dwellings	206,614
1,515	Shops, Offices and Garage Colonies	1,548
201,601	**Total Operational Assets**	**208,162**
7,180	Additions	12,742
12	Certificated Revaluation – Shops and Offices	(30)
7,942	Housing Stock Revaluations	(12,225)
(219)	Depreciation	(250)
(7,180)	Impairments	(12,742)
(1,174)	Sale of Council Houses	(1,262)
0	Sale of other Council Housing assets	0
208,162	**Balance Sheet Value as at 31st March**	**194,395**
206,614	Dwellings	192,877
1,548	Shops, Offices and Garage Colonies	1,518
208,162	**Total Operational Assets**	**194,395**

2. VACANT POSSESSION

(i) The Vacant Possession Value (VPV) of dwellings within the Council's HRA as at 1st April 2014 was £575.8 million representing a decrease of approximately 6.22% over the 1st April 2013 figure of £614.0 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 2014 is therefore £201.5m.

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 2013/2014		£000's 2014/2015
745	**Balance as at 1st April**	**1,489**
7,154	Transferred to MRR during the year	7,404
0	Credit in respect of General Fund depreciation	0
0	Transferred from MRR to HRA during the year	0
(6,410)	Debits in respect of capital expenditure within HRA	(8,768)
1,489	**Balance as at 31st March**	**125**

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 2013/2014		£000's 2014/2015
7,180	**Total Capital expenditure within the HRA**	**12,742**
	Financed By:	
0	External Contributions	0
770	Revenue Contributions	3,974
0	Capital receipts	0
6,410	Major Repairs Reserve	8,768
7,180	**Total**	**12,742**

5. DEPRECIATION

Authorities are required to charge depreciation on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. In 2014/15, the total charge for depreciation for council houses was £7,361,400 (£7,112,500 in 2013/14) and for other property was £42,282 (£41,911 in 2013/14). 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 £12.742 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. RENT ARREARS / BAD DEBT PROVISION

RENT ARREARS

The rent arrears as at 1 April, 2014 totalled £850,460 and at 31 March, 2015 they totalled £946,293. 55.15% of the arrears at 31 March 2015 related to current tenants (57.44% at 31st March 2014) and 44.85% related to former tenants (42.56% at 31st March 2014). The figures stated represent gross arrears and are not shown net of advances as in previous years.

BAD DEBT PROVISION

£000's 2013/2014		£000's 2014/2015	£000's 2014/2015
589	**Opening Bad Debt Provision**		**618**
191	Charged to HRA	168	
(173)	Written off	(117)	
11	Reinstated previously written off amount	10	
29	**Net increase / (decrease)**		**61**
618	**Closing Bad Debt Provision**		**679**

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.

2013/ 2014	**INCOME AND EXPENDITURE ACCOUNT**	**2014/ 2015**	**2014/ 2015**	**2014/ 2015**	**Note**
		Council Tax	**NNDR**	**Total**	
£000's	**INCOME**	**£000's**	**£000's**	**£000's**	
(79,631)	Income from Council Tax Payers net of Council Tax Benefit Support Scheme	(80,670)	0	(80,670)	**1**
(4)	Other	(3)	0	(3)	
0	Council Tax Benefit	0	0	0	
(50,470)	NNDR collected from Business Rate payers	0	(49,570)	(49,570)	**2**
(93)	Transitional Relief	0	(49)	(49)	
0	Discounts for prompt payment	0	0	0	
0	Income collectable from Business rates Supplement	0	0	0	
(130,198)	***TOTAL INCOME***	**(80,673)**	**(49,619)**	**(130,292)**	
	EXPENDITURE				
77,340	Precepts on the Collection Fund	77,548	0	77,548	**3**
	NNDR				
25,355	Payment to Government	0	24,667	24,667	
493	Payment to Fire	0	488	488	
24,362	Payment to Bury Council	0	23,700	23,700	
240	Cost of Collection	0	239	239	
0	Interest Payable net of refunds	0	0	0	
	Bad and Doubtful Debts				
648	Increased/(Reduced) Provision	299	831	1,130	
1,467	Wrote Offs	250	(3)	247	
(600)	Reversal of prior year contribution to provision in respect of NNDR appeals	0	0	0	
1,000	Additional provision in respect of NNDR appeals	0	3,647	3,647	

	Contribution:			
0	Towards previous year's estimated Collection Fund surplus – Council Tax	0	0	0
	Towards previous year's estimated Collection Fund deficit:-			
0		0	(962)	(962)
0	Bury Council	0	(20)	(20)
0	Greater Manchester Fire & Civil Defence	0	(981)	(981)
	Central Government – DCLG			
	Transfer of Previous Year's Estimated Surplus / (Deficit)			
0	To General Fund	0	0	0
0	To Major Preceptors	0	0	0
130,305	***TOTAL EXPENDITURE***	**78,097**	**51,606**	**129,703**
107	***FUND DEFICIT/ (SURPLUS) FOR THE YEAR***	**(2,576)**	**1,987**	**(589)**
0	**PRIOR YEAR ADJUSTMENT**	**0**	**0**	**0**
2,160	***BALANCE BROUGHT FORWARD***	(2)	2,269	2,267
2,267	***BALANCE CARRIED FORWARD***	**(2,578)**	**4,256**	**1,678**

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

Band	Valuation	Total Number of Dwellings	Specified Ratio	Band D Equivalent
A	Less than £40,000	25,310	6/9	16,873
B	£40,000 to £52,000	16,099	7/9	12,521
C	£52,000 to £68,000	15,523	8/9	13,798
D	£68,000 to £88,000	8,200	1	8,200
E	£88,000 to £120,000	4,959	11/9	6,061
F	£120,000 to £160,000	1,688	13/9	2,438
G	£160,000 to £320,000	1,180	15/9	1,967
H	More than £320,000	150	18/9	300
		73,109		**62,158**
	Less allowance for losses on collection			(1,834)

Impact of Council Tax Support Scheme	(9,096)
COUNCIL TAX BASE 2014/2015	**51,228**

i) The actual number of properties was 82,333 but after adjusting for single person discounts, empty properties etc, the notional number of dwellings is 73,109.

ii) The Band D Council Tax levied for the year was **£1,513.78** (£1,510.81 in 2013/2014):

	2014/2015 £000's	**2013/2014 £000's**
Bury Council	1,303.84	1,303.84
Greater Manchester Police Authority	152.30	149.33
Greater Manchester Fire & Civil Defence Authority	57.64	57.64
TOTAL	**1,513.78**	**1,510.81**

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 2014/2015 was **48.2p** in the pound (47.1p in 2013/2014) and at 31st March 2015 the estimated non-domestic rateable value of the Borough was **£128,397 million** (£128.3 million at 31st March 2014). In addition in 2014/15 the Small Business Rate was set at **47.1p** in the pound (46.2p for 2013/14).

3. PRECEPTS

The precepts on the Collection Fund were: -

	2014/2015 £000's	**2013/2014 £000's**
Bury Council	66,793	66,793
Greater Manchester Police Authority	7,802	7,602
Greater Manchester Fire & Civil Defence Authority	2,953	2,945
TOTAL	**77,548**	**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 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, Group Movement in Reserves Statement 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 113 to 115.

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 2014 to 31 March 2015, 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 2014/2015 are audited by Baker Tilly UK and will be submitted to their Audit and Standards Committee on 2 September, 2015 and will be followed by the Board and AGM meetings for approval in September.

Copies of Six Town Housing Ltd 2014/15 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 2015 have been used to prepare the group accounts. The company's auditors are Horsfield and Smith.

2013/2014 Gross Expenditure £000's	2013/2014 Gross Income £000's	2013/2014 Net Expenditure £000's		2014/2015 Gross Expenditure £000's	2014/2015 Gross Income £000's	2014/2015 Net Expenditure £000's
			Continuing Services			
16,670	(12,084)	4,586	Central Services to the Public including Court Services	14,468	(10,645)	3,823
17,082	(5,728)	11,354	Cultural and Related Services	16,266	(6,918)	9,348
24,851	(3,677)	21,174	Environment & Regulatory Services	24,417	(3,273)	21,144
2,429	(1,914)	515	Planning Services	2,249	(2,110)	139
217,964	(166,631)	51,333	Children’s & Education Services	223,009	(182,174)	40,835
27,978	(5,725)	22,253	Highways & Transport Services	27,730	(5,672)	22,058
29,379	(31,182)	(1,803)	Local Authority Housing (HRA)	35,466	(31,530)	3,936
54,234	(61,580)	(7,346)	Other Housing Services	58,874	(62,218)	(3,344)
82,801	(28,191)	54,610	Adult Social Care Services	78,095	(25,573)	52,522
8,002	(9,447)	(1,445)	Public Health	8,035	(10,014)	(1,979)
3,342	7,168	10,510	Corporate & Democratic Core	2,635	1,323	3,958
3,140	(329)	2,811	Non-Distributed Costs	2,513	(36)	2,477
986	(1,061)	(75)	Other Operating Inc & Exp.	467	(631)	(164)
488,858	**(320,381)**	**168,477**	**Cost Of Services**	**494,224**	**(339,471)**	**154,753**
			Other Operating Expenditure			
2,372	0	2,372	(Gain)/Loss on Disposal of Non-Current Assets	768	0	768
33,739	(35,617)	(1,878)	(Surplus)/Deficits on Trading Operations	34,157	(35,038)	(881)
991	0	991	Contribution of Housing Capital Receipts to Government Pool	1,032	0	1,032
37,102	**(35,617)**	**1,485**		**35,957**	**(35,038)**	**919**
			Financing and Investment Income and Expenditure			
8,843	0	8,843	Interest Payable & other Similar Charges	8,637	0	8,637
0	(3,565)	(3,565)	Interest and Investment Income	0	(3,309)	(3,309)
9,991	0	9,991	Pensions Interest Cost and Expected Return on Pensions Assets (IAS19)	8,514	0	8,514
75	(5)	70	Taxation of Group Entities	(1)	(2)	(3)
18,909	**(3,570)**	**15,339**		**17,150**	**(3,311)**	**13,839**
			Taxation and Non-Specific Grant Income			
			Demand On Collection Fund:			
0	(67,279)	(67,279)	Council Tax	0	(68,263)	(68,263)
0	(51,459)	(51,459)	Government Grants (not attributable to specific services)	0	(43,069)	(43,069)
0	(30,876)	(30,876)	Non-Domestic Rate distribution	0	(31,823)	(31,823)
0	(17,972)	(17,972)	Capital grants and contributions	0	(20,356)	(20,356)
0	**(167,586)**	**(167,586)**		**0**	**(163,511)**	**(163,511)**
544,869	**(527,154)**	**17,715**	**(Surplus) or Deficit On Provision of Services**	**547,331**	**(541,331)**	**6,000**
		56,359	(Surplus) / Deficit on revaluation of property, plant and equipment			14,638
		4,421	Impairment Losses on Non-Current Assets charged to Revaluation Reserve			1
		(7,325)	(Surplus) / Deficit on revaluation of available for sale financial assets			(4,226)
		(21,633)	Actuarial (gains) / losses			79,476
		(12,532)	Any other (gains)/ losses for the year			(349)
		19,290	**Other Comprehensive Income and Expenditure**			**89,540**
		37,005	**Total Comprehensive Income and Expenditure**			**95,540**

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 OR DEFICIT

2013/14 £000's		2014/15 £000's
18,223	(Surplus) / deficit for the year on the Authority Comprehensive Income and Expenditure Statement	6,777
0	Adjustments for transactions with other group entities	0
18,223	Surplus / Deficit on provision of services in the Group Comprehensive Income and Expenditure Statement attributable to the Authority	6,777
	(Surplus) / deficit on provision of services in the Group Comprehensive Income and Expenditure Statement attributable to group entities (adjusted for intra-group transactions):	
(508)	Subsidiaries	(777)
	Associates	
	Joint Venture	
17,715	(Surplus) / Deficit on provision of services for the year on Group Comprehensive Income and Expenditure Statement	**6,000**

GROUP BALANCE SHEET AT 31ST MARCH 2015

31/03/2014		31/03/2015		
£'000		£'000	£'000	£'000
	PROPERTY, PLANT & EQUIPMENT			
	Tangible Fixed Assets			
	Operational Assets:			
211,561	Council Dwellings	199,536		
288,375	Other Land & Buildings	281,832		
28,471	Infrastructure Assets	27,919		
4,855	Vehicles & Plant	4,031		
554	Community Assets	1,522		
42,166	Non-Operational Assets	42,605		
3,104	Assets under construction	2,577		
405	Surplus assets held for disposal	401	**560,423**	
3,290	Intangible Fixed Assets	2,439	**2,439**	
8,262	Investment Property	8,343	**8,343**	
23,760	Heritage Assets	24,088	**24,088**	
614,803	**TOTAL FIXED ASSETS**		**595,293**	**595,293**
	LONG TERM INVESTMENTS			
36,700	Manchester Airport PLC		41,000	
36,700				**41,000**
	LONG TERM DEBTORS			
151	Long term Debtors - General		129	
9,395	Loan Accounts		9,273	
18	Debt Managed for Probation Services		17	**9,419**
9,564				
	CURRENT ASSETS			
1,336	Stocks & Work in Progress	1,424		
32,785	Sundry Debtors & Advance Payments	33,556		
2,042	Assets Held for Sale	920		
20,887	Short Term Investments	30,201		
29,551	Cash And Cash Equivalents	8,759		
86,601			**74,860**	
	LESS : CURRENT LIABILITIES			
(8,610)	Short Term Loans Outstanding	(11,884)		
(173)	Deposits & Clients' Funds	(173)		
(2,706)	Short Term Provisions	(4,391)		
(28,116)	Sundry Creditors & Advance Receipts	(26,048)		
(292)	Revenue Grant Receipts in Advance	(296)		
(6,985)	Bank Accounts	(798)		
(46,882)			**(43,590)**	
39,719	**NET CURRENT ASSETS**			**31,270**
700,786	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**676,982**
	LESS: LONG TERM LIABILITIES			
(203,084)	External Loans Outstanding		(191,179)	
(515)	Capital Grants Receipts in Advance		(862)	
(1,802)	Finance Lease Liabilities		(1,346)	
(6,407)	Deferred Liabilities		(6,023)	
(206,194)	Pension Liability		(289,289)	
(33,546)	Long Term Provisions		(34,585)	
(451,548)				**(523,284)**
249,238	**TOTAL NET ASSETS**			**153,698**

31/03/2014 £'000		31/03/2015 £'000	£'000
	FINANCED BY :		
	USABLE RESERVES		
(33,222)	Earmarked Reserves	(32,816)	
(926)	Capital Receipts Unapplied	(3,659)	
(9,342)	Capital Grants Unapplied	(9,058)	
(15,688)	General Fund	(13,480)	
(7,488)	Housing Revenue Account	(7,157)	
(1,489)	Major Repairs Reserve	(125)	
(2,146)	Competitive Services / Commuted Sums	(2,200)	
2,267	Collection Fund Balance	1,678	
(11,724)	Other Balances	(11,724)	
(79,758)			**(78,541)**
	UNUSABLE RESERVES		
(128,269)	Revaluation Reserve	(109,338)	
(229,450)	Capital Adjustment Account	(231,833)	
8	Financial Instruments Adjustment Reserve	82	
(26,486)	Available for Sale Financial Instruments Reserve	(30,786)	
2,067	Collection Fund Adjustment Account	188	
2,641	Accumulated Absences	600	
203,330	Pension Reserve	289,261	
6,693	Equal Pay Back Pay Reserve	6,676	
(14)	Deferred Capital Receipts	(7)	
(169,480)			**(75,157)**
(249,238)	**TOTAL RESERVES AND BALANCES**		**(153,698)**

GROUP MOVEMENT IN RESERVES STATEMENT

2014/15	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 2014	**15,688**	**47,091**	**7,488**	**(2,267)**	**926**	**1,489**	**9,343**	**79,758**	**169,480**	**249,238**
Movement in reserves during 2014/15										
Surplus / (deficit) on the provision of services	1,637	777	(8,414)	0	0	0	0	(6,000)	0	(6,000)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(89,540)	(89,540)
Total Comprehensive Income and Expenditure	**1,637**	**777**	**(8,414)**	**0**	**0**	**0**	**0**	**(6,000)**	**(89,540)**	**(95,540)**
Adjustments between accounting basis & funding basis under regulations	(7,338)	0	8,083	589	2,733	(1,364)	(284)	2,419	(2,419)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	**(5,701)**	**777**	**(331)**	**589**	**2,733**	**(1,364)**	**(284)**	**(3,581)**	**(91,959)**	**(95,540)**
Transfers to / from Earmarked Reserves	3,493	(1,128)	0	0	0	0	(1)	2,364	(2,364)	0
Increase / Decrease (movement) in 2014/15	**(2,208)**	**(351)**	**(331)**	**589**	**2,733**	**(1,364)**	**(285)**	**(1,217)**	**(94,323)**	**(95,540)**
Balance at 31 March 2015 carried forward	**13,480**	**46,740**	**7,157**	**(1,678)**	**3,659**	**125**	**9,058**	**78,541**	**75,157**	**153,698**

GROUP CASH FLOW STATEMENT

2013/2014 £000's		£000's	2014/15 £000's	£000's
	OPERATING ACTIVITIES			
	Cash Outflows:			
194,537	Cash Paid to and on behalf of Employees	194,943		
239,265	Cash Paid for Goods and Services	245,288		
35,574	Housing Benefit paid out	35,090		
176	VAT payments (BMBCTF)	78		
4,642	Interest Paid	4,035		
2	Corporation tax (STH)	30		
991	Payments to Housing Capital Receipts Pool	1,032		
475,187	**Cash Outflows Generated from Operating Activities**		**480,496**	
	Cash Inflows:			
(29,328)	Rents (after Rebates)	(29,898)		
(68,483)	Council Tax Receipts (excl major preceptors share of receipts)	(69,935)		
(24,361)	NNDR Receipts (excl government and major preceptors)	(23,700)		
(47,284)	Revenue Support Grant	(38,890)		
(35,898)	DWP Grants for Benefits	(35,418)		
(162,101)	Other Government Grants	(166,992)		
(3,611)	Interest Received	(3,683)		
(1,400)	Airport Dividend Received	(1,484)		
(112,334)	Cash Received for Goods and Services	(112,916)		
(484,800)	**Cash Inflows Generated from Operating Activities**		**(482,916)**	
(9,613)	**NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES**			**(2,420)**
	INVESTING ACTIVITIES			
17,575	Purchase of Fixed Assets		23,038	
	Capital Expenditure (STH)			
1,306	Purchase of Long Term Investments		4,300	
7,310	Net Increase / (Decrease) in Short Term Deposits		9,314	
(6,570)	Proceeds of Sale of Fixed Assets		(4,640)	
(515)	Capital Grants received		(862)	
19,106	**NET CASH FLOWS FROM INVESTING ACTIVITIES**			**31,150**
	FINANCING ACTIVITIES			
	Repayments of amounts borrowed:			
14,417	Long Term loans repaid		6,631	
6,000	Short Term loans repaid		5,000	
124	Net Receipts from Long Term Debtors		1,858	
(18,895)	New Long Term Loans		(2,020)	
(2,000)	New Short Term Loans		(3,000)	
(23,059)	Billing Authorities – NNDR and Council Tax Adjustments		(22,594)	
(23,413)	**NET CASH FLOWS FROM FINANCING ACTIVITIES**			**(14,125)**
(13,920)	**NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS**			**14,605**

S KENYON CPFA,
Interim Executive Director of Resources & Regulation.

5 June 2015.

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 6 (page 61).

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 2014/2015 Six Town Housing made a surplus of £0.625m compared to a deficit of £0.673m in 2013/2014. Bury Council paid management fees of £12.719m in 2014/2015 (£12.719m in 2013/2014) to Six Town Housing for the management of its housing stock.

Bury Council has made a number of loans to Six Town Housing at commercial rates of interest. In 2014/15 additional loans were made for the acquisition of Mortgage Rescue properties and for the purchase of properties to bring them back into use under the AGMA grant scheme:-

Loans by Bury Council to Six Town Housing					
	No of years of loan	2011/12 £m	2013/14 £m	2014/15 £m	Total £m
Redbank Housing Project	35.5	1.140			1.140
Mortgage Rescue	18		0.410	0.166	0.576
AGMA Loans	25			1.869	1.869
TOTAL		1.140	0.410	2.035	3.585

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 £0.184m for the year ended 31st March 2015 compared to a profit of £0.128m for the period to 31st March 2014. As at 31st March 2015, 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.

2013/14 £000's	GROUP RECONCILIATION OF REVENUE CASH FLOW	2014/15 £000's	2014/15 £000's
18,223	**(SURPLUS) / DEFICIT FOR THE YEAR ON REVENUE ACCOUNT**		**6,777**
640	Six Town Housing (Surplus) / Deficit		**625**
(298)	BMBC Townside Fields (Surplus) / Deficit		(184)
	Non Cash Movements in Revenue Account:		
(37,272)	Provision for Depreciation & Impairment	(28,117)	
(214)	Other Provisions	(2,774)	
5,839	Minimum Revenue Provision	5,748	
(7,917)	Contributions from / (to) Revenue Reserves	4,357	
12,701	Other non-cash Movements	7,000	
(26,863)			**(13,786)**
	Movements in Current Assets and Liabilities:		
6	Increase / (Decrease) in Stock	88	
356	Increase / (Decrease) in Revenue Debtors	802	
(36)	(Increase) / Decrease in Revenue Grants received in advance	(4)	
790	(Increase) / Decrease in Revenue Creditors & Advance Receipts	2,130	
1,116			**3,016**
	Items shown elsewhere in the Cash Flow Statement:		
(4,642)	Interest Paid	(4,035)	
3,611	Interest Received	3,683	
(1,400)	Dividend Income	1,484	
(2,431)			**1,132**
(9,613)	**NET CASH (INFLOW)/OUTFLOW FROM REVENUE ACTIVITIES**		**(2,420)**

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.

ACCRUALS BASIS

Accounting for income and expenditure during the financial year in which they are earned or incurred, not when money is received or paid.

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.

AMORTISATION

Amortisation is a routine decrease in value of an intangible asset, or the process of paying off a debt over time through regular payments.

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 2014/15 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.

cutting through complexity

Report to those charged with governance (ISA 260) 2014/15

Bury Metropolitan Borough Council

15 July 2015

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 issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.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.

We are committed to providing you with a high quality service. 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 engagement lead to the Authority, who will try to resolve your complaint. Trevor is also the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money.**

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 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in March 2015, set out the four stages of our financial statements audit process.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during June 2015.

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 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- 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 2014/15 financial statements of the Authority.
- 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 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. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 31 July 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	■ We have completed our audit of the financial statements. Our key findings are: – There are no unadjusted audit differences. – We have agreed presentational changes to the accounts with Finance.
Key financial statements audit risks	We review risks to the financial statements on an ongoing basis. We identified the following key financial statements audit risks in our 14/15 External audit plan issued in March 2015. ▪ Accounting for assets under construction ▪ Accounting for Local Authority Maintained Schools We have worked with officers throughout the year to discuss these key risks and our detailed findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in these key risk areas.

Headlines

Accounts production and audit process	The quality of the working papers was of a good standard. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. Given the speed of closedown, the Authority is well placed to respond effectively to the reduced timescale for final accounts production and sign off set out within the Accounts and Audit Regulations from 2016/17 onwards. However, increasing resource constraints within the finance team and increasing responsibility of the Head of Finance may impact on the quality of the financial statements and supporting working papers. The Authority has not fully implemented four of the six the recommendations in our *ISA 260 Report 2013/14* relating to the financial statements.
Completion	At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas: ▪ *Whole of Government Accounts.* Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion and risk areas	We identified the following VFM risks in our External audit plan 2014/15 issued in March 2015. ▪ Savings plan. We have worked with officers throughout the year to discuss this VFM risk and our detailed findings are reported in section 4 of this report. There are no matters of any significance arising as result of our audit work in these VFM 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 2015.

Proposed opinion and audit differences

We have not identified any issues in the course of the audit that are considered to be material.

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 on 15 July 2015.

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.

The final materiality (see Appendix 5 for more information on materiality) level for this year's audit was set at £11 million. Audit differences below £0.5m are not considered significant.

We did not identify any material misstatements.

Movements on the General Fund 2014/15

£m	Pre-audit	Post-audit
Surplus on the provision of services	£1.637m	£1.637m
Adjustments between accounting basis & funding basis under Regulations	(£7.338m)	(£7.338m)
Transfers from earmarked reserves	£3.493m	£3.493m
Decrease in General Fund	**(£2.208m)**	**(£2.208m)**

Balance Sheet as at 31 March 2015

£m	Pre-audit	Post-audit
Property, plant and equipment	£584m	£584m
Other long term assets	£61.2m	£61.2m
Current assets	£75m	£75m
Current liabilities	(£43.4m)	(£43.4m)
Long term liabilities	(£518.1m)	(£518.1m)
Net worth	**£157.7m**	**£157.7m**
General Fund	(£13.5m)	(£13.5m)
Other usable reserves	(£61.7m)	(£61.7m)
Unusable reserves	(£82.5m)	(£82.5m)
Total reserves	**(£157.7m)**	**(£157.7m)**

Financial Statements (continued)
Proposed opinion and audit differences

[We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')*. We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

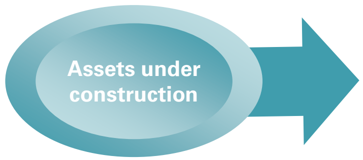
The Annual Governance Statement is consistent with our understanding.

Financial Statements (continued)
Significant risks and key areas of audit focus

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks

In our External Audit Plan 2014/15, presented to you in March 2015, we identified the significant risks affecting the Authority's 2014/15 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.
The table below sets out our detailed findings for each of the risks that are specific to the Authority

Significant audit risk	Issue	Findings
	**Risk** In 2013-14, we found the balance sheet contained £23.4m of assets under construction which had been categorised incorrectly resulting in a material adjustment: • £22.4m should be transferred to operational assets • £992k should be transferred to non-operational assets. This error arose 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 in operational assets.. There is a risk around the valuation and classification of assets in the financial statements. Furthermore, the assets which should be have been classified as non-operational should potentially have been impaired down to NIL value due to the intended use of these assets. Additionally, the 2013-14 audit identified 350 assets with a NBV of £17.9m had not been revalued within the five year timeframe set out within the policy. A number of the assets are material to the financial statements and should be included in the asset rolling valuation programme. **Our proposed audit work** As part of our audit, we will ensure the Authority has: • Reviewed the policy for reclassifying its assets and what the 'trigger' point should be; • Implemented controls to monitor that these trigger points are working effectively; • Revalued assets reclassified from assets under construction to ensure fair values will be included in the balance sheet at year end. • Revalued assets in line with the asset rolling valuation programme. We will review this policy and the test the controls in place. We will test a sample of assets to ensure they have been classified and valued correctly and have been performed on a timely basis.	**Policy:** The Authority has not reviewed the policy for reclassifying assets in year and identifying trigger points. However, transactions in relation to assets under construction have been appropriately transferred into operational categories in 2014/15. **Revaluation of reclassified assets under construction:** A review of the asset spreadsheet does not clearly identify whether these assets have been revalued upon transfer. However the value of assets under construction is not material. **Rolling valuation programme:** 177 assets have not been revalued in line with the 5 year revaluation policy. Whilst the number of assets that have exceeded their valuation date is lower in number than last year, the value of these assets totals £85.3m which is significantly higher. Based on the trend seen in 14/15 in relation to revaluations, these assets are potentially overstated by 17% or £14.5m.

Financial Statements (continued)
Significant risks and key areas of audit focus (continued)

Significant audit risk	Issue	Findings
	**Risk** LAAP Bulletin 101 *Accounting for School Assets used by Local Authority Maintained Schools* issued in December 2014 has been published to assist practitioners with the application of the Code in this respect. The challenges relate to school assets owned by third parties such as church bodies and made available to school governing bodies under a variety of arrangements. This includes assets used by Voluntary-Aided (VA) and Voluntary-Controlled (VC) Schools as well as Foundation Schools. Authorities will need to review the agreements under which assets are used by VA/VC and Foundation schools and apply the relevant tests of control in the case of assets made available free of charge, or risks and rewards of ownership in the case of assets made available under leases. This is a key area of judgement and there is a risk that Authorities could omit school assets from, or include school assets in, their balance sheet. Particular risks surround the recognition of Foundation School assets which may or may not be held in Trust. Authorities should pay particular attention to the nature of the relationship between the Trustees and the school governing body to determine whether the school controls the Trust and the assets should therefore be consolidated into their balance sheet. **Our proposed audit work** As part of our audit, we will ensure the Authority is aware of the latest guidance and review the judgments it has made. This will include: Determining whether the Authority has identified all relevant maintained schools within its area and undertaken a review of the agreements underpinning the use of school assets by VA, VC and Foundation schools; Considering the Authority's application of the relevant accounting standards to account for these schools and challenging its judgments where necessary; and Determining whether the basis of valuation of assets which are brought on balance sheet at 1 April 2013 is appropriate and the valuations are undertaken by qualified valuers (if applicable).	There are 77 schools in the Borough of which there are: • 11 voluntarily controlled schools. • 25 voluntarily aided schools. • 1 foundation school. The Authority has sought and confirmation from either the Church Diocese or the school Trustees to confirm that the assets are correctly accounted for in the balance sheets of the third parties. Confirmation has been received from all schools with the exception of the Methodist schools who have yet to respond. For the confirmations received, school assets are accounted for correctly.

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Financial Statements (continued)
Significant risks and key areas of audit focus (continued)

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk		Summary of findings
Management override of controls	Audit areas affected ▪ All areas	Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit. In line with our methodology, we carried out appropriate 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. We identified an issue in relation to the journal review and authorisation process: • All journals over 100k are required to be reviewed and authorised by line managers. On the schedule dated 5 May 2015 a number of journals had not been reviewed and authorised for the period 1 April to 5 May. • A journal listing from 6 May 2015 to closedown of the ledger contained approximately 200 journals. None of these had been reviewed and authorised in line with the policy i.e. prior to the preparation of the financial statements. These have now been reviewed.
Fraud risk of revenue recognition	Audit areas affected ▪ None	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Financial Statements (continued)
Accounts production and audit process

The Authority has a well established and a good accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was in line with previous years.

Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority continues to maintain a good financial reporting process and produce statements of accounts to a good standard. We consider that accounting practices are appropriate
Completeness of draft accounts	We received a complete set of draft accounts on 5 June 2015. The Authority have made a small number of presentational changes to the accounts presented for audit however there have been no changes which we consider to be fundamental.
Quality of supporting working papers	We issued our *Accounts Audit Protocol* including our required working papers for the audit on 10 April 2015. The quality of working papers provided was good and in the main met the standards specified in our *Accounts Audit Protocol*.
Response to audit queries	Officers resolved all audit queries in a timely manner.

Element	Commentary
Group audit	To gain assurance over the Authority's group accounts, we place reliance on work completed by Baker Tilley on the financial statements of Six Town Housing. Although the audit is not yet finalised, we have received confirmation that there are no specific matters to report pertaining to the group audit.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has implemented two of the six recommendations in our *ISA 260 Report 2013/14*.

Appendix 2 provides further details.

Financial Statements (continued)
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 2015, 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 Public Sector Audit Appointments Ltd 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 Interim Director of Resources and Regulation and S151 Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There is one matter to highlight in relation to payroll:

- Starters and leavers: our testing identified issues in relation to documentation held centrally by the RCT team. Not all of the supporting information could be provided for our sample of 25 starters and 25 leavers. This is because information is held remotely by departmental HR teams. This presents a risk to the accuracy and completeness of payroll information. This has previously been highlighted in internal audit reports and mitigating controls were put in place in the form of establishment listings.
- Establishment listings: whilst this control was implemented during 2013/14, the internal audit report and our work has identified that this has not been in operation for the whole of 2014/15. Therefore, the mitigating control in place in relation to accuracy and completeness of payroll data has not operated effectively throughout this financial year.

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

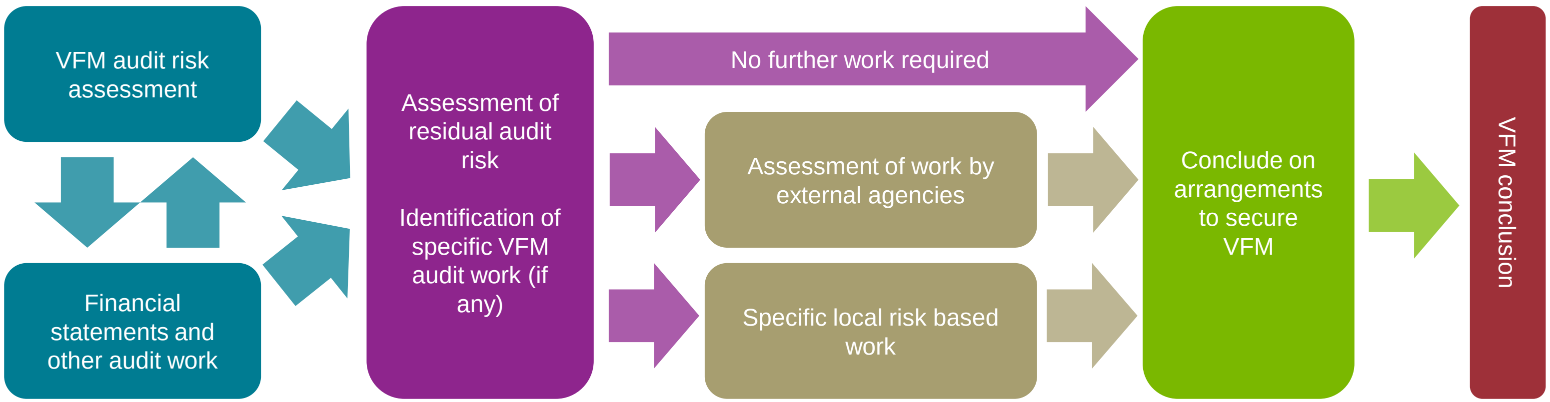
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We identified a residua VFM risk in relation to the savings plan and have reviewed this throughout the year. We did not deem it necessary to undertake any additional VFM work.

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	✓



Specific VFM risks

At the planning stage of the audit we identified one residual VFM risk in relation to the savings plan.

We are satisfied that internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to this residual risk are adequate.

Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas. Key findings

Below we set out the findings in respect of the area where we have identified a residual audit risk for our VFM conclusion.

We concluded that we did not need to carry out additional work for these risks as there was sufficient relevant work that had completed by the Authority.

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Key VFM risk	Risk description and link to VFM conclusion	Assessment
	The Authority is required to make savings of £9.7m in 2014/15. The latest financial forecasts indicates that achievement of the proposed savings is expected but that there is a forecasted budgeted overspend of £0.9m. The Authority currently estimates that £15.8m in savings will need to be achieved during 2015/16 to achieve a balanced budget. We are aware that the Authority is in the process of developing and agreeing proposals with Members for these savings. Further significant savings will be required in 2016/17 and 2017/18 to principally address future reductions to local authority funding alongside service cost and demand pressures. The need for savings will continue to impact the Authority's financial and operational sustainability.	The Authority achieved a small underspend for 2014/15 rather than the anticipated £900k overspend. This turnaround was as a result of continued expenditure restrictions in non-essential areas. For 2014/15 the Authority was required to make cuts of £10.166m; this was addressed through a range of corporate and departmental budget options. Whilst there was some slippage against the plan, this was compensated by efficiencies elsewhere – leading to the net underspend for the Authority. Individual schemes to deliver the 2015/16 cuts are in progress, and managers budgets have been adjusted accordingly. A detailed analysis will be undertaken using month 3 data to assess progress, and this will be reported to Members – with remedial action identified where necessary. **Specific risk based work required: No**

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		
❶ ***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.	❷ ***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.	❸ ***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	❶	**Payroll issue – establishment lists:** Testing of starters and leavers on the payroll system identified issues with the completeness of documentation held by the RCT team. This is an ongoing issue which has previously been identified by internal audit. A mitigating control in relation to establishment listings has been implemented however this has not operated effectively throughout the full financial year. **Recommendation** To ensure accuracy and completeness of payroll data, establishment lists should be issued on a monthly basis.	Agreed. The establishment list was re-written during 2014/15 in Business Objects and has been sent to Departmental HR on a monthly basis requesting confirmation that the list has been checked and any required amendments reported to the Recruitment & Contracts team. Responsible Officer: Acting Assistant Director of Human Resources Due Date: With immediate effect

Appendix 1: Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	2	**Schools bank account reconciliations:** Each month the reconciliations are overwritten therefore there is only ever the current months reconciliation available for review. Therefore, the finance team are unable to demonstrate an audit trail. **Recommendation** Monthly bank reconciliations should be retained rather than being overwritten.	Each school bank account reconciliation is completed in full each month and a data tab provides full details of the reconciliation per month. It is accepted that the Agresso amount is to be shown at the end of each data tab and that a printout of each monthly reconciliation will be retained each month. Responsible Officer: Head of Financial Management Due Date: With immediate effect
3	2	**Schools bank account reconciliations:** The reconciliation start points for the cheque book schools differs. Some start with the balance that the school has reconciled to in its own bank reconciliation as the starting point, whilst others start with the month-end amount per the bank statement. This lack of consistency impacts on the reliability and validity of the cash balance of the Authority. **Recommendation** A consistent start point should be determined for all cheque book schools.	Cheque book schools are responsible for undertaking their own monthly reconciliations to their bank accounts. It is agreed that that procedures will be reviewed to ensure consistency in terms of information received from cheque book schools to ensure consistency in the reconciliations. Responsible Officer: Head of Financial Management Due Date: With immediate effect

Appendix 1: Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
4	1	**Purchase orders – authorised signatory list:** There is no authorised signatory listing in place for purchases that are made outside of the P2P system. Although the value of payments made in this way is decreasing year on year, there is still a risk that the Authority is incurring expenditure which has not been appropriately signed off. This issue was also identified in an Internal Audit report in June 2015. **Recommendation** An authorised signatory listing should be drawn up immediately.	Agreed. 90% of invoices are approved and processed through P2P. Actions will be taken to further ensure the use of P2P and reduce the number of invoices made outside of the P2P system. The authorised signatory list to be drawn up in conjunction with departmental Heads of Finance. Responsible Officer: Head of Financial Management Due Date: With immediate effect
5	2	**Journals – review and authorisation:** There is a policy in place for review and authorisation of all journals over £100k. During our testing we identified journals posted in months 12 and 13 which had not been reviewed or authorised. We also identified journals throughout the year that were prepared and authoirised by the same individual. **Recommendation** The finance staff should be reminded of the policy in place to ensure that all journals are appropriately authorised. The Authority should also ensure that segregation of duties is maintained.	Agreed. The procedure has been embedded throughout 2014/15 although there were a number of journals that had not been reviewed. Those outstanding have now been addressed and the controls will be strengthened accordingly. Responsible Officer: Head of Financial Management Due Date: With immediate effect
6	1	**Prior year recommendations** Four of the recommendations made following the 2013/14 audit have not yet been implemented. **Recommendation** The Authority should implement all the agreed actions as soon as possible.	Agreed. See Appendix 2 (pages 17, 18 and 19).

Appendix 2: Follow up of prior year recommendations

The Authority has not implemented all of the recommendations in our *ISA 260 Report 2013/14.*

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2013/14* and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	6
Implemented in year or superseded	2
Remain outstanding (re-iterated below)	4

No.	Risk	Recommendation	Status as at 1 July 2015	Authority response as at 15 July 2015
1	❶	**Recommendation – Assets under construction** 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.	Whilst no policy has been drawn up in year, the Authority has appropriately accounted for assets under construction. It is difficult to ascertain whether the assets transferred in 2013/14 have been revalued in year.	The Authority will ensure that a policy is drawn up during 2015/16 for reclassifying its assets held 'under construction' and establish what the 'trigger' points for re-classification are. A re-valuation of assets re-classified to other classes of assets during 2014/15 will be carried out during 2015/16 to agree the fair values to be included in the balance sheet. Responsible Officer: Principal Management Accountant Due Date: With immediate effect

Appendix 2: Follow up of prior year recommendations

No.	Risk	Recommendation	Status as at 1 July 2015	Authority response as at 15 July 2015
2	❶	**Recommendation – Asset revaluations** 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 priortised within the programme in 2014-15 to ensure that their true value is included in the balance sheet at the correct valuation.	As at 31 March 2015 819 assets had exceeded the timescale for revaluation. Of these 819, 177 assets have a carrying value over the deminimus level with a total value of £85.3m.	The Authority has continued to experience operational issues with the existing disparate property management system following the removal of support for the software operating system it was based on, which has been further compounded by delays in the procurement of a new "Property Data System" which was due to have been implemented last year. The Authority will take appropriate steps to ensure that re-valuations are prioritised for any assets that may have exceeded the timescale for the five year cycle of re-valuations. Responsible Officer: Head of Property & Asset Management Due Date: With immediate effect

Appendix 2: Follow up of prior year recommendations

No.	Risk	Recommendation	Status as at 1 July 2015	Authority response as at 15 July 2015
3	2	**Recommendation – Non-operational assets** 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.	This policy has not yet been reviewed or updated.	The policy applies to all our assets as listed, including non operational surplus and non-investment assets. The Authority will review this policy as requested and ensure it is updated and documented accordingly. Responsible Officer: Principal Management Accountant Due Date: With immediate effect
4	3	**Recommendation – Heritage assets** 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 has not yet established a policy for heritage assets. During the year a revaluation of the Mayor's Regalia has taken place as a result of theft. It is our understanding that some of the art collection has been identified for revaluation in 2015/16, however the reasoning behind why these items have been selected is unclear.	Valuation quotes have been obtained for the artwork collection, however due to the prohibitive cost, the Authority has drawn a list of its high value items which are regularly loaned to other art galleries/ museums. The loan terms contain a provision for current insurance value that could be requested from the receiving venue as part of the loan agreement and used to maintain the values shown in the asset register. Responsible Officer: Principal Management Accountant Due Date: With immediate effect

Appendix 3: Audit differences

This appendix sets out the audit differences.

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.

Uncorrected audit differences

We are pleased to report that there are no uncorrected audit differences.

Corrected audit differences

There are no corrected audit differences to report.

A number of amendments focused on presentational improvements have also been made to the draft financial statements. The Finance Department are committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Appendix 4: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd 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 Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd 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. Public Sector Audit Appointments Ltd 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 2015, 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 Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix 5: Materiality and reporting of audit differences

For 2014/15 our materiality is £11 million for the Authority's accounts.

We have reported all audit differences over £0.5 million for the Authority's accounts to the Audit Committee.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2014/15, presented to you in March 2015.

Materiality for the Authority's accounts was set at £11 m which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee/Name of the Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.5m for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Appendix 6: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Trevor Rees as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

Appendix 6: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (http://www.psaa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/).

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Agenda Item 6

REPORT FOR DECISION

Bury COUNCIL

MEETINGS:	**STRATEGIC LEADERSHIP TEAM CABINET AUDIT COMMITTEE COUNCIL**
DATE:	**22 JUNE 2015 – STRATEGIC LEADERSHIP TEAM 8 JULY 2015 – CABINET 15 JULY 2015 - AUDIT COMMITTEE 9 SEPTEMBER 2015 - COUNCIL**
SUBJECT:	**RISK MANAGEMENT ANNUAL REPORT 2014/2015**
REPORT FROM:	**COUNCILLOR RISHI SHORI – DEPUTY LEADER OF THE COUNCIL AND CABINET MEMBER FOR FINANCE AND HOUSING**
CONTACT OFFICER:	**David Hipkiss, Risk and Governance Manager**
TYPE OF DECISION:	**COUNCIL - KEY DECISION**
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain
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 2014/15 and actions planned for 2015/16.

IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? **Yes**

Financial Implications and Risk Considerations:	See Executive Director of Resources & 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
22nd June 2015			
Overview & Scrutiny	Committee	Cabinet	Council
	Audit 15th July 2015	08th July 2015	09th September 2015

1.0 BACKGROUND AND RISK PRIORITIES DURING 2014/15

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 2014/15 where risk management played a significant role in preventing disruption to service continuity.

1.3 The Council continued to experience reduced lack of funding, and increased demand for services, and responded to this through its "Plan for Change", achieving once again a slight underspend for the year.

1.4 A main focus for 2014/15 was ensuring the restructure and operational transition following the reduction of departments from four to three was carried out smoothly and that risk to the disruption of services during the transition was identified and managed effectively.

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 2014/15

3.2 Children, Young People & Culture

2014/15 managed high risks focused upon;

- Budget constraints following large scale reductions
- Loss of experience following VER/Mutual Settlement
- Capacity to deliver services
- Impact of Academies
- Children & Young People in care
- Safeguarding mechanisms

Despite some success during 2014/15, the department is still highlighting a number concerns reflected by the final quarters result. Individual Departmental Risk Registers are available on request.

3.3 Communities & Wellbeing

2014/15 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
- Reducing budgets faced with increasing demands
- Self Directed Support costs
- Investment in assets and infrastructure
- Data Protection
- Increase in judicial reviews
- Growing demands from increasing population
- Asylum Seekers
- Ineffective partnership working across public sector organisations
- Market failure/capacity and ability to facilitate new types of social enterprise

Despite some success during 2014/15 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 Resources & Regulation

2014/15 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
- Resident expectations
- Changes to Council Tax benefit
- Changes resulting from the wider welfare reform agenda and its impact
- Public sector reform 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 2014/15.

4.4 The table at **Appendix C** aligns the Council's most significant risks as at 31st March 15 against the Councils' Priorities and Team Bury Ambitions.

Corporate Risk Register January 2014 – March 2015

Ref	Risk that......	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status Jan – Mar 15	Measures
01	The potential liability facing the Council in respect of Equal Pay significantly weakens the Council's financial position	Tracy Murphy	1	1	**1**	**1**	**1**	**1**	Risk remains low 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.	Steve Kenyon	3	4	**9**	**9**	**9**	**12**	The Council received the final 2015/16 settlement information in February 2015, this was broadly as expected. Bury's reduction was higher than the national average, whilst funding per head is lower. Response to consultation submitted outlining this. Clarity about the 2016/17 settlement is unlikely to be until the Spending Review / Summer Budget later in 2015 following the General Election. MTFS to be updated at this point. Likelihood score raised from 3 to 4 to reflect level of uncertainty in Government funding.

Ref	Risk that……	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status Jan – Mar 15	Measures
3	The budget strategy fails to address the Council's priorities and emerging issues, e.g. demographic and legislative changes	Steve Kenyon	3	2	**6**	**6**	**6**	**6**	The Medium term financial strategy is a live document that is regularly updated to take account of known national changes. This helps to inform financial forecasts and projections over the medium term. The Council has a good understanding of its cost base and pressures through robust budget monitoring, Star Chamber and Scrutiny processes.
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	Steve Kenyon	4	2	**8**	**8**	**8**	**8**	New arrangements have been in place now for nearly 2 years, 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.	Alex Holland	2	2	**2**	**2**	**4**	**4**	The asset management strategy has been approved and will consider the usage and cost of all assets; taking appropriate action where necessary; e.g. invest, change of use, or disposal.

Ref	Risk that……	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status Jan – Mar 15	Measures
08	The Council fails to manage the expectations of residents, service users & other stakeholders in light of funding reductions	Mike Owen	3	3	**6**	**6**	**6**	**9**	Programme of Budget consultations has taken place throughout the borough at Township Forums. A letter from the Leader has also been sent out to inform residents about the level of uncertainty that remains with the impact of current and future financial cuts. Likelihood risk raised from 2 to 3 to reflect uncertainty of funding going forward.
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	Claire Jenkins	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.	Claire Jenkins	3	3	**9**	**9**	**9**	**9**	Welfare Reform Board coordinating action plan with partner organisations (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 Jan – Mar 15	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 Owen	4	2	**8**	**8**	**8**	**8**	The Workforce Development Plan is in place, the mutual settlement scheme has been launched, and individual service workforce plans are being developed to ensure continuity / succession planning. Loss of capacity / experience remains a major concern. Risk will be closely monitored as the Council-wide restructure takes effect, and further voluntary retirements take effect.

5.0 CHALLENGES FOR 2015/16

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 2015/16:

- 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 continued operation of 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.
- Proactively responding to the risks, challenges and opportunities presented by the GM devolution agenda, and ensuring Bury interests are safeguarded

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:

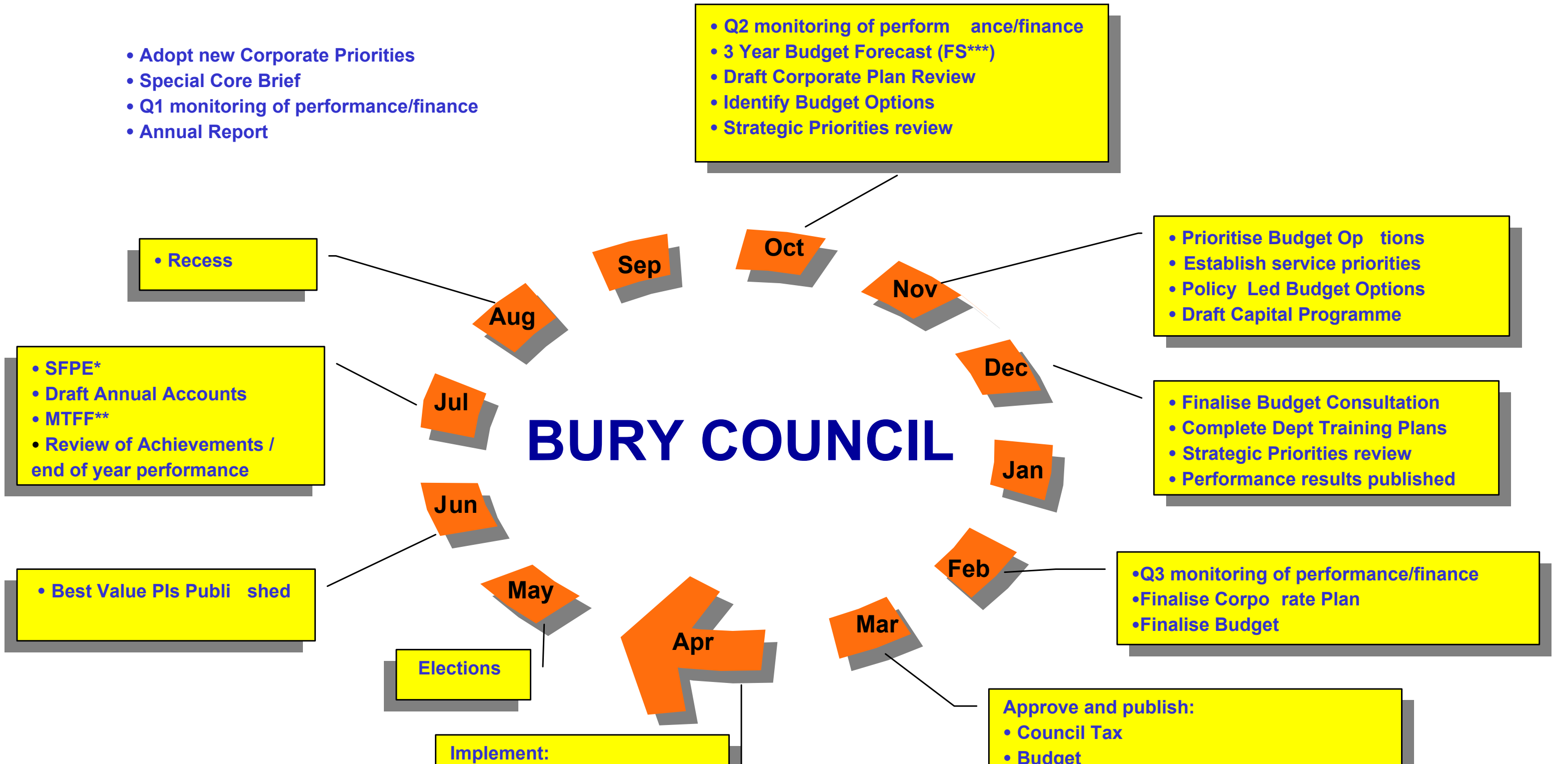
Risk Management Policy, toolkit & risk registers - maintained on Intranet.

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

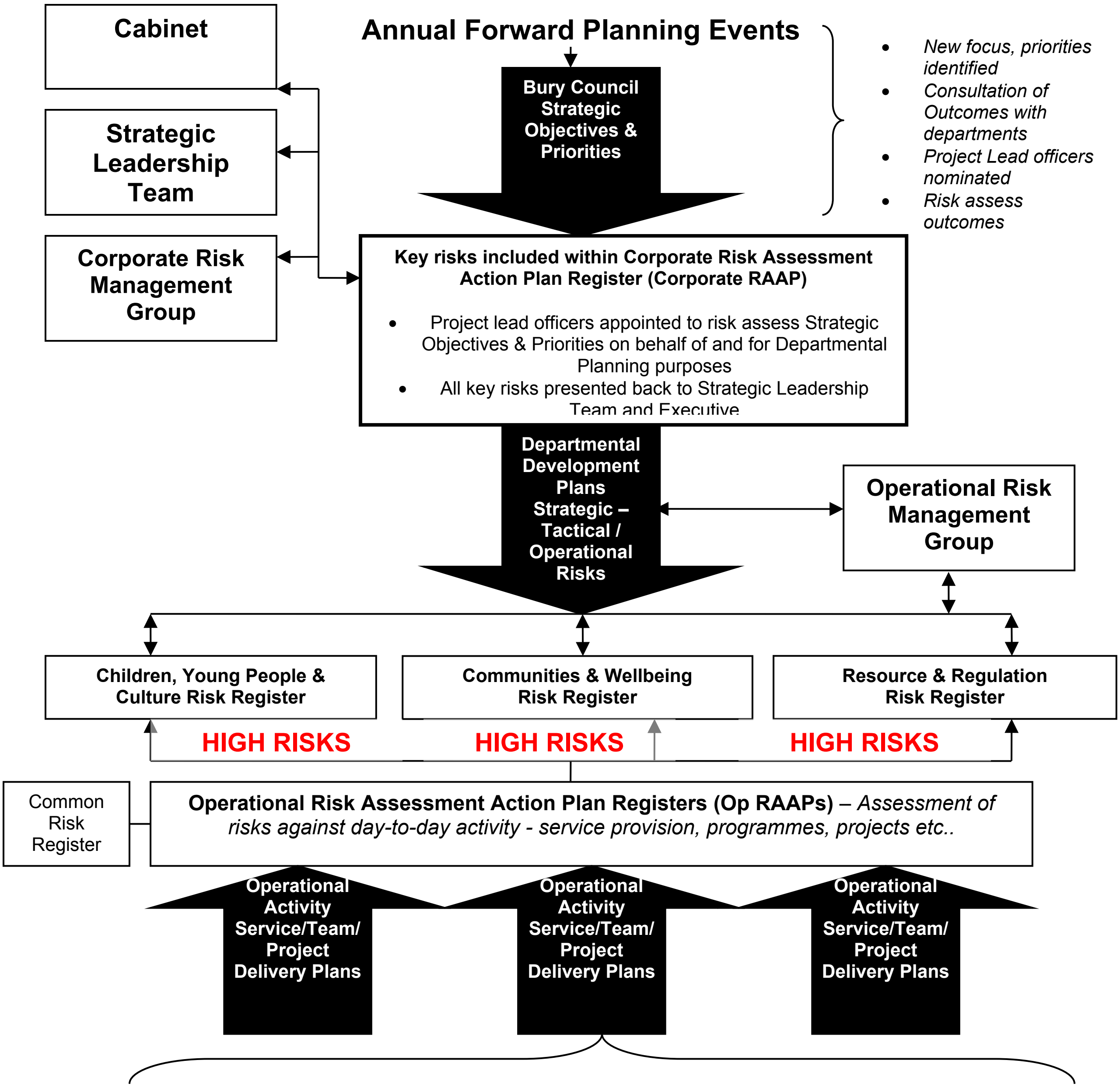
APPENDIX A

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 Credit	Competition Customer Change Industry change Customer Demand Political Change	Regulations Culture	Contractual Events Natural events Supply Chains Environmental

Internal Drivers

Liquidity Cash Flow	Research Development	Accounting Information Systems	Employees Public Access 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.	12	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
The budget strategy fails to address the Council's priorities and emerging issues, e.g. demographic and legislative changes	6	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

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 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.	4	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
The Council fails to manage the expectations of residents, service users & other stakeholders in light of funding reductions	9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
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	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

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
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	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

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Agenda Item 7

REPORT FOR DECISION

MEETING:	**AUDIT COMMITTEE**
DATE:	**15 JULY 2015**
SUBJECT:	**INTERNAL AUDIT ANNUAL REPORT AND REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROL 2014/15**
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 2014/15 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 2014/15.

IMPLICATIONS:

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

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 15/07/15	

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 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 2014/15 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 2014/15

Contact Details:-

Andrew Baldwin, Head of Financial Management
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E-mail: a.baldwin@bury.gov.uk

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BURY COUNCIL – Review of the Effectiveness of Internal Control 2014/15			
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 Financial Management in his role as Chief Internal Auditor using the CIPFA Toolkit as a model. 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 internal control, and wider corporate governance within the organisation.	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 Governance Panel. The Statement is prepared using information from the Council's Internal and External Auditors, the views of the Monitoring Officer,	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". The Statement provides management, Members, Partners and Stakeholders with an assurance as to the

BURY COUNCIL – Review of the Effectiveness of Internal Control 2014/15			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
		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.	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 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.	The Interim Executive Director of Resources & Regulation fulfilled this role for the Council during 2014/15. Equally there are effective arrangements for staff to deputise in the absence of the s151 officer. During 2014/15 the s151 officer was a qualified accountant.	The s151 officer has produced a comprehensive set of Financial Regulations to ensure high standards of financial management throughout the organisation.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2014/15			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
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 and reporting risk and opportunities; both within the Council, and when working in partnership.	On-line risk registers are maintained at operational, departmental, and strategic 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	The Council has adopted a priority led approach to risk, with all risks / opportunities being clearly identified 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.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2014/15			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
		identified by Team Bury partner organisations.	
Performance Management	The Authority maintains a range of Performance Indicators; some are statutory requirements, others are maintained locally to monitor the effectiveness of services.	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 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	The Council has undertaken over 200 Business Impact Assessments to assess the criticality of services, interdependencies, and recovery arrangements.	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 2014/15

CONTROL	PURPOSE	EVIDENCE	OUTCOME
	disruption. This is now a statutory duty upon the Authority under the Civil Contingencies Act.	Similarly a revised Corporate Business Continuity Plan was approved in December 2007 and has been reviewed annually 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	Copy of the Internal Audit Annual Report and Opinion is presented to	The Annual Report provides some of the assurances Members and others have to

BURY COUNCIL – Review of the Effectiveness of Internal Control 2014/15			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	performance of Internal 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.	the July Audit Committee for their approval and is part of this report.	seek, in order to satisfy the 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 opinions of Internal Audit.	To have confidence that the Internal Audit Section plays a full part in the system of internal financial control.	Audit and Inspection letter.	As the external auditors opinion is that they do have confidence in the effectiveness of the Internal Audit service it allows them to concentrate on

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CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
			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.
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	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.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2014/15			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
		S151 Officer, and the Monitoring Officer.	
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 2014 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 and personal attributes required to meet its objectives and comply with CIPFA Standards.	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.
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	To obtain feedback on the	Results from the questionnaires are	To ensure that Internal Audit is working

BURY COUNCIL – Review of the Effectiveness of Internal Control 2014/15			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
Questionnaires	quality of the service from the user.	reported to the Audit Committee and retained in the Internal Audit office.	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.
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.

Bury COUNCIL

BURY COUNCIL – Review of the Effectiveness of Internal Control 2014/15			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
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 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 2014/15.	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 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 expertise amongst the AGMA members.

Bury COUNCIL

BURY COUNCIL – Review of the Effectiveness of Internal Control 2014/15			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
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.
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	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	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

BURY COUNCIL – Review of the Effectiveness of Internal Control 2014/15			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	accounted for, and used economically, efficiently and effectively.	CIPFA/SOLACE document *"Delivering Good Governance in Local Government : A Framework"* and the 2010 CIPFA Application Note to the Framework.	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 Management Policy in 2006; this outlined its approach to the identification, management & reporting of risk.	The Policy gives an overview of the Council's approach to 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.	The documents have been effective in defining the Council's approach to 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 &	In the light of the Nolan Report	The Strategy is available on the	The public is entitled to expect conduct

BURY COUNCIL – Review of the Effectiveness of Internal Control 2014/15			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
Corruption Strategy	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.	intranet and a link is available through the Internal Audit web page. The Strategy was updated in 2014/15 and approved by Audit Committee on 15 December 2014. It has also been placed on the Internet and Intranet.	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 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. The Whistleblowing Policy is part of the Anti Fraud & Corruption Strategy that was updated in December 2014.
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	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.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2014/15

CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	within a purpose built database.		
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 recorded information held by the Council.	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.
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	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 2014/15

CONTROL	PURPOSE	EVIDENCE	OUTCOME
	requirements of 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 2014/15.

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

15th July 2015

Andrew Baldwin CPFA
Head of Financial Management

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BURY COUNCIL INTERNAL AUDIT

ANNUAL REPORT AND OPINION FOR 2014/15

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 2014/15 was approved by the Audit Committee at its meeting on 3 March, 2014.

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 2014/15 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 2014/15, Internal Audit identified over 600 separate auditable areas within the Council's four Directorates (Chief Executive's, Communities & Neighbourhoods, Children's Services and Adult Care Services) plus Six Town Housing. We had selected 59 areas for attention during the year. This objective changed during the year and 33 areas were examined along with participation in 2 investigations.

- We planned to undertake 923 rechargeable working days for the year – our actual output was 895. Our non-rechargeable days were 447 against an original estimate of 466.

- 92 reports (48 draft and 44 final) were issued and responded to during the course of the year. Two thirds of these reports were both completed within the originally allocated time and also 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, 244 recommendations were made in our reports and 99% 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.

- 41 specialist audits were conducted.

- 177 key controls were examined in 11 key control areas.

- 2 investigations were successfully concluded.

- The cost of the Section was £218,000 i.e. an underspend of £80,000 compared to the budget of £298,000 excluding recharges), and equates to £162 per rechargeable day.

- Our colleagues in the Benefits Fraud Team were transferred to the DWP at the end of February 2015. DWP are absorbing all Housing Benefits investigations in to a new Single Fraud Investigation Service. Preparations for the transfer required a significant amount of work from both the Investigation Team and our HR service. Up to that time the team's work remained focussed on criminal cases with 29 cases being proven and resulting in the application of a criminal sanction. They continued to work closely with colleagues from the DWP on cases where benefits were being claimed from both parties.. A further 55 customers were warned regarding their conduct. In total, investigations led to a demand for £351,000 to be recovered. All cases that were ongoing at the time of the transfer were taken over to the DWP, unfortunately, we cannot report on the outcome of these cases and their overpayments.

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 updated its Anti-Fraud and Corruption Strategy in December 2014 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, Anti-Bribery Policy and an Anti-Money Laundering Guidance are also reiterated here.

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 2014/15, the Governance Panel continued to provide a forum to discuss, challenge and improve all aspects of governance in the Council. The panel was made up of four officers whose responsibilities formed 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 Interim Executive Director of Resources & Regulation, departmental 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 2014/15.

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, one Senior Auditor, an Audit Apprentice 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 2014/15 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 923 days of directly rechargeable work. Our actual output was 895.

- 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. It also 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 £218,000 (against a budget of £298,000). This has been recharged to our clients on an hourly recharge basis in accordance with our Service Level Agreement.

- Average cost per auditor was £36,333 (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 £162 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 2015/16 (approved 2 March 2015). 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 2014/15

For further information on the details of this report, please contact:
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INTERNAL AUDIT PLAN 2014/2015 As at end of Period 12 From the 1 April 2014 to 31 March 2015 Section 151 Assurance	FULL YEAR TOTAL ESTIMATED	Appendix C PERIOD 12 TOTAL ACHIEVED
Business Continuity	0	1
Cash Collection and Banking Key Controls	6	18
Council Tax	16	9
Creditors	10	34
Debtors	23	28
Housing Benefit	16	13
Housing Rent	5	20
Income	10	0
Main Accounting System	16	6
NNDR	16	7
Payroll	26	45
Risk Management	6	2
Taxation	0	0
Treasury Management	16	1
Sub Total	**166**	**184**
Governance/VFM		
Physical	60	26
Financial	91	51
People and Partners	35	44
Sub Total	**186**	**121**
Fraud		
Detection	43	34
Investigation	85	82
Prevention	25	39
Sub Total	**153**	**155**
Front Line Services		
Place	90	102
People	328	333
Sub Total	**418**	**435**
TOTAL CHARGEABLE DAYS	**923**	**895**
TOTAL DAYS NOT CHARGED	466	447
TOTAL WORKING DAYS	**1,389**	**1,342**

INTERNAL AUDIT PLAN 2014/2015 As at end of Period 12 From the 1 April 2014 to 31 March 2015 NON-RECHARGEABLE	FULL YEAR TOTAL ESTIMATED	PERIOD 12 TOTAL ACHIEVED
Audit Management and Admin	*193*	*201*
Leave	*212*	*177*
Training	*28*	*43*
Sickness absence	*33*	*26*
TOTAL NON-RECHARGEABLE DAYS	**466**	**447**

Appendix C

INTERNAL AUDIT PLAN 2014/2015
As at end of Period 12
From the 1 April 2014 to 31 March 2015
Thematic breakdown

Period 12 is 100% of the year	**Annual Estimated Days**	**Actual Achieved Period 12**	**Actual % Achieved**
Section 151 Assurance	166	184	111
Governance/VFM	186	121	65
Fraud	153	155	101
Front Line Services	418	435	104
Total	**923**	**895**	**97**

Directorate breakdown

	Annual Estimated Days	**Actual Achieved Period 12**	**Actual Achieved %**
Authority Wide	309	184	60
Resources & Regulation	151	127	84
Communities & Wellbeing	155	172	111
Children, Young People & Culture	233	318	136
Six Town Housing	75	94	125
Total	**923**	**895**	**97**

Internal Audit Performance Indicators - Period 12, 1 April 2014 to 31 March 2015

APPENDIX D

Work in Progress		Target	Actual
PI 01	Incomplete Audits b/f from previous period(s)	N/A	11
PI 02	Planned Audits started in Period	47	51
PI 03	Unplanned Audits started In Period	N/A	0
PI 3a	Fraud work	0	5
PI3b	Other	0	7
	Total Audits in Progress	47	74

Productivity		Target	Actual
PI 04	Chargeable Days for Period	923	895
PI 05	Non-Chargeable Days for Period	466	447
	Total Days worked for Period	1,389	1342
PI 06	% of Audits completed within Allocated days	75%	64%

Specialist Areas		Target	Actual
PI 07	Contract Schemes Examined in Period	0	0
PI 08	Computer Audits undertaken in Period	0	0
PI 09	Fundamental Financial Systems Examined	14	16
PI 10	School Audits undertaken in Period	25	25
	Total Specialist Audits Undertaken	39	41

Reporting		Target	Actual
PI 11	Draft reports issued in Period	33	48
PI 12	Final Reports issued in Period	43	44
	Total reports issued in Period	76	92
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 (£)	36,000	32,000
PI 15	Internal Audit Budget Outturn to date (£)	298,000	218,000
PI 16	Cost Per Audit Day (£)	215	162

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	43
PI 20	Days lost to Sickness	0	26

Recommendations		Target	Actual
PI 21	No. of Recs made in final reports issued	N/A	244
PI 22	% of Recommendations Accepted	100	99
PI 23	% of Recs followed up within 6 mths	100	100

Quality		Target	Actual
PI 24	External Audit Consultation Meetings Held	2	2
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

BURY COUNCIL

Annual Governance Statement 2014/15

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;

Interim Executive Director of Resources & Regulation
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 2015, 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 to 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 2014/15, 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/Interim Executive Director of Resources & Regulation 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. The anti fraud and corruption strategy, which includes the Whistleblowing Policy, was updated in December 2014. Effective transparent and accessible arrangements are in place for dealing with complaints. An effective Audit Committee is in place, which is independent of the Cabinet and the overview & scrutiny function. An effective Standards Committee lies at the heart of decision making and raises awareness on standards issues. A Governance Panel oversees the Council's ethical framework, and monitors compliance on a quarterly basis.	The CFO and Monitoring Officer will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity, and budget and policy framework issues to all Councillors. All reports to Cabinet and Council are subject to review by the CFO and Monitoring Officer. The Monitoring Officer is responsible for the preparation, publication, and retention of records of decisions taken by or on behalf of the Council and Cabinet. The CFO ensures that an adequate and effective internal audit function operates in the Council, and this is appropriately resourced by qualified and suitably experienced staff. 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.	Those making decisions are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications. Effective arrangements are in place for determining the remuneration of senior staff. Effective arrangements are in place to record declarations of interest and offers of gifts & hospitality. Professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications. Risk management is integral to the core functional activities and culture of the Authority, with Members and managers at all levels recognising that risk management is part of their job. Limits of lawful activity are recognised by the ultra vires doctrine and managers strive to utilise their powers to the full benefit of the community. Specific legislative requirements are observed, as well as the requirements of general law, and in particular the key principles of administrative law – rationality, legality and natural justice form part of procedures and decision making. When working in partnership, protocols exist for working together which include a shared understanding of respective roles and responsibilities of each organisation. When working in partnership, there are robust procedures for scrutinising decisions and behaviour and ensuring they are compliant with any Local Authority rules/codes or comply with any rules/codes developed for the purpose of the partnership. When working in partnership, partnership papers are easily accessible and meetings are held in public unless there are good reasons for confidentiality. The partners ensure that: • the partnership receives good quality advice and support and information about the views of citizens and stakeholders, so that robust and well reasoned decisions are made; • risk is managed at a corporate and operational level.	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, increased demand and the resulting level of savings required.

The Council approved cuts under the Plan for Change of £10.166m in 2014/15 and £15.807m for 2015/16; this followed extensive consultation with residents, service users and other stakeholders.

A summary of the key risks the Council faced in 2014/15 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 Jan – Mar 15	Measures
01	The potential liability facing the Council in respect of Equal Pay significantly weakens the Council's financial position.	Tracy Murphy	1	1	**1**	**1**	**1**	**1**	Risk remains low 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.	Steve Kenyon	3	4	**9**	**9**	**9**	**12**	The Council received the final 2015/16 settlement information in February 2015, this was broadly as expected. Bury's reduction was higher than the national average, whilst funding per head is lower. Response to consultation submitted outlining this. Clarity about the 2016/17 settlement is unlikely to be until the Spending Review / Summer Budget later in 2015 following the General Election. MTFS to be updated at this point. Likelihood score raised from 3 to 4 to reflect level of uncertainty in Government funding.
03	The budget strategy fails to address the Council's priorities and emerging issues, e.g. demographic and legislative changes.	Steve Kenyon	3	2	**6**	**6**	**6**	**6**	The Medium term financial strategy is a live document that is regularly updated to take account of known national changes. This helps to inform financial forecasts and projections over the medium term. The Council has a good understanding of its cost base and pressures through robust budget monitoring, Star Chamber and Scrutiny processes.
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.	Steve Kenyon	4	2	**8**	**8**	**8**	**8**	New arrangements have been in place now for nearly 2 years, 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.	Alex Holland	2	2	**2**	**2**	**4**	**4**	The asset management strategy has been approved and will consider the usage and cost of all assets; taking appropriate action where necessary; e.g. invest, change of use, or disposal.
08	The Council fails to manage the expectations of residents, service users & other stakeholders in light of funding reductions	Mike Owen	3	3	**6**	**6**	**6**	**9**	Programme of Budget consultations has taken place throughout the borough at Township Forums. A letter from the Leader has also been sent out to inform residents about the level of uncertainty that remains with the impact of current and future financial cuts. Likelihood risk raised from 2 to 3 to reflect uncertainty of funding going forward.
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	Claire Jenkins	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 adversely upon the public / vulnerable people.	Claire Jenkins	3	3	**9**	**9**	**9**	**9**	Welfare Reform Board coordinating action plan with partner organisations (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 Owen	4	2	**8**	**8**	**8**	**8**	The Workforce Development Plan is in place, the mutual settlement scheme has been launched, and individual service workforce plans are being developed to ensure continuity / succession planning. Loss of capacity / experience remains a major concern. Risk will be closely monitored as the Council-wide restructure takes effect, and further voluntary retirements take 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 & Regulation, Monitoring Officer, Assistant Director of Resources & Regulation (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 year 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 Interim Executive Director of Resources & Regulation (s151 officer) prepares quarterly Risk Management reports reviewing activities and progress, and has reviewed the Local Code of Corporate Governance and anti-fraud and corruption strategy.

- 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:

As explained at the March Audit Committee training session, 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	**2013/14**	£1,952.44 per head	4%		Average	£2,000.96 per head
Spend on adult social care per adult	**2012/13**	£477.62 per head 18+	0%		In the highest 25%	£428.12 per head 18+
Spend on council tax benefits and housing benefits administration per head	**2013/14**	£8.65 per head	-27%		In the lowest 20%	£16.20 per head
Spend on all children and young people services per head 0-17 yrs	**2012/13**	£4,526.60 per head 0-17	1%		Average	£4,630.57 per head 0-17
Spend on culture and sport per head	**2013/14**	£67.72 per head	-3%		In the lowest third	£82.83 per head
Spend on environmental services per head	**2013/14**	£35.65 per head	-9%		In the lowest 20%	£65.30 per head
Spend on housing services per head	**2013/14**	£19.52 per head	7%		In the lowest 20%	£31.96 per head
Spend on sustainable economy per head	**2013/14**	£82.24 per head	-5%		In the lowest 20%	£108.25 per head

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In their ISA260 statement (August 2014), the Council's External Auditors (KPMG) stated;

> ***"We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March, 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".***

7. SICKNESS MONITORING

7.1 The Audit Committee has shown considerable interest in sickness absence, requesting absence data during 2014/15.

7.2 The following tables contain the sickness absence figures per full time equivalent (FTE) for the Council.

7.3 The first table shows the figures for the previous four departments over the last two financial years plus the first two quarters of 2014/15.

7.4 The second table shows the 2015/15 Q4 figures based on the three new departments.

Department	2011/12 Full Year	2012/13 Full Year	2013/14 Full Year	2014/15 Q1	2014/15 Q2
Adult Care Services	16.8	15.1	13.6	14.8	15.1
Chief Executives	6.6	6.3	6.8	6.9	6.9
Children's Services	8.2	8.3	8.9	8.9	8.7
Communities & Neighbourhoods	8.6	9.6	10.8	11.9	11.7
Total FTE days lost	**9.4**	**9.4**	**9.8**	**10.2**	**10.1**

Department	2014/15 Q3	2014/15 Q4	% change Q3 to Q4
Communities & Wellbeing	9.9	7.1	**-28.2**
Resources & Regulation	6.1	4.0	**-34.4**
Children, Young People & Culture	10.9	5.6	**-48.6**
Total FTE days lost	**9.3**	**5.8**	**-37.6**

Note – the quarterly figures are calculated on a rolling 12 month basis and do not reflect the quarter in isolation. Therefore, the Q4 period for 2014/15 relates to the full year period of 1/4/14 to 31/3/15.

7.5 Whilst it is not possible to compare the three new departments to the four historic departments on a like-for-like basis, over the whole Council the sickness levels have remained relatively constant per days lost per FTE for the last three years although it is encouraging that Q4 in 2014/15 has shown a reduction from Q3 of 3.5FTE days to 5.8 days lost.

7.6 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 2014/15, 44 Internal Audit reports were produced resulting in 244 recommendations (99% accepted).

Internal Audit recommendations are ranked according to risk – there were no recommendations made during 2014/15 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 2014) concluded that;

"The wording of your Annual Governance Statement accords with our understanding".

The Auditors confirmed that the one recommendation from the previous year had been satisfactorily implemented.

10. LOOKING AHEAD - 2015/16

Looking forward to 2015/16, the Council is proactively responding to a number of challenges;

- The Council set and achieved a balanced budget for 2014/15; actually returning an underspend of £95,000.

- In February 2015, the Council agreed a budget for 2015/16 in compliance with its "Golden Rules". It is now essential that the budget is monitored closely during the year 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 parking fees). The risk is recognised in the assessment of the minimum level of balances and will continue to be closely monitored throughout 2015/16.

- 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 2015/16.

- The Council faced two significant changes to the structure of Local Government Finance that took effect from April 2013 - the localisation of Council Tax Benefit and changes to the system for Business Rates. These challenges were once again addressed in setting the 2015/16 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) and Mutual Settlement 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 2015/16.

- 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 Council is updating its financial strategy for 2016/17 and beyond; this task is currently hampered given the lack of funding information available at this stage.

- From 2015/16 the Council will be an active participant in the GM Devolution arrangements; these present both an opportunity and a challenge, and the Council must make sure effective governance arrangements are in place.

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:

M. Owen | M Connolly
Interim Chief Executive
June 2015 | Leader of the Council
June 2015

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