AGENDA FOR

AUDIT COMMITTEE

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To: All Members of Audit Committee

Councillors : R Gold, M Hayes, D Silbiger,
Sarah Southworth, D Vernon, R Walker, S Walmsley,
M Whitby (Chair) and S Wright

Dear Member/Colleague

Audit Committee

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

Date:	Tuesday, 26 February 2019
Place:	Lancashire Fusiliers Room - 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:	**Please note for Elected Members only there will be Fraud training commencing at 6.30pm**

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 of the Audit Committee held on

4 MATTERS ARISING

5 ACCOUNTING POLICES REVIEW AND CLOSURE OF ACCOUNTS 2019/20 *(Pages 7 - 26)*

A report from the Interim Deputy Chief Finance Officer is attached.

6 EXTERNAL AUDIT STRATEGY MEMORANDUM *(Pages 27 - 46)*

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

7 FINANCIAL MONITORING REPORT *(Pages 47 - 54)*

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

8 QUARTERLY GOVERNANCE STATEMENT *(Pages 55 - 70)*

A report from the Head of Financial Management is attached.
The Corporate Risk Register 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 2019/20 INTERNAL AUDIT CHARTER; 2019/20 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME *(Pages 71 - 94)*

A report from the Head of Financial Management is attached.
The Internal Audit Charter is attached
Bury Council Quality Assurance and Improvement Programme is attached

11 INTERNAL AUDIT PROGRESS REPORT *(Pages 95 - 104)*

A report from the Head of Financial Management is attached.
Appendix A attached
Appendix B attached
Appendix C attached

12 INTERNAL AUDIT PLAN 2019/2020 *(Pages 105 - 116)*

A Report from the Head of Financial Management is attached.
Appendix A
Appendix B

13 MEMBERS' FEEDBACK *(Pages 117 - 122)*

A report from the Head of Financial Management is attached.

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Minutes of: **AUDIT COMMITTEE**

Date of Meeting: 20 November 2018

Present: Councillor M Whitby (in the Chair)
Councillors M Hayes, D Silbiger, Sarah Southworth, R Walker, S Walmsley and S Wright

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

Apologies for Absence: Councillor S Nuttall and Councillor T Rafiq

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AU.238 DECLARATIONS OF INTEREST

Councillor Sarah Southworth declared a personal interest in any item relating to Six Town Housing as she is a Member of the Board of Directors. She also declared a personal interest in any item relating to Persona and Townside Fields as her husband's accountancy business has been awarded the contract to audit both companies.

Councillor S Wright declared a personal interest in any item relating to the Department for Children, Young People and Culture as his wife is employed in a Bury School. He also declared a personal interest in any item relating to Six Town Housing as he is a member of the Board.

All Councillors declared personal interests in relation to any matters relating to schools of the Borough due to their roles as Councillor Governors.

AU.239 MINUTES OF THE LAST MEETING

It was agreed that the Minutes of the last meeting held on 20 September 2018 be approved as a correct record and signed by the Chair.

AU.240 AUDIT COMMITTEE TRAINING - PROPERTY STRATEGY

Alex Holland, Head of Property and Asset Management attended the meeting to brief Members on the Property and Asset Management Strategy.

The information provided covered operational buildings, investment property and commercial property.

Those present were given the opportunity to ask questions and make comments.

It was agreed:

That Alex be thanked for his presentation.

AU.241 BURY MBC - AUDIT PROGRESS REPORT - MAZARS

Karen Murray and Ian Pinches from Bury's newly appointed external auditors, Mazars attended the meeting to update Members on the progress made with their Audit work.

It was explained that Mazars had met with senior Finance Officers to discuss audit progress for 2018/2019 and to agree timescales for the completion of the work.

Mazars were also working with KPMG to handover the audit and ensure a smooth transition.

Delegated decision:

1. That the contents of the report be noted.

2. That Karen and Ian be welcomed to Bury.

AU.242 FINANCIAL MONITORING REPORT

Steve Kenyon, Interim Director of Resources and Regulation presented a report updating the Committee on the authority's financial position in line with the Committee's Statement of Purpose to 'Provide independent scrutiny of the authority's financial and non financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment'.

It was reported that that the authority is projecting an overspend of £3.589m for the year, based on spending and income information as at 30 September 2018.

It was explained that the Authority's financial position is continually monitored throughout the year, monthly reports are considered by departmental management teams and summaries available to Cabinet Members. A monthly summary is submitted to the Senior Leadership Team and to the Cabinet Member for Finance.

Quarterly detailed monitoring reports are considered by the Senior Leadership Team, the Cabinet, Star Chambers and the Overview and Scrutiny Committee. These set out a risk assessed summary of the financial position, explanations of major variances from budget, an assessment of the minimum level of balances, information on the forecast balances position and an assessment of performance against the objectives of the Financial Strategy.

It was explained that the projected overspend of £3.589m represents approximately 2.60% of the total net budget of £138.016m, and compares to an overspend of £3.176m at quarter 1, and £3.589m the same point in 2017/2018.

An overview of the variance was outlined in the report.

It was reported that due to the extremely difficult financial situation facing the Council in 2018/2019 the Senior Leadership Team had agreed and drawn up an action plan with some immediate additional spending controls over and above the usual controls:-

- Recruitment freeze on staff and new agency placements (exceptions to be signed off by SLT);
- Release of all existing casual/agency staff (exceptions to be signed off by SLT);
- Cease overtime/additional hours (exceptions to be signed off by SLT);
- Enter into no new training commitments and review existing training (exceptions to be signed off by SLT);
- Re-launch Work Life Balance options around reduced hours/purchase of leave;
- Cease spend on discretionary budgets; stationery, office equipment etc;
- Cease spend on IT/Communications (exceptions to be signed off by SLT);
- Any spend greater than £250 to be signed off by Executive Director;
- Any new contractual commitments greater than £5000 (lifetime value of contract) to be signed off by SLT;
- Consider "in year" budget options – e.g. previously unidentified efficiencies, review of non-key services.

Those present were given the opportunity to ask questions and make comments and the following points were raised:-

- Councillor Silbiger referred to the delayed delivery of cuts set out within the report and asked why the delivery continued to be delayed.

It was explained that this was due to organisational capacity as well as external factors. Also Council services provided were demand led.

- Councillor Silbiger asked whether there was a way to build the overspend into the forecast.

It was explained that the forecast should be about actual figures rather than predicted or forecast.

- Councillor Sarah Southworth referred to the income shortfall and asked what work was being carried out around this.

Steve explained that the Business Growth and Infrastructure Directorate would be focussing on growth across the Council from both council tax base and business rates.

Delegated decision:

That the contents of the report be noted.

AU.243 QUARTERLY GOVERNANCE STATEMENT - APRIL 2018 - SEPTEMBER 2018

The Head of Financial Management 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 July 17, 2018.

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 and Sickness levels across the authority's staff.

The Risk Management Group was due to meet on 28 November to review the Corporate Risk Register. The risk register will be updated to reflect the latest high level risks facing the organisation. It was reported that the updated register will be circulated to Members following the meeting.

Delegated decision:

That the contents of the report be noted.

AU.244 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.245 INTERNAL AUDIT PROGRESS REPORT

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 2018/2019.

Details of work undertaken and Audit Reports issued were included in the report with significant issues highlighted. This included work carried out against the approved plan, detailing final reports issued since the last Audit Committee meeting and a suite of performance indicators.

Delegated decision:

That the contents of the report be noted

AU.246 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. This included; details of cash transactions over £1,000 and by providing follow-ups to audits that had been revisited since the Audit Committee meeting in September 2018.

Delegated decision:

That the contents of the report be noted.

COUNCILLOR M WHITBY
Chair

(Note: The meeting started at 7.00 pm and ended at 8.30 pm)

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REPORT DECISION

Bury COUNCIL

Agenda Item	

MEETING: **AUDIT COMMITTEE**

DATE: **25 FEBRUARY, 2020**

SUBJECT: **ACCOUNTING POLICIES USED IN THE PREPARATION OF THE STATEMENT OF ACCOUNTS 2019/20 AND APPROACH TO THE CLOSURE PROCESS**

REPORT FROM: **INTERIM DEPUTY CHIEF FINANCE OFFICER**

CONTACT OFFICER: **LISA KITTO**

MEETING: **AUDIT COMMITTEE**

DATE: **25 FEBRUARY, 2020**

SUBJECT: **CLOSURE OF ACCOUNTS 2019/20**

REPORT FROM: **INTERIM DEPUTY CHIEF FINANCE OFFICER**

CONTACT OFFICER: **LISA KITTO**

TYPE OF DECISION: Non key.

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain

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SUMMARY: This report sets out the process for the production of the statement of accounts 2019/20 including a review of the accounting policies.

OPTIONS & RECOMMENDED OPTION Members are asked to:

- Note the accounting policies to be used in the production of the statement of Accounts 2019/20

IMPLICATIONS:

Corporate Aims/Policy Framework: Yes

Financial Implications and Risk Considerations:	There are no financial implications arising from this report.
Statement by the Joint Chief Finance Officer (S151 Officer):	The proposed approach is in line with best practice as part of the annual closure process.
Equality/Diversity implications:	None.
Considered by Monitoring Officer:	Yes
Are there any legal implications?	No
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: Mike Woodhead**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	✓Chair		
Scrutiny	Cabinet	Committee	Council
		Audit 25/02/2020	

1.0 BACKGROUND

The Chief Finance Officer is responsible for the preparation of the council's statement of accounts in accordance with proper accounting practices, for each financial year ending 31 March. These practise primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom (CIPFA and the Local Council (Scotland) Accounts Advisory Committee (LASAAC)) supported by the International Financial Reporting Standards (IFRS).

In preparing the statement of accounts, the Chief Finance Officer is responsible for selecting suitable accounting policies and ensuring they are applied consistently. Accounting policies are the specific principles, conventions, rules and practices applied in preparing and presenting the financial statements and set out how transactions are recognised, presented and measured in the accounts.

Whilst there has been no change in the substance of the accounting policies, the policies have been streamlines in line with the latest guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of which is to provide clearer and more transparent information. A summary of the accounting policies is set out at Appendix A.

In preparing for the 2019/20 statement of Accounts, the Council is seeking to address some of the issues raised by the external auditors in their Management Letter relating to the 2018/19 Statement of Accounts. A verbal update on the work to date as well as the planned work will be provided at the meeting. The aim of this is to provide assurance to the committee that the issues raised have, or are being addressed to ensure a successful audit for 2019/20.

Lisa Kitto
Interim Deputy Chief Finance Officer

List of Background Papers:
None

Contact Details:-
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APPENDIX A

ACCOUNTING POLICIES FOR THE 2019/20 STATEMENT OF ACCOUNTS

1. General Principles

1.1 Basis of preparation

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Council Accounting in the United Kingdom 2019/20 (the Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

1.2 Events after the Balance Sheet Date

Events may occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue, which may have a bearing upon the financial results of the past year. Two types of events can be identified:

- Conditions existing at the end of the reporting period:
  - The Statement of Accounts would be adjusted to reflect such events.
- Conditions arising after the end of the reporting period:
  - The Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes to the accounts of the nature of the events and their estimated financial effect.

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

1.3 Group Accounts

The Council has material interest in external entities that are classified as subsidiaries and which are consolidated into the Council's group accounts on a line by line basis, after eliminating intra group transactions.

An entity could be material but still not consolidated if all of its business is with the Council and eliminated on consolidation – i.e. the consolidation would mean that the group accounts are not materially different to the single entity accounts.

1.4 Pooled Budgets

The Council is the host partner of the pooled funds in respect of Health and Social care and the Better Care Fund. The arrangements are made in accordance with section 75 of the National Health Service Act 2006 and allows budgets to be pooled between authorities and health and social are organisations.

The arrangements are accounted for as joint operations and, therefore, the Council accounts for its share of the funds' assets, liabilities, expenditure and income.

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

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

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

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

2. Accounting policies for income and expenditure

2.1 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. o Interest receivable on investments and payable on borrowings is accounted for respectively as income and

expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract

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

2.2 Capital Charges to Revenue for Non-Current Assets

Services, are charged with the following amounts to record the cost of holding non-current assets during the year:

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

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

2.3 Council Tax and Non Domestic Rates income

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

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

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

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

2.4 Depreciation

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

Category	Measurement Basis
Dwellings	Component Life
Other Buildings	Straight line allocation over the useful life of the property as estimated by the valuer.
Vehicles, plant, furniture and equipment	straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer.
Infrastructure	Straight line allocation up to 25 years

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

2.5 Employee Benefits

2.5.1 Benefits Payable During Employment

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

2.5.2 Employee Accumulated Absence Accrual

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

2.5.3 Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the

amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

2.5.4 Post-Employment Benefits

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

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

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

However, the arrangements for the teachers' and NHS schemes means that liability for these benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

2.5.5 The Greater Manchester Local Government Pension Scheme

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

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

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

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

- current service cost – the increase in liabilities as a result of years of service earned in the current year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

- net interest on the net defined benefit liability - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

2.5.6 Remeasurement comprising:

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

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

2.6 <u>Government Grants and Contributions</u>

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line

(attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

2.7 <u>Overheads and Support Services</u>

The costs of support services such as administration and management are charged to services in accordance with the Council's arrangements for accountability and performance

2.8 <u>Provisions, Contingent Liabilities and Contingent Assets</u>

2.8.1 Provisions

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

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

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

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

2.8.2 Contingent Liabilities

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

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

2.8.3 Contingent Assets

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

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

2.9 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

2.10 Revenue Recognition

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue

2.11 Value Added Tax (VAT)

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

3 Accounting policies for assets and liabilities

3.1 Cash and Cash Equivalents

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

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

3.2 Fair Value Measurement

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

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

The Council uses both in house and external valuers to provide a valuation of its non-financial assets and liabilities, for recognition or disclosure as appropriate, in line with the highest and best use definition within IFRS 13 Fair Value Measurement.

The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

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

Level 3 – unobservable inputs for the asset or liability.

3.3 Financial Instruments

3.3.1 Classification of Financial Instruments

The Council's financial assets and liabilities have been classified as follows:

3.3.2 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through other comprehensive income (FVOCI), and
- fair value through profit or loss (FVPL).

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

3.3.3 Financial Assets Measured at Amortised Cost

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

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

3.3.4 Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

These assets relate to financial instruments where the amounts received relating to them are solely principal and interest but they are held to collect cash and sell the assets. The interest received on these assets is spread evenly over the life of these instruments.

Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

3.3.5 Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

These assets relate to financial instruments where the amounts received relating to them are not principal and interest (e.g. equity investments). Dividends received are accounted for at the point they are received.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

An equity instrument that has been classed as FVPL can be designated as FVOCI if it is not held for trading (e.g. a strategic investment). Once this designation has been made it cannot be reversed. This designation would mean that any gains and losses would be held in the Financial Instruments Revaluation Reserve.

3.3.6 Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

3.3.7 Financial Liabilities

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

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it

was repaid. When a premium or discount has been incurred and paid in full by a grant from an external body it is accounted for in full in the year that the grant is received. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

3.4 Heritage Assets

The Council's Heritage Assets are held by the Council principally for their contribution to knowledge and/or culture. These include Civic Regalia, Artefacts and various gifts & bequests some of which are held in the Museum and Art Gallery. These are recognised and measured, including treatment of revaluation gains and losses, in accordance with the Council's accounting policies on Property Plant and Equipment.

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.

However, some of the measurement rules are relaxed allowing the Council's Heritage Assets to be included on the Balance Sheet at their insured value where available. Where insurance valuations are not available there is a narrative disclosure.

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

3.5 Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and charged to the Capital

Adjustment Account and (for any sale proceeds greater than £10,000) the Useable Capital Receipts Reserve.

3.6 Leases

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 Council as Lessee

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 Council as Lessor

Operating Leases:
Where the Council 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.

3.7 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.

3.7.1 Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council has a £15,000 de-minimis limit for the recognition of Capital Expenditure.

3.7.2 Measurement

Assets are initially measured at cost, comprising:

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

Assets that are being constructed by the Council will initially be recognised at cost. The Council 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 Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

Category	Measurement Basis
Community assets, infrastructure assets and assets under construction	Depreciated historical cost
Dwellings	Current value, determined using the basis of existing use value for social housing (EUV-SH).
Surplus Assets	Fair value, determined by the measurement of the highest and best use value of the asset
All Other operational Assets	Current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant Portfolio 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.

3.7.3 Impairment

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

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

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

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

3.7.4 Component Accounting

Component accounting is applied only to housing stock in accordance with the analysis provided by the valuer.

3.7.5 Disposals

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. If the disposal relates to housing assets a proportion of the capital receipt is payable to the Government (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances). The balance of receipts is required to be credited to the Useable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce

the Council's underlying need to borrow (the capital financing requirement). Receipts are transferred to the Useable Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

3.8 Reserves

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

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

3.9 Schools

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

The Council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

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

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

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

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Audit Strategy Memorandum

Bury Metropolitan Borough Council

Year ending 31 March 2019

MAZARS

CONTENTS

MAZARS

Mazars LLP

One St Peter's Square

Manchester

M2 3DE

Members of the Audit Committee

Bury Metropolitan Borough Council

Town Hall, Knowsley Street

Bury

BL9 0SW

14th February 2019

Dear Sirs / Madams

Audit Strategy Memorandum – Year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for Bury Metropolitan Borough Council for the year ending 31 March 2019

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 8 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Bury Metropolitan Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0161 238 9248.

Yours faithfully

Karen Murray

Karen Murray, Director and Engagement Lead

Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of Bury Metropolitan Borough Council (the Council) for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

Value for Money

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in it its use of resources. We discuss our approach to Value for Money work further in section 6 of this report.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Audit Committee as those charged with governance.

2. YOUR AUDIT ENGAGEMENT TEAM

Engagement Lead

Karen Murray
- karen.murray@mazars.co.uk
- 0161 238 9248

Engagement Manager

Ian Pinches
- ian.pinches@mazars.co.uk
- 0161 238 9102

Audit Senior (Assistant Manager)

Justine Ogden
- Justine.ogden@mazars.co.uk
- 0161 238 9206

In addition as outlined in our engagement pack an engagement quality control reviewer has been appointed for this engagement.

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

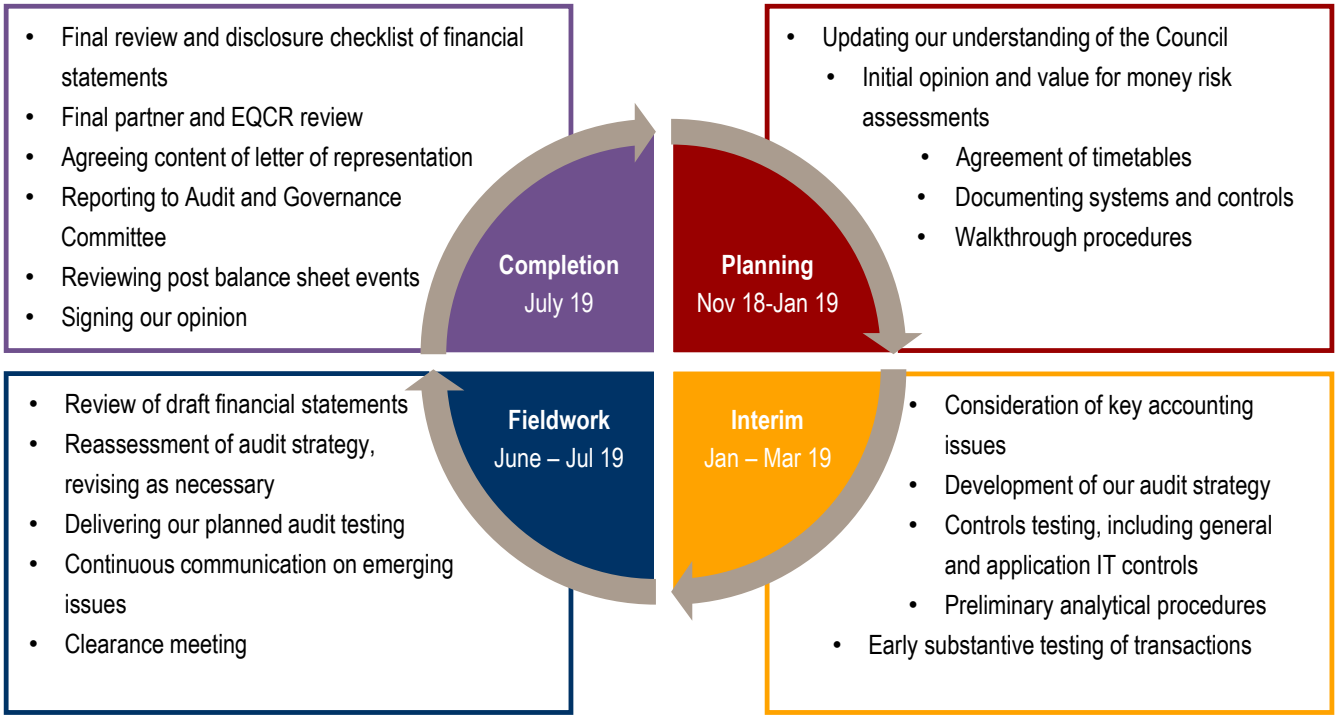
Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 4.

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will review the work performed by internal audit and use this to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

We are not planning to rely on the work of internal audit, but should we do so, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit liability	Hyman Robertson Actuaries	PwC, consulting actuary, on behalf of National Audit Office
Property, plant and equipment valuation	Internal Valuations Team	We will use available third party information to challenge the valuer's key assumptions.
Valuation of shareholding in Manchester Airport Holding Limited	BDO LLP	In-house Mazars valuation team
Fair value of financial assets and liabilities	Link Assets Services	We will review the valuer's methodology to gain assurance that the fair value disclosures of the Council's financial assets and liabilities are materially correct. As well as consider the expert as assessed by National Audit Office.

4. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold (£'000s)
Overall materiality	11,764
Trivial threshold for errors to be reported to the Audit Committee	353

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross revenue expenditure at provision of services level. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that revenue expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 2% of gross revenue expenditure at the surplus/deficit on provision of services level.

4. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Based on the prior year audited accounts, we anticipate the overall materiality for the year ending 31st March 2019 to be in the region of £11,764k.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality
Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 65% of overall materiality as performance materiality.

Specific items of lower materiality
We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We have set specific materiality for the following items of account:

Item of account	Specific materiality
Officer Remuneration bandings	£5,000 *

* Reflecting movement from one salary band to another

Reporting Misstatements Threshold
We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £353k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Karen Murray.

Reporting to the Audit Committee
To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

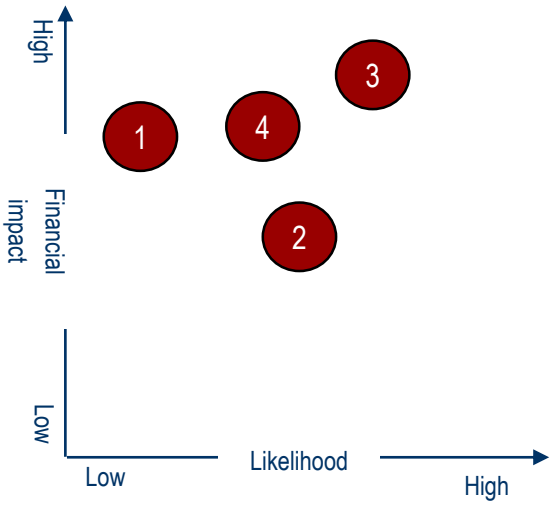
Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



Risk	
1	Management override of control
2	Revenue recognition
3	Property, plant and equipment valuation
4	Defined benefit liability valuation

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description of risk	Planned response
1	**Management override of controls** Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.
2	**Revenue recognition** Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable. Based on our initial knowledge and planning discussions we have concluded that we can rebut the presumption of a revenue recognition risk for the Council's revenue income and expenditure.	We do not consider this to be a significant risk as the Council's income streams are inherently stable, well controlled and there is little incentive to manipulate revenue recognition. We therefore rebut this risk and do not incorporate specific risk procedures over and above our standard fraud procedures to address the management override of controls risk. Our audit approach will however incorporate testing from payments and receipts around the year-end to provide assurance that there are no material unrecorded items of income and expenditure in the 2018/19 accounts.

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Significant risks continued

	Description of risk	Planned response
3	**Property, plant and equipment valuation** The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a four year cycle. The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to three years are not valued at their materially correct fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value as the assets is materially different at the year end. Each year the Council undertakes a desk-top exercise, with regards to local property indices, to confirm the value of assets not valued in year are materially correct.	In relation to the valuation of property, plant & equipment we will: • Critically assess the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the Council's programme of revaluations; • Consider whether the overall revaluation methodology used by the Council valuer is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • Critically assess the appropriateness of the underlying data and the assumptions used in the valuer's calculations, based on our expectations by reference to sector and local knowledge; • Assess the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time; • Critically assess the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; • Critically assess the approach that the Council adopts to ensure that assets not subject to revaluation in 2018/19 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; • Test a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Significant risks continued

	Description of risk	Planned response
4	**Defined benefit liability valuation** The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2016. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.	In relation to the valuation of the Council's defined benefit pension liability we will: • Critically assess the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson; • Liaise with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; • Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; • Agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Enhanced risk

	Description of risk	Planned response
1	**Valuation of Airport Share Holding** The Council's shareholding in the Manchester Airport Holdings Group Limited (MAHG Ltd.) has been valued by a firm of financial experts, engaged by management, based on assumptions about financial performance, stability, and key business projections. The figure disclosed in your accounts in relation to MAHG Ltd. is at fair value. There is a risk that the assumptions and methodology used by your experts are not appropriate and we will need to obtain assurance that accounting entries are not materially misstated.	We plan to address this risk by • Assessing the scope of work, qualifications, objectivity and independence of the expert engaged to carry out the valuation assessment of the airport shares. • Utilising the services of our internal valuation expert to review the work completed by management's expert and to evaluate the appropriateness of the assumptions applied to arrive at the figure in the financial statements.

6. VALUE FOR MONEY

Our approach to Value for Money

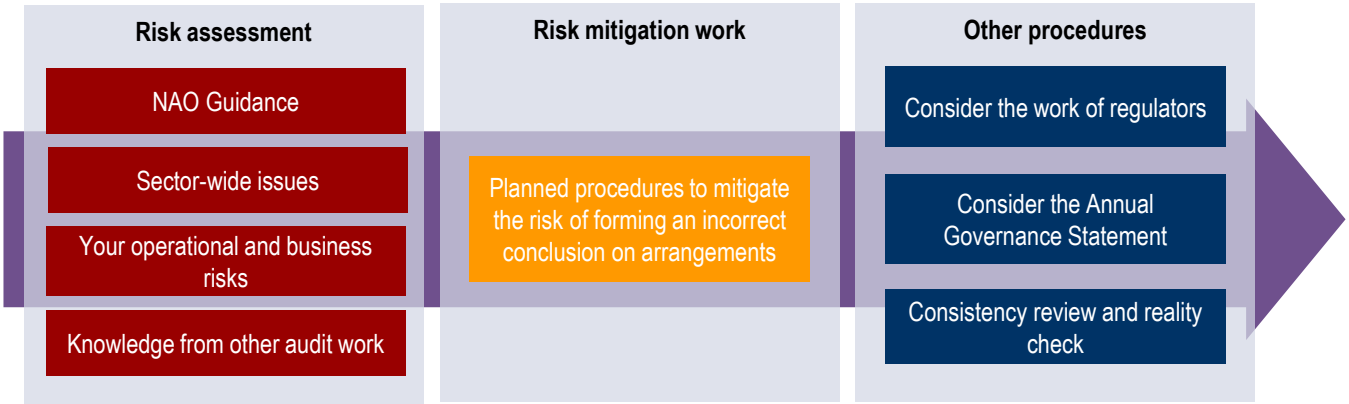
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below:



Significant Value for Money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For the 2018/19 financial year, we have identified the following significant risks to our VFM work:

Description of significant risk	Planned response
Working with partners and third parties: governance and risk management The Council is working with Bury CCG and other partners (such as local care providers), to help secure a sustainable health and social care economy. By putting in place arrangements for the Council, care organisations, and the CCG, to work more closely together, it is anticipated that developing new models of care for community health, primary care and social care services will have a significant impact.	We will review the arrangements in place for the Council to work with its partners to deliver transformation and efficiencies in the provision of health and social care services, how the governance arrangements operate, and how the arrangements and risks are monitored and managed.

6. VALUE FOR MONEY

Significant Value for Money Risks continued

Description of significant risk	Planned response
Sustainable Resource Deployment: financial resilience The Council continues to face significant financial pressures over the coming years both in terms of funding and revenue streams available, and increasing demand on services. The Council has a forecast budget gap over the coming years, and will need to deliver a programme of cost savings and management of service delivery in order to address this. The latest funding settlement has recently been announced by central governemnt, as well as some additional amounts made available within the autumn budget statement for specific purposes.	To address this risk we will: • Review the Council's outturn against the 2018-19 budgeted position • Review the Council's progress in setting a balanced budget for 2019/20, including the impact of additional monies provided to the council from central government, as well as the recent announcements regarding the 2019/20 Funding Settlement • Review the Council's arrangements for identifying and monitoring the delivery of saving plans to address the funding gap going forwards.

7. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter.

Service	2017/18 fee	2018/19 fee
Code audit work	116,730	89,882

Fees for non-PSAA work

We have not been engaged by the Council to carry out any additional work over and above the audit of the Council's statutory audit. In particular the Council has engaged a different audit firm to provide the assurance work on the Housing Benefit Subsidy claim and Teachers' Pensions return for 2018/19.

Should we be engaged to undertake any additional work we will consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 8.

8. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Karen Murray in the first instance.

Prior to the provision of any non-audit services Karen Murray will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2018/19

IFRS 9 Financial Instruments - the standard replaces IAS 39 and introduces significant changes to the recognition and measurement of the Council's financial instruments, particularly its financial assets.

Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Council will continue to measure the majority of its financial assets at amortised costs.

For Councils that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. MHCLG have announced a statutory provision will be put in place to mitigate the impact of fair value movements of pooled investment funds on local authority general fund balances.

IFRS 15 Revenue from Contracts with Customers - the 2018/19 Code also applies the requirements of IFRS 15, but it is unlikely that this will have significant implications for most local authorities.

There are no other significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2018/19.

Changes in future years

Accounting standard	Year of application	Implications
IFRS 16 – Leases	2019/20	We anticipate that the new leasing standard will be adopted by the Code for the 2019/20 financial year, however this has not yet been confirmed. IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17. Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the Council (and its schools) are party to.

REPORT FOR INFORMATION

Bury COUNCIL

Agenda Item	

MEETING:	**AUDIT COMMITTEE**
DATE:	**26 FEBRUARY, 2019**
SUBJECT:	**FINANCIAL MONITORING REPORT – APRIL 2018 TO DECEMBER 2018**
REPORT FROM:	**INTERIM EXECUTIVE DIRECTOR OF RESOURCES & REGULATION**
CONTACT OFFICER:	**S KENYON**

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

SUMMARY:

To up-date the Committee on the authority's financial position in line with the Committee's Statement of Purpose to '*provide….independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment'.*

The report shows that the authority is projecting an overspending of **£2.608m** for the year based on spending and income information as at 31 December, 2018.

OPTIONS & RECOMMENDED OPTION

The Committee is asked to note the contents of the report.

IMPLICATIONS:

Corporate Aims/Policy Framework:	Do the proposals accord with Policy Framework? Yes.
Comments of s151 Officer:	Budget monitoring falls within the appropriate statutory duties and powers and is a requirement of the Council's Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring

and Control) relates. The report has been prepared in accordance with all relevant Codes of Practice.

There may be risks arising from any changes to service levels or service patterns that result from any remedial action taken to address the budget position.

Comments of Executive Director of Resources & Regulation:

The successful management of the Council's financial resources is central to the Council's Financial Strategy. Successful budget monitoring provides early warning of potential major overspends or underspendings against budget of which Members need to be aware.

This report draws Members attention to the fact that, based on the most prudent of forecasts, several known budget hotspots exist, and remedial action continues to be taken.

Equality/Diversity implications: No

Considered by Monitoring Officer: Budget monitoring falls within the appropriate statutory duties and powers and is a requirement of the Council's Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring and Control) relates. The report has been prepared in accordance with all relevant Codes of Practice.

Are there any legal implications? Yes

Staffing/ICT/Property: There may be staffing implications arising from the need to address budget pressures.

Wards Affected: All

Scrutiny Interest: Overview & Scrutiny Committee

TRACKING/PROCESS **DIRECTOR: Steve Kenyon**

Chief Executive/ Senior Leadership Team	Cabinet	Overview & Scrutiny	Council	Ward Members	Partners
28/01/19	20/02/19	13/02/19			

1.0 INTRODUCTION

1.1 This report is intended to allow the Committee to keep abreast of the authority's financial position and to gauge the effectiveness of corrective action that has been determined by the Cabinet and/or Scrutiny Committee.

1.2 This report summarises the forecast financial position as at the end of December 2018.

2.0 MONITORING PROCESSES

2.1 The Authority's financial position is continually monitored throughout the year as follows;

Monthly - reports are considered by service management teams and summaries made available to specific Cabinet Members. A monthly summary of the financial position is submitted to the Senior Leadership Team and to the Cabinet Member for Finance & Housing.

Quarterly – detailed corporate monitoring reports based on the position at June, September, December and March (year-end) are considered by the Senior Leadership Team, the Cabinet, Joint Cabinet / SLT meetings and Overview & Scrutiny Committee. These set out a risk assessed summary of the financial position, explanations of major variances from budget, an assessment of the minimum level of balances, information on the forecast balances position and an assessment of performance against the objectives of the Financial Strategy (including the Golden Rules).

3.0 FINANCIAL POSITION

3.1 The authority's overall financial position based on forecasts made using income and expenditure information as at 31 December 2018 is summarised in the table in paragraph 3.3. As Members will be aware, financial reporting involves an element of judgement, and this particularly applies to the treatment of budget pressures.

3.2 It is appropriate to alert Members to potential pressures so that they can monitor the situation and take ownership of the necessary remedial action and this is the basis on which the report is written.

3.3 In summary the outturn forecast based on the position at 31 December 2018:

Department	Budget £000	Forecast £000	Variance £000
Communities & Wellbeing	69,886	71,207	**+1,321**
Resources & Regulation	5,744	6,452	**+708**
Children, Young People & Culture	40,171	44,630	**+4,459**
Business, Growth & Infrastructure	(3,785)	(1,801)	**+1,984**
Operations	10,467	12,195	**+1,728**
Art Gallery & Museum	438	519	**+81**
Non Service Specific	15,095	7,422	**(7,673)**
TOTAL	**138,016**	**140,624**	**+2,608**

3.4 The projected overspend of £2.608m represents approximately 1.89% of the total net budget of £138.016m and compares to the previous year's outturn and this year's first quarter as follows;

2017/18 Outturn	**2018/19 Quarter 1**	**2018/19 Quarter 2**	**2018/19 Quarter 3**
+£0.844m	+£3.176m	+£3.589m	+£2.608m

3.5 An overview of the reasons for this variance is outlined in the table below;

Month 9 Variance Reason	Children & Young People £'000	Communities & Wellbeing £'000	Resources & Regulation £'000	Business, Growth & Infrastructure £'000	Art Gallery & Museum £'000	Operations £'000	Non Service Specific £'000	**TOTAL** **£'000**
Demand Pressures	4,618	4,237	0	0	0	81	537	**9,473**
Delayed Achievement of Cuts Options	129	9,519	800	850	0	1,230	0	**12,528**
Non-Achievement of Cuts Options	212	0	0	298	0	0	0	**510**
Income Shortfall	0	165	621	1,705	95	528	0	**3,114**
Planned use of one-off funding	(121)	(1,502)	0	0	0	0	(1,743)	**(3,366)**
Use of Reserves	0	(4,025)	(456)	(582)	0	0	0	**(5,063)**
Continued Impact of 10 Control Measures	0	0	(50)	0	0	0	0	**(50)**
Other	(379)	(7,073)	(207)	(287)	(14)	(111)	(6,467)	**(14,538)**
TOTAL	**4,459**	**1,321**	**708**	**1,984**	**81**	**1,728**	**(7,673)**	**2,608**

3.6 Due to the extremely difficult financial situation facing the Council the Senior Leadership Team agreed and drew up an action plan with some immediate additional spending controls over & above usual controls.

These include:

1. Recruitment freeze on staff and new agency placements (exceptions to be signed off by SLT);

2. Release of all existing casual / agency staff (exceptions to be signed off by SLT);

3. Cease overtime / additional hours (exceptions to be signed off by SLT);

4. Enter into no new training commitments, and review existing arrangements (exceptions to be signed off by SLT);

5. Re-launch Work Life Balance options around reduced hours / purchase of leave;

6. Cease spend on discretionary budgets; stationery, office equipment etc;

7. Cease spend on IT / Communications (exceptions to be signed off by SLT);

8. Any spend greater than £250 to be signed off by Executive Director;

9. Any new contractual commitments greater than £5,000 (lifetime value of contract) to be signed off by SLT;

10. Consider "in year" budget options – e.g. previously unidentified efficiencies, review of non-key services.

3.7 It is expected that these actions will not only help to reduce the financial burden facing the Council within the current year but also for the coming years.

3.8 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

Commitment Accounting

3.9 Further analysis of the month 9 figures highlights;

Status	**£'000**	**%**
Spent @ 31/12/18	110,294	78
Committed @ 31/12/18	22,751	16
Forecast (1/01/19 – 31/3/19)	7,579	6
Total	**140,624**	**100.0**

3.10 Spend and Commitment are clearly factual, however "forecast" is based upon an assessment of a wide range of factors and risks.

Balance Sheet Monitoring

3.11 The following key indicators have been extracted as at Month 9;

Indicator	**Position at 1/4/18**	**Position at 31/12/18**
Treasury Performance		
Total Sums Invested	£21.25m	£10.2m
% Return on Investments*	0.24%	1.03%

Total Sums Borrowed	£194.5m	£190.1m
% Cost of Borrowing	3.96%	3.96%
Assets		
Stocks & Work in Progress	£1.600m	£1.443m
Long Term Debtors	£0.032m	£0.032m
Sundry Debtors	£44.494m	£36.928m
Cash	£13.264m	£7.513m
Liabilities		
Sundry Creditors	£33.783m	£5.974m
Short Term Provisions	£10.537m	£10.417m

Note - compares to sector benchmark of 0.75%*

3.12 It should be noted that these figures represent a "snapshot" of the Council's Balance Sheet at a given point in time, and are by no means indicative of the Council's overall financial position.

3.13 From a monitoring perspective however they provide useful information, and trends can be plotted as the exercise is repeated in future quarters.

Procurement Activity

3.14 The table below summarises key performance indicators maintained by the Procurement Section;

Indicator	**Performance To Date**	***Last Year***
%age of orders placed via automated purchasing system	*96.02%*	*93.47%*
%age of invoices received in electronic format	*32.16%*	*35.16%*
Cashable Procurement savings (Procurement Team)	*£402,078.59*	*£187,395*
%age spend in Bury Area	*28.73%*	*30.62%*
Number of Bury **suppliers** invited to bid via the "Chest"	*89*	*100*
Number of **contracts** Bury Suppliers invited to bid for via the "Chest"	*103*	*55*

Minimum Level of Balances

3.15 The actual position on the General Fund balance is shown below:

	£m
General Fund Balance 31 March 2018 per Accounts	**7.549**
Less : Minimum balances to be retained in 2018/19	-4.250
Less : Forecast overspend at Month 9	-2.608
Add: Contribution to General Fund balances per 2018/19 Budget report	+2.811
Forecast Available Balances at 31 March 2019	**3.502**

3.16 Based on the information contained in this report, on the risk assessments that have been made, on the forecast outturn position for 2018/19 and using the latest available information on the likely achievement of savings options it is clear that there is no reason to take the minimum balances above the existing level of £4.250m.

S. Kenyon
Interim Director of Resources & Regulation

Background documents:

Further information available from;

Interim Executive Director of Resources & Regulation
Mr S Kenyon
Tel. 0161 253 6922
Email: S.Kenyon@bury.gov.uk

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Agenda Item 8

REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**AUDIT COMMITTEE**
DATE:	**26 FEBRUARY, 2019**
SUBJECT:	**QUARTERLY GOVERNANCE STATEMENT - APRIL to DECEMBER 2018**
REPORT FROM:	**HEAD OF FINANCIAL MANAGEMENT**
CONTACT OFFICER:	**ANDREW BALDWIN**

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

SUMMARY:	This report presents Members with a quarterly update on the Annual Governance Statement. The 2017/18 Annual Governance Statement was approved by Audit Committee on 17 July 2018.
OPTIONS & RECOMMENDED OPTION	The Committee is asked to note the contents of the report including the latest risk register.

IMPLICATIONS:

Corporate Aims/Policy Framework:	Do the proposals accord with Policy Framework? Yes.
Financial Implications and Risk Considerations:	The Annual Governance Statement is a fundamental document for recording, monitoring and communicating the effectiveness of the internal control framework within the Council.
Statement by Assistant Director of Resources & Regulation (Finance & Efficiency):	Failure to maintain an internal control and governance framework jeopardises the Council's ability to deliver economy, efficiency and effectiveness in the delivery of its priorities and ambitions.
Equality/Diversity implications:	No

Considered by Monitoring Officer: Yes - Through the Governance Panel; the Monitoring Officer has raised no issues that require inclusion in the Quarterly Governance Statement.

Are there any legal implications? No

Staffing/ICT/Property: No

Wards Affected: All

Scrutiny Interest: No

TRACKING/PROCESS **DIRECTOR: STEVE KENYON**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
Scrutiny	Cabinet	Committee	Council
		Audit 26/02/19	

1.0 Purpose of the Annual Governance Statement

1.1 The purpose of the Annual Governance Statement is to provide a continuous review of the effectiveness of an organisation's internal control and risk management system in order to give an assurance as to their effectiveness.

1.2 It is a mandatory requirement to produce a Governance Statement to accompany the Authority's Statement of Accounts – as presented on 17 July 2018.

1.3 It is accepted good practice to continuously review the internal control framework and make interim reports to those charged with governance – the Audit Committee.

1.4 The Council has adopted this practice since 2008 and refers reports to the Audit Committee on a quarterly basis.

2.0 Matters for consideration

2.1 Members are asked to:

- Note the report

3.0 Quarterly Update

3.1 Risk Management

3.1.1 A review has taken place of the risk management process which now provides for the reporting against assurance measures, improves alignment between financial, performance and risk management. The risk scoring matrix has been reverted back to the original 4x4 matrix to make it easier for assessment and scoring. The format of risk registers at both Corporate and Departmental levels now incorporate these changes.

3.1.2 The registers are web-based to allow "real time" update as and when circumstances require.

3.1.3 An officer-level risk management group meets quarterly to discuss operational matters. Meetings are scheduled to coincide with the quarterly meetings of the Corporate Risk Management Group. The Operational Risk Management Group comprises of a representative from the two directorates of Communities & Wellbeing and Children, Young People and Culture along with the Insurance Manager, Health & Safety Advisor, Risk Manager and the Interim Executive Director for Resources & Regulation. The last meeting of the Operational Risk Management Group was held on the 20th November 2018 and is next due to meet on the 12th March 19.

3.1.4 A Member-level Corporate Risk Management Group sits quarterly to review the Corporate Risks and takes account of issues arising from the Operational Risk Management Group. The Corporate Risk Management Group met on the 28th November 2018 to review the Corporate Risk Register. The risk register will be updated to reflect the latest high level risks facing the organisation and will then be circulated to members following that meeting. The next meeting of the Corporate Risk Management Group meeting is scheduled to take place on the 26th March 2019.

3.1.5 The Q3 risk register is attached.

3.2 Business Continuity

3.2.1 A full review of the Council's Business Continuity Planning Database is being undertaken to take account of the new departmental structures for Operations, Business, Growth & Infrastructure and Strategy & Transformation.

3.3 Budget Monitoring

3.3.1 Budget monitoring is undertaken on a monthly basis and quarterly reports are produced for Members.

3.3.2 The Q3 statement (i.e. April to December 2018) provides a summary of spend to date and a forecast outturn for the year. This continues to alert Directors to any pressures which they are required to address.

3.3.3 As such, it is critical that forecasts are accurate, evidence based and have been through a rigorous quality assurance process.

3.3.4 The Quarter 3 report went to Overview & Scrutiny Committee on 13 February and to Cabinet on 20 February and will be reported in summary elsewhere on this agenda.

3.4 Work of Internal Audit

3.4.1 The Internal Audit Section operates according to a risk based Audit Plan.

3.4.2 During the period April to December 2018, the section has examined the following fundamental financial systems;

- Main Accounting system;
- Council tax;
- Creditors;
- Business Rates;
- Housing Rents;
- Cash and Banking;
- Debtors;
- Housing Benefit;
- Treasury Management;
- Payroll

3.4.3 The Internal Audit section produces reports which rank recommendations according to urgency / priority. The reports completed during the first half year have produced a total of 141 recommendations.

3.5 Work of Governance Panel

3.5.1 The Governance Panel has now met regularly since its inception in November 2008, and continues to be a valuable arena to exchange information / concerns regarding the Council's governance arrangements.

3.5.2 The Panel comprises:

- Interim Executive Director of Resources & Regulation and S151 Officer;
- Assistant Director of Legal & Democratic Services (Monitoring Officer);
- Head of Financial Management

3.5.3 The Panel last met on 10 January and the next meetings are scheduled for 11 April and 11 July.

3.6 Sickness Update

3.6.1 The Audit Committee has shown considerable interest in sickness absence, requesting absence data and action plan updates from Executive Directors.

3.6.2 The following table contain the sickness absence figures per full time equivalent for the Council.

Department	2016/17 Full Year	2017/18 Full Year	2018/19 Q1	2018/19 Q2	2018/19 Q3	% change 2018/19 Q2 to Q3
Communities & Wellbeing	12.5	11.2	11.6	12.4	12.9	**+4.0**
Resources & Regulation	6.8	9.6	9.7	9.3	7.9	**-15.1**
Children, Young People & Culture	9.9	9.6	9.7	9.6	9.5	**-1.0**
Total FTE days lost	**9.9**	**9.9**	**10.0**	**10.4**	**9.9**	**-4.8**

Note – the quarterly figures are calculated on a rolling 12 month basis and do not reflect the quarter in isolation. Therefore, the Q3 period for 2018/19 relates to the full year period of 01/01/18 to 31/12/18.

3.6.3 The sickness levels have continued to remain relatively constant per days lost per FTE over the last three years.

3.6.4 Going forward, sickness absence figures will continue to be reported to the Audit Committee in future quarterly updates.

4.0 Conclusion

4.1 This report provides an assurance, and presents evidence, that the Council reviews its internal control / governance mechanisms on a continuous basis.

4.2 There have been no significant internal control issues during the period covered by this report.

4.3 The control environment will continue to be monitored throughout the year, and Audit Committee will continue to receive updates on a quarterly basis.

Andrew Baldwin
Head of Financial Management

Background documents:

Risk Registers

Internal Audit Reports

Minutes of Governance Panel

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

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BURY COUNCIL

Corporate Risk Register 2018/19 – As at 30th November 2018

Risk	Risk Owner	Raw Risk Score			Target Risk Score	Mitigation Measures / Assurance Levels			Risk Conclusion	Residual Risk Score			Direction of Travel
		Likelihood	Impact	Score		Level 1	Level 2	Level 3		Likelihood	Impact	Score	
The Council doesn't agree a balanced budget	Cabinet / SLT	4	4	16	LOW	The Council has a 4 year financial forecast covering 2016/17 to 2019/20 in line with the Government's 4 year funding offer. Budget options have now been approved (Feb 17) covering a 3 year period, recognising the lead in times for the development of options. Budget forecasts will continue to be reviewed on a 12 month rolling forecast; or as new information come to light.	Budget options validated by the Councils Strategic Leadership Team, and through regular meetings with Portfolio Holders. Budget proposals were considered by the Overview & Scrutiny Committee prior to approval. Currently no reliance being placed on reserves, however this is the second year an overspend is predicted. Future years equally challenging. Council needs to consider alternative approaches to budget setting.	External Audit Opinion on VFM / Financial Standing LGA review undertaken	Manage	2	4	8	No change to risk score

The Council cannot deliver cuts approved in the budget	Cabinet / SLT	4	4	16	LOW	Robust budget monitoring procedures are in place, given early warning of potential pressures. Challenges of delivering continuous budget cuts with reduced organisational capacity. Control measures in place to mitigate overspend pressures where possible. Q1 outturn forecast overspend of £3.2m	Budget monitoring reports are considered every month by SLT, and reported quarterly to Cabinet. SLT and the Cabinet meet regularly to discuss progress with the in year budget. Monitoring reports consider a RAG rating for delivery of cuts Finance Portfolio Holder now "calling in" specific business areas to investigate issues. Monitoring reports are also considered quarterly at; • SLT / Cabinet • Overview & Scrutiny • Audit Cttee Increasingly considering "Invest to Save" options.	External Audit Opinion on VFM / Financial Standing. Officer led budget recovery group in place	Manage	4	4	16	No change to risk score ⇔

Resilience and capacity of services is jeopardised by ongoing funding reductions	SLT	4	4	16	LOW	Budget options consider operational impact, and are subject to separate risk assessments. The Council undertakes workforce planning to ensure the right staff are in place, with the right skills at the time needed. Recruitment & Retention of staff presents a challenge in some service areas. There is a dedicated workstream looking at HR / OD as the Council moves to OCO / LCO operating arrangements with the NHS. Change to senior management structures	Business continuity plans exist for all services The Council has access to transformation funding under GM Health & Social Care arrangements Greater use of interim placements to address time limited pressures / work tasks e.g. Growth / Regeneration and Traded Services New CE in place and addressing longer term strategies/structure of the Council	External Audit Opinion on VFM / Financial Standing External reviews, e.g. OFSTED / CQC, LGA Resident satisfaction levels	Manage	4	4	16	No change to risk score
Changes to the Business Rates Retention scheme (100%) impact adversely on the Council – e.g. appeals	Cabinet Member for Finance & HR / Interim Executive Director of Resources & Regulation	4	4	16	LOW	The Council makes "in year" provision for the impact of appeals when estimating yield (NNDR1), and also makes provision within the annual revenue budget. In addition, the Council holds a reserve to fund the backdating (i.e. one-off) effect of appeals. Impact of business failure also increases, however mitigated through work of Business Engagement Team	The Council maintains an active dialogue with the Valuation Office Agency to ensure that appeals are dealt with in a timely manner. The Council participates in the GM Collection Fund Accounting Group. Pilot exercise underway to tackle aged debt. Any departure from 100% retention would be detrimental to the Council	The Council's External Auditors review the Council's Collection Fund, and Appeals Provisions as part of the annual audit process. New check, challenge and appeal procedures in place	Manage	3	4	12	No change to risk score

Ongoing Welfare Reforms place additional pressure on both residents and the Council	Cabinet Member for Strategic Housing & Support Services / Interim Executive Director of Resources & Regulation	4	4	16	LOW	Regular monitoring of the impact of reforms is undertaken. Increased risk due to revised CTS scheme, and increased Council Tax (necessary to fund Adult Social Care) Increasing reliance on 3rd Sector, which itself faces funding reductions Concerns over security of employment and uncertain economic outlook Full universal credit rolled out in July 2018	The impact of reforms is reported through the Welfare Reform Board. The Cabinet has now endorsed an Anti-Poverty Strategy, and additional resources (£200k) have been allocated to address poverty related issues. The Council has endorsed a motion to develop a Young Savers scheme.	There is close liaison with Partner organisations, e.g. CAB, Six Town Housing to assess and mitigate the impact of reforms. The Council is an active member of the Manchester Credit Union.	Manage	4	4	16	No change to risk score
General pressures from school budgets and impacts upon income levels for traded services	Cabinet Member for Children & Families / Executive Director of Children, Young People & Culture	3	3	9	LOW	Traded services are currently undergoing a comprehensive review to assess the impact of academy conversions. Requires more proactive management as risk of schools not buying-back increases Risks from increasing academies across schools Risk heightened by pressures on school budgets	The Council has a good relationship with schools, and a high level of buy-back. Where possible, and viable, services will continue to be traded to schools that undergo academy conversion.	The relationship with schools is managed proactively through the Schools Forum. Working group set up to explore further opportunities for providing competitive traded services Additional resources in place, and pricing offers sent to schools. No further cleaning/catering contracts lost for 2018.	Manage	3	3	9	No change to risk score

Unknown implications of the Brexit referendum impact adversely upon the Council	Cabinet / SLT	4	4	16	MEDIUM	The most significant risk is the uncertainty of the implications of Brexit – notably economic conditions. Potential impact on the pound, inflation, and impact upon Bury businesses	The Council makes use of external brokers (Link) who offer advice on economic conditions and the Council's Treasury Management.	Other professional networks are utilised, e.g. GM Treasurers Group Regular "Brexit Monitors" are received from the GMCA	Accept	4	4	16	No change to risk score
The Council is unable to manage customer / resident demands and expectations in the light of funding reductions	Cabinet / SLT	3	4	12	LOW	The Council has previously written to all residents advising them of the impact of funding reductions. Further communication required e.g. resident briefings	Public meetings are held each year as part of the budget consultation process. Public engagement necessary to move forward with Neighbourhood working models / contract with residents Focus of Neighbourhood working model is to facilitate and empower residents and communities, and assist with capacity building.	The role of elected members is critical as they provide an interface between residents and the Council Further work requested to progress Health & Social Care agenda	Manage	4	4	16	No change to risk score

The Council's growth strategy is impeded by external influences, e.g. economic conditions	Leader / Chief Executive	3	4	12	LOW	The Council has a clear Growth Strategy in place GMSF timescales now revised to 2018 Economic uncertainty may stifle growth. Key sites identified and actions underway to develop them.	Growth Strategy has been agreed at both Council and Partner level (Bury Wider Leadership Group). Interim resource recruited (20 months) to oversee delivery of plan	The Council actively promotes development opportunities nationally, and engages with GM activity to promote the region. Work is also taking place with employers and students through the Bury Skills Commission	Manage	3	3	9	No Change to risk score
Population growth and age profile lead to service demands exceeding Council capacity / resources.	Cabinet / SLT	3	4	12	LOW	The Council has adopted the Social Care Precept (2018/19) to channel additional resources to pressures in Adult Social Care. Continuing pressures in the NHS will impact upon the Council's services Complexity and long term nature of conditions an increasing pressure Fragile market of care providers	A number of initiatives are in place aimed at early intervention, and self care e.g. re-ablement, wellbeing service The Bury Locality has secured £19m transformation funding to redesign care models Social Care demands have been clearly outlined in the Council's Fair Funding submission.	Close working takes place with partners in the CCG and key providers to mitigate demand pressures. Development of LCO / OCO working model in place by April 2019 live date	Manage	4	4	16	No Change to risk score

Ability to maintain core functions (statutory & non-statutory) e.g. safeguarding is impeded by funding reductions.	Cabinet / SLT	3	4	12	LOW	The budget setting process reflects to a degree the statutory nature of services when allocating cuts targets Further work needs to be undertaken to reflect prioritisation of resources Additional resources now available for Adult Social Care Narrative revised to reflect that both statutory and discretionary functions are now at risk.	Directors prioritise spend to ensure statutory obligations are fulfilled – this is done through the Cash ceiling / virement scheme.	External Audit Opinion on VFM / Financial Standing Corporate Parenting / Health Scrutiny External reviews, e.g. OFSTED / CQC – NB action plan now in place. LGA Review being undertaken	Manage	3	4	12	No Change to risk score ⇔

Health & Social Care integration does not reform services and deliver required efficiency savings	Cabinet Member for Health & Wellbeing / Executive Director of Communities & Wellbeing	4	4	16	LOW	The Council and CCG work closely together and operate pooled budgets in some areas (Better Care Fund). The Council and CCG management teams meet jointly on a fortnightly basis. Capacity to develop arrangements is a risk, however the Bury Locality has now secured £19m transformation funding to mitigate this	The Council is working towards development of a single commissioning organisation and Local Care Alliance (LCA) both are operating in shadow form from April 2018 progressing towards going live April 2019. The Health integration project has clearly defined governance arrangements and its own project risk register Council and CCG Staff co-located for improved service delivery	Partnership working takes across the broader Public Service footprint. Requires a multi-agency approach to encourage behaviour change. Staff of the Council and CCG are co-locating to aid joint working.	Manage	3	4	12	No Change to risk score
GM approach to devolution does not reform services and deliver required efficiency savings	Leader / Chief Executive	3	4	12	LOW	The Council is an equal partner in AGMA / CA, and engages actively through regular GM meetings at officer level. Need to ensure democratic / governance processes preserve local accountability Need to look beyond Health & Social Care and examine where joint working can offer wider efficiencies Operation of GM Business Rates Pool working well	This is supplemented by a comprehensive schedule of meetings at member level. Mature joint working arrangements developed in respect of Health & Social Care Devolution Clear emerging roles around Transport, congestion and Air Quality	Elected Mayor now in place, with key positions held by Bury elected members	Manage	2	3	6	Risk Reduced
Saville Review – Six Town Housing	Leader / Chief Executive	3	2	6	LOW				Manage	2	3	6	Risk Reduced

Shared Leadership – Bury CCG & Council	Leader / Chief Executive	3	2	6	LOW				Manage	2	3	6	Risk Reduced

Risk Scoring Matrix

Likelihood 1 (low) – 4 (high)
Impact 1 (low) – 4 (high)
Maximum Score 4 x 4 = 16

Low Risk	**1 – 3**
Medium Risk	**4 – 6**
High Risk	**8 - 16**

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