AGENDA FOR

AUDIT COMMITTEE

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To: All Members of Audit Committee

Councillors : R Gold, M Hayes, N Jones, D Silbiger, Sarah Southworth, 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, 30 July 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:	**It is intended that there will be a training session at 6pm prior to the meeting. This is subject to completion of the Audit of Accounts.**

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 - 8)*

The Minutes of the last meeting of the Audit Committee held on 26 February 2019 are attached

4 MATTERS ARISING

5 DRAFT STATEMENT OF ACCOUNTS 2018/2019 *(Pages 9 - 140)*

The draft Statement of Accounts are attached (Audit ongoing).

6 ISA 260 2018/2019

A report from Bury Council's External Auditors – MAZARS will be submitted.

7 ANNUAL GOVERNANCE STATEMENT *(Pages 141 - 172)*

The Annual Governance Statement is attached

8 INTERNAL AUDIT ANNUAL REPORT AND REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROL AND GOVERNANCE 2018/19 *(Pages 173 - 206)*

A report from the Head of Financial Management is attached
Appendix A attached
Appendix B attached
Appendix C attached
Appendix D 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 REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2018/19 *(Pages 207 - 218)*

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

Minutes of: **AUDIT COMMITTEE**

Date of Meeting: 26 February 2019

Present: Councillor M Whitby (in the Chair)
Councillors M Hayes, T Rafiq, R Walker, S Walmsley and S Wright

Also in attendance: Karen Murray – Mazars
Justine Ogden - Mazars

Public Attendance: One member of the press was present at the meeting.

Apologies for Absence: Councillor S Nuttall, Councillor D Silbiger and Councillor Sarah Southworth

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AU.371 DECLARATIONS OF INTEREST

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.

AU.372 MINUTES OF THE LAST MEETING

It was agreed:

That the Minutes of the last meeting held on 20 November 2018 be approved as a correct record and signed by the Chair.

AU.373 EXTERNAL AUDIT STRATEGY MEMORANDUM

Karen Murray, Director and Engagement Lead, Mazars LLP, Bury's External Auditors, presented a report setting out Mazars Audit Strategy Memorandum for Bury Council for the year ending 31 March 2019.

The document summarised the audit approach, highlighted significant audit risks and areas of key judgements and provided the Audit Committee with details of the Mazars audit team.

The report set out the audit scope, approach and timeline and outlined the procedures that will be performed at different stages of the audit.

The audit approach was explained as being a risk based approach. A risk assessment will be completed which will help to develop the audit strategy and design audit procedures in response to the assessment.

Materiality thresholds were detailed and it was explained how these were set and monitored in relation to Bury Council. To comply with International Standards on Auditing (UK) it was explained that three types of audit differences would be reported to the Audit Committee;

- Summary of adjusted audit differences;

- Summary of unadjusted audit differences; and
- Summary of disclosure differences (adjusted and unadjusted)

The report included the approach to Value for Money and a summary of the work that will be undertaken to reach a conclusion;

- Risk assessment
- Risk mitigation work
- Other procedures

The Significant Value for Money risks were explained and it was reported that for the 2018/2019 financial year two significant risks had been identified for inclusion ;

- Working with partners and third parties: governance and risk management;
- Sustainable Resource Deployment: financial resilience.

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

- Councillor Hayes referred to materiality and asked that this be explained.

Karen explained that the Council had millions of pounds worth of assets and Mazars have to decide where to draw the line between a misstatement or error that is that is big enough to matter or not big enough to be immaterial was where the materiality threshold came in. The overall materiality threshold for the Council is set at £11.7m and the trivial threshold is £353,000.

Andrew Baldwin explained that it was very rare that errors were identified that were higher than the materiality threshold but any that were found by either the external auditors or by the Council itself, were corrected.

Delegated decision:

1. That Karen be thanked for her attendance at the meeting

2. That the contents of the report be noted.

AU.374 FINANCIAL MONITORING REPORT

The Head of Head of Financial Management presented a report from the Interim Executive Director of Resources and Regulation updating Members of the Committee on the Authority's financial position in line with the Committee's Statement of Purpose to 'provide independent scrutiny of the authority's exposure to risk and the control environment'. The report focussed on the revenue budget, balance sheet, procurement activity and the minimum level of balances.

The report indicated that the Authority is projecting an overspend of £2.608m for the year based on actual spending commitments and income information as at 31 December 2018.

Andrew explained that the Authority's financial position is continually monitored throughout the year;

- monthly by service management teams, Senior Leadership Team and the Cabinet Member for Finance and Housing.
- Detailed quarterly 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 the Overview & Scrutiny Committee.

It was also explained that Executive Directors were a lot more accountable for their own budgets, particularly since the Local Government Association review of finance earlier in the year.

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

- Councillor Walker referred to the procurement activity set out in the report and asked where the cashable procurement savings were being achieved.

Andrew explained that some of this would be where contracts have come to an end and had been renegotiated at a more favourable cost or service.

Councillor Whitby asked that the Head of Strategic Procurement be invited to the next meeting of the Audit Committee to explain the procurement activity indicated in more detail.

- Councillor Wright referred to the table at 3.11 of the report and the note attached comparing the sector benchmark of 0.75% for return in investments. Councillor Wright asked what the sector benchmark was for % cost of borrowing.

Andrew stated that he would pass this query onto the Interim Executive Director of Resources and Regulation for a response.

- Councillor Hayes referred to the General Fund Balance and the forecasted available balance and asked how this was calculated.

Andrew explained that the minimum level of balances to be retained based on a risk assessment of potential unforeseen circumstances, was deducted from the starting balance, as was the forecast overspend, which then left the forecasted available balance at year end.

- Councillor Walker referred to the 'Golden Rules' and asked how flexible the rules were.

Andrew explained that the Golden Rules related to issues such as maintaining a minimum level of balances, using reserves as one offs only, pressures and savings assessed on a 3 year basis and how the general fund balance is managed. The Golden Rules state that the use of reserves to support the on-going revenue budget must be in the short term only and supported by a robust strategy to address underlying pressures in the Council's cost base.

- Councillor Rafiq referred to the number of Bury suppliers invited to bid for and being awarded contracts being less than the last year and asked why this was.

Andrew explained that the report provided information at month 9 whereas the figures that Councillor Rafiq was referring to were for a full 12 month period.

Delegated decision:

That the contents of the report be noted.

AU.375 QUARTERLY GOVERNANCE STATEMENT

The Head of Financial Management submitted a report presenting a quarterly update on the Annual Governance Statement following the approval of the Annual Governance Statement on 17 July 2018. The report covered the areas of risk management, business continuity, budget monitoring, the work of Internal Audit, Governance Panel and sickness absence.

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

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

- Councillor Walker referred to the Corporate Risk Register and the statement that there was currently no reliance being placed on reserves and asked about this statement being included.

Andrew explained that that was the position at the time that the risk register was produced but since then the one off use of some dormant earmarked reserves had been approved by Council to help balance the 2019/2020 budget.

Delegated decision:

That the report be noted.

AU.376 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.377 2019/20 INTERNAL AUDIT CHARTER; 2019/20 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

Andrew Baldwin presented a report setting out the Internal Audit Charter and; Quality Assurance and Improvement Programme.

It was explained that the Public Sector Internal Audit Standards (PSIAS) had come into force on 1 April, 2013.

These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.

A report was presented to Audit Committee in December 2013 outlining the details of the Standards.

Two of the Standards relate to:

- Internal Audit Charter;
- Quality Improvement and Assurance programme including an External Assessment.

One of the requirements of the Standards is to produce an Internal Audit Charter that defines the purpose of Internal Audit, its responsibilities and position within the Council. The Charter acts as a reference for measuring the effectiveness of Internal Audit.

The PSIAS provide details of how the Charter should comply with the Standards.

Amongst others, these include:

- Recognition of the mandatory nature of the PSIAS;
- Internal Audit's responsibilities, objectives and independence including accountability, reporting lines and relationships and arrangements for avoiding conflict of interest in non-audit activities;
- Definitions of the scope of Internal Audit activities, the terms 'board' and 'senior management' and the role of Internal Audit in counter fraud work;
- The role of Audit Committee and statutory officers with regard to internal audit;
- Internal Audit's remit across the control environment and rights of access to records, assets, personnel and premises.

It is also a requirement of the Standards that the Internal Audit Service produces a Quality Assurance and Improvement Programme (QAIP) that is designed to provide reasonable assurance to Audit Committee members that the Internal Audit Service:

- Performs its work in accordance with the Internal Audit Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
- Operates in an efficient and effective manner;

- Contributes to the Council's governance, risk management and control processes;
- Is adding value and continually improving Internal Audit's operations.

The QAIP includes both internal and external assessments for which the internal assessments are both ongoing and periodic (e.g. team briefings, supervision, review of working papers) and the external assessment must be undertaken at least once every five years. The initial self-assessment against the Standards was undertaken in 2013 and this was also reported to Audit Committee in December 2013.

A copy of the updated QAIP for 2019/20 was attached to the report.

PSIAS require that an external assessment of the Council's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside the organisation. This can be in the form of a full external assessment or a self-assessment with independent external validation. This was undertaken in October 2016 and the findings were reported to the Audit Committee in March 2017 with all recommendations having been implemented.

A copy of the updated Internal Audit Charter for 2019/20 was attached to the report.

Delegated decision:

1. That the Audit Committee approve the updated Internal Audit Charter.

2. That the Audit Committee approve the Quality Assurance Improvement Programme.

AU.378 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.379 INTERNAL AUDIT PLAN 2019/2020

The Head of Financial Management presented a report setting out the proposed activities of the Internal Audit Section for the coming 2019/20 financial year.

The report and the attached appendices set out the overall strategy for

producing the plan, dealing with the issues and risks and ultimately identifying the audit work to be carried out in 2019/20.

Progress reports will be submitted during the year and an Annual Report will be presented following the completion of the 2019/20 financial year.

Delegated decision:

That the Audit Committee endorse the plan for 2019/2020

AU.380 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 on large cash transactions and by providing follow-ups to audit that had been revisited since the Audit Committee meeting in December 2017.

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 8.15 pm)

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Bury COUNCIL

FINANCIAL MANAGEMENT SERVICES

Draft Statement of Accounts 2018/2019

(Audit Ongoing)

CONTENTS

Introduction by Councillor Eamonn O'Brien, Cabinet Member for Finance and Housing

I am delighted to welcome you to the Council's Statement of Accounts for 2018/19.

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

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

The difference between what we spent and what we planned to spend is less than 1% of our total budget and given our gross expenditure is almost £0.5 billion this is a very commendable performance. Almost £35 million has been invested on improving the assets that are so vital to the quality of the services that we aim to provide.

However, as we look to the future there continue to be ever increasing demands on the Council's services and this will clearly put our budget under pressure in the years to come. As with most organisations, the Council hasn't been immune to the effects of the fragile state of the economy which has continued to result in reduced income, reductions in investment returns and increased energy costs.

The Council has also set its strategic direction looking towards 2020 and beyond. This includes working with the Bury Clinical Commissioning Group towards the development of One Commissioning Organisation, which was established in shadow form in April 2018 and setting up a Joint Executive Team of officers.

Bury is also a key player within Greater Manchester and is at the heart of bold and ambitious proposals in respect of:

- The GM Clean Air Plan - a plan to address poor air quality which is one of the largest public health issues facing the UK. Action includes tackling harmful and illegally high levels of roadside air pollution across the GM Region;
- The GM Infrastructure Framework - a framework under development to enable prosperity, social inclusion and ensure that Greater Manchester is resilient to future potential shocks and stresses. Physical infrastructure (such as transport, energy, water, flood risk, digital communications and landscape) and social infrastructure (such as education, health and wellbeing, culture and leisure) are both within its scope;
- The GM Spatial Framework - a plan for homes, jobs and the environment which sets out how the GM region should develop up to 2037. This is a plan put together by all 10 of the local authorities in Greater Manchester. It's about providing the right homes, in the right places for people across the GM region. It's also about creating jobs and improving infrastructure to ensure future success;
- The GM Housing Vision - an ambitious plan for changing and tackling the housing crisis. The vision provides a framework for the GM Housing Strategy which is to be published later this year. It makes identifying safe, decent and affordable housing a priority so that there will be homes fit for future needs and generations;
- The 2040 Transport Delivery Plan - a plan that sets out the practical actions planned to enable a co-ordinated approach to transport investment. Published alongside the GM Spatial Framework, this plan supports the vision of the 2040 Transport Strategy, i.e. for 50% of all journeys in Greater Manchester to be made by walking, cycling and public transport by 2040. That's a million more sustainable journeys every day!

Each of these plans, individually and collectively, are really important for the future of Bury and Greater Manchester.

We also acknowledge that we need to change the way we work given the relentless financial pressures that the Council is facing. Our corporate plan indicates that the Council will have to reduce the services that we provide, focusing on what we have to do and meeting the needs of the most vulnerable. The Council has put in place a programme of savings which sets out Bury Council's way of meeting these challenges in an open and transparent way in partnership with our communities, staff and partners.

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

I am also determined that the Council will promote equality and equal opportunity access and participation for everyone, whatever their personal circumstances. We will allocate and spend money on services as fairly as possible according to the needs of the community and we will set out clear standards for services so that everyone knows what to expect.

Finally I would like to take this opportunity to thank all of the Council's Members and Officers who have played a part in the production of these Accounts and who have contributed to the sound financial performance that they demonstrate. A summary format of the council's financial performance will also be available on the Internet and in hard copy.

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

Councillor Eamonn O'Brien
Cabinet Member for Finance and Housing

APPROVAL OF THE STATEMENT OF ACCOUNTS

In accordance with Regulation 9 of the Accounts and Audit Regulations 2015 I confirm that these accounts were approved by the Audit Committee at the meeting held on Tuesday, 30 July, 2019.

Signed on behalf of Bury Metropolitan Borough Council:

Councillor Mary Whitby
Chair of Audit Committee

30 July, 2019

In accordance with Regulation 9 of the Accounts and Audit Regulations 2015 I confirm that these accounts present a true and fair view of the financial position, financial performance and cash flows of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2019. I also reconfirm satisfaction that the accounts present a true and fair view of the financial position at the balance sheet date and the income and expenditure for the year, upon conclusion of the public inspection period and immediately prior to approval of the audited accounts by Audit Committee.

Signed on behalf of Bury Metropolitan Borough Council:

M Woodhead
Chief Finance Officer

30 July, 2019

NARRATIVE REPORT

The purpose of this Narrative Report is to offer the reader of the accounts an easily understandable effective guide to the most significant matters reported in the accounts. It is intended that the narrative report is fair, balanced and understandable.

The narrative report provides 2018/19 information relating to:

- Bury Council's Vision, Purpose and Values
- Performance management of the Council;
- Preparation of the accounts;
- Explanation of the core financial statements;
- Summary of the Council's financial results;
- Economy, efficiency and effectiveness in its use of resources
- Corporate Risks;
- Looking Ahead;
- Inspection of the accounts

Bury Council's Vision, Purpose and Values 2015-2020

The Council's Vision, Purpose and Values set outs the strategic direction for the Council, looking towards 2020.

The plan outlines the vision for the Council - **to lead, shape and maintain a prosperous, sustainable, Bury that is fit for the future**

It acknowledges that we need to change the way we work given the relentless financial pressures that the Council is facing. The Plan indicates that the Council will have to reduce the services that we provide, focusing on what we have to do and meeting the needs of the most vulnerable.

There are six priorities to help provide the focus for our work:

1. Drive forward through effective marketing and information, proactive engagement with the people of Bury to take ownership of their own health and wellbeing.
2. Continue to develop business friendly policies to attract inward investment and new jobs so that Bury retains its position as a premier destination for retail, leisure, tourism and culture.
3. Ensure new and affordable housing is developed to support growth in the Bury and Greater Manchester economy.
4. Build on the culture of efficiency and effectiveness through new, progressive and integrated partnership working models to drive forward the Council's and Greater Manchester Public Service growth and reform agenda.
5. Ensure staff have the right skills to embrace significant organisational change, through embedding a culture of ownership, empowerment and decision making at all levels of the organisation.
6. Work toward reducing reliance on government funding by developing new models of delivery that are affordable, add value and based on need.

The Council also has five outcomes it wants to achieve; whereby:

1. All people of Bury live healthier, resilient lives and have ownership of their wellbeing.
2. Bury people live in a clean and sustainable environment.
3. People of Bury at all ages have high level and appropriate skills.
4. All Bury people achieve a decent standard of living.
5. Bury is a safe place to live with all people protected (and feeling protected) from harm.

Our Vision, Purpose and Values

To lead, shape and maintain a prosperous, sustainable Bury that is fit for the future

2018/19

The people of Bury to take ownership of their own health and wellbeing

Develop business friendly policies to attract inward investment

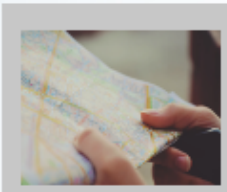
Ensure new and affordable housing is developed

Drive forward the Council's and Greater Manchester Public Service growth and reform agenda

Ensure staff have the right skills to embrace significant organisational change

Work toward reducing reliance on government funding

Over **£19m** secured as part of Transformation Funding to develop new models of care and behaviour change programmes with residents



The Greater Manchester Spatial Framework is out for consultation.

145 affordable housing units proposed to be build on sites that have detailed planning permissions in the year

Transformation of health and social care through the Bury Locality Plan as part of GM Devolution

Recruitment of a Executive Director - Business, Growth & Infrastructure, has been recruited to drive transformation at scale and pace, with cross-team and cross-organisation management now taking place

Budget Records and new delivery plans already established with a new Medium Term Financial Strategy

One Community was formally launched on 19th February 19.

Bury third best retail offer in Greater Manchester

100% planning permissions dealt within statutory timescales

Bury has played a key role as one of the 10 local authorities in GM, to develop and deliver 'Our People, Our Place - the GM Strategy' which contains 10 priorities for the region

Continued implementation of the People Strategy including Workforce Development and Wellbeing proposals - reduction in long term sickness levels

Neighbourhood Working and the new Neighbourhood Engagement Framework - public, voluntary and private sector working together different

The CCG and the Local Authority have appointed the Northern Care Alliance NHS Group to undertake the role as provider on an interim contract and has awarded an interim contract to Salford Royal NHS Foundation Trust (as a legal entity on behalf of the Northern Care Alliance) on an interim term basis.

Bury now has the highest rate of business start ups per population in GM - 1 start up for every 53 residents.

Growth Programme Board in place bringing forward sites for development with the Housing Revenue Account

Active involvement in GM Reform Board, Councillor Lead for Early Years and Social Cohesion. Lead Chief Executive for Civil Congrencies

Improved communications through the Chief Executive engagement sessions

Development of a One Commissioning Organisation for integrated care commissioning

PREPARATION OF ACCOUNTS

These Accounts have been prepared in accordance with the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom which has been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and also using International Financial Reporting Standards (IFRS's).

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

The accounts have also been prepared in accordance with, and comply with, the Accounts and Audit Regulations 2015.

CORE FINANCIAL STATEMENTS

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

All the statements and notes give details of the Authority's income and expenditure for the financial year, which ran from **1st April 2018** to **31st March 2019** along with details of the assets and liabilities of the Council at **31st March 2019**. Wherever it is relevant the corresponding figures for the last financial year, 2017/2018, are also shown for comparison.

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT:

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

THE BALANCE SHEET:

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

MOVEMENT IN RESERVES STATEMENT:

This statement shows the movement from the start of the year to the end of the year on the different reserves held by the Authority analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax for the year. The net increase / decrease line shows the statutory General Fund Balance and Housing Revenue Account balance movements in the year following those adjustments.

THE CASH FLOW STATEMENT:

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

THE HOUSING REVENUE ACCOUNT (HRA):

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

THE COLLECTION FUND:

Is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. Up to and including the 2012/13 financial year business rates collected by the local authorities were passed over to the government and redistributed nationally so that each local authority received back an amount dependent on its population. This was paid directly into the General Fund. Since 2013/14 onwards local authorities keep 50% of all business rates income; whilst in 2017/18, as part of the GM Business Rates pilot, Bury Council retained 100% of the business rates collected.

THE GROUP ACCOUNTS:

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

SUMMARY OF THE COUNCIL'S FINANCIAL RESULTS

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

REVENUE OUTTURN

In 2018/19 we had to make ongoing savings totalling £6.643m in response to the Council's reduced funding position. This was on top of the savings already made / agreed for previous years. This position was outlined in the Medium Term Financial Strategy approved by Cabinet in December 2013. Total savings from 2011/12 are summarised below;

2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	**2018/19**	**Total**
£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**
9,575	8,656	9,871	9,652	15,807	11,579	13,335	**6,643**	**85,118**

A priority led budget model was used for the three year period of 2017/18 to 2019/20 which allocated unmet savings targets between services according to the following factors:

- Link to Council Priorities
- Cost of Doing Business
- Mandatory Provision
- Local Political Priority

In examining ways of achieving savings, Cabinet Members and Directors were asked to question:

- The number of services that they provide
- The quantity of each service
- The quality of each service
- Alternative ways of delivering each service including the use of volunteers
- Options for increasing income

Directors and Cabinet Members were again asked to be mindful of the updated strategic overview to budget setting which suggests that the Council needs to:

- Change the public's expectations about what the Council can deliver
- Work more closely with individuals and communities to deliver services
- Provide a stronger focus on demand reduction
- Undertake an examination of alternative ways of delivering remaining
- Council services
- Change the way residents access services

On the 21 February, 2018 the Council set a net budget of **£138.016m** including a planned contribution to General Fund balances of £2.811m.

As the table below shows, the Council overspent its budget by **£2.657m.**

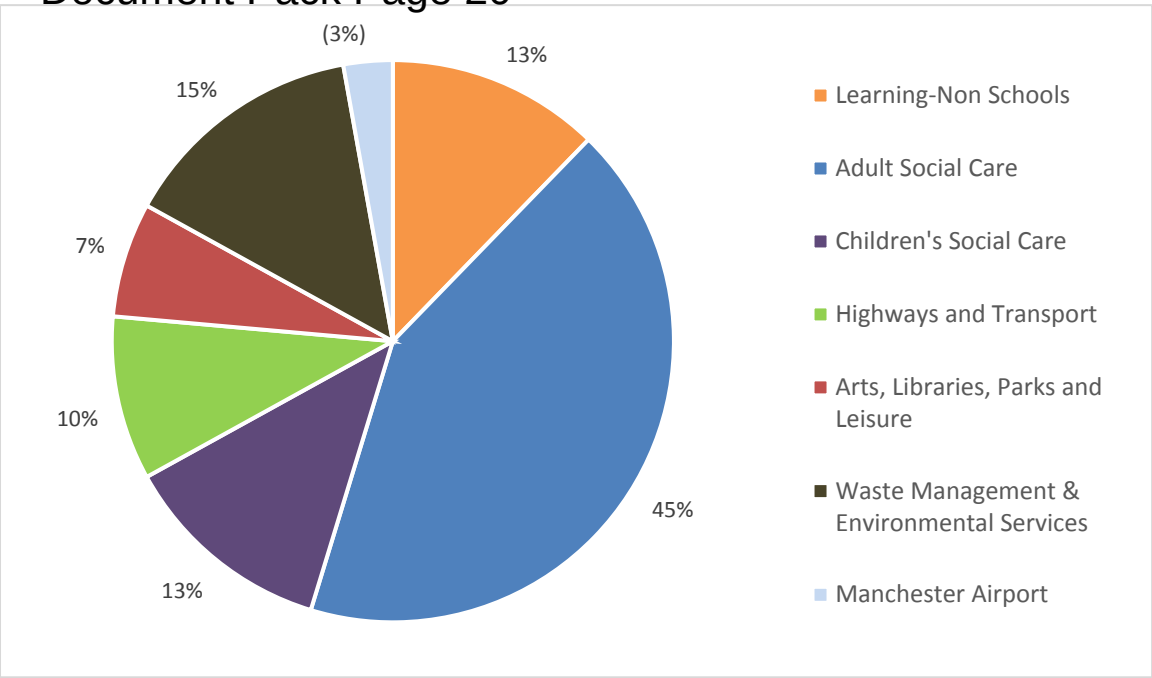
At 31st March 2019 the borough's schools had accumulated a total overspending against their budget of **£9.677m**. Under the terms of the Local Management of Schools scheme of delegation operated by the Authority, this overall overspending will be carried forward, in total, into the 2019/20 financial year and plans will be put in place to recover the amount of the deficit over the next two financial years.

Revenue expenditure during 2018/2019 was: -

		Revised Estimate £000's	**Actual £000's**	**Difference £000's**
Net cost of Bury services		135,205	137,862	2,657
Planned contribution to balances		2,811	2,811	0
Precepts :-	Police	9,212	9,212	0
	Fire	3,591	3,591	0
TOTAL NET EXPENDITURE		150,819	153,476	2,657
Financed from:-				
Locally Retained Business Rates		(55,401)	(55,401)	0
Council Tax		(95,418)	(95,418)	0
Movement between specific and formula grants		0	(2,657)	(2,657)
BALANCE		**0**	**0**	**0**

The Corporate Revenue Outturn Report details the overall performance of the Council in 2018/2019.

The Council spent £137.862m (excluding precepts) in 2018/2019 as follows:



	£m
Learning – Non Schools	12.010
Adult Health & Social Care	62.687
Children's Social Care	24.166
Arts, Libraries, Parks and Leisure	5.870
Waste Mgt & Environmental Services	13.562
Highways & Transport	26.131
Manchester Airport	(5.641)
Other	(0.923)
Total	**137.862**

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

Service Area	**£000's**
Children's Social Care and Safeguarding	4,154
Property & Asset Management	1,810
Communities & Wellbeing – Commissioning & Procurement (Care In the Community)	1,401
Waste Management / Street Cleansing	1,108
Trading Services	692
Provisions	(2,559)
Manchester Airport	(841)
Cost of Borrowing	(2,604)
Grants To Voluntary Organisations	(342)
Other Variances	(162)
Total	**2,657**

A number of hotspots remain within specific service areas, particularly around reduced income for some services in light of prevailing economic conditions and demand pressures in respect of Looked After Children and Vulnerable Adults. This has been offset by savings on loan interest payable, a reduced need in provisions and increased annual dividend receipt in respect of Manchester Airport.

CAPITAL OUTTURN

Total Capital Expenditure achieved in the year was **£35.348m**.

In addition to the figures shown for the year, Bury's Voluntary Aided schools received **£1.291m** from the Department for Education for the modernisation of the voluntary sector aided schools.

For information on how Capital Expenditure was financed, refer to Note 16 (page 76).

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

SERVICE	PROJECT	£000's	£000's
COMMUNITIES & WELLBEING			
Environmental Works	Environmental Works	62	**62**
Leisure Services	Leisure Services	266	**266**
Adult Care Services	Older People Services	6	**6**
Urban Renewal	Disabled Facilities Grant	823	
	Empty Properties	29	
	Housing development - Urban Renewal	4,802	**5,654**
Economic Development	Neighbourhood Working	130	**130**
CHILDREN, YOUNG PEOPLE & CULTURE			
Children's Services	Support Services	24	
	Children Centre	1	
	All Schools	158	
	Nursery	54	
	Primary	2,942	
	Secondary	2,887	
	Special	1,787	**7,853**
RESOURCES & REGULATION			
Highways and Transportation	Street Lighting LED Invest to Save	373	
	Traffic Management Schemes	59	
	Highways Planned Network Maintenance	6,086	
	Policy – Disabled Pedestrian	5	
	Bridges	51	
	Traffic Calming and Improvement	526	
	Flood Repair & Defence	65	**7,165**
Planning Services	Environmental Projects	261	
	Regeneration	22	**283**
Corporate Services	Corporate IT Developments	1,467	**1,467**

Property Services	Property Development	1,448	
	Property Management	6	**1,454**
Housing Public Sector	Disabled Facilities Adaptations	505	
	Major Repairs Allowance	10,503	**11,008**
TOTAL		**35,348**	**35,348**

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

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

Expenditure:	**£000's**	**£000's**
Property, Plant & Equipment	34,042	
Intangible assets	1,075	
Vehicle, Plant and Equipment	231	
Total		**35,348**
Financed by:	**£000's**	**£000's**
Loan (HRA)	6,517	
Capital Receipts	1,749	
Grants & Contributions	15,003	
General Fund Revenue and Reserves	1,071	
Housing Revenue Account	1,917	
Major Repair Allowance	9,091	
Total		**35,348**

BORROWING OUTTURN

During 2018/19 temporary and shorter term market loans were used to fund capital investment, in line with the treasury management strategy. An analysis of movements on loans at nominal values during the year is shown below:

	Balance at 31/03/18 £000's	**Loans raised £000's**	**Loans repaid £000's**	**Balance at 31/03/19 £000's**
PWLB	131,453	7,800	0	139,253
PWLB Airport	554	11,278	(4)	11,828
Market	60,500	0	(16,500)	44,000
Temporary Loans	2,000	11,100	(5,600)	7,500
Other loans	3	0	0	3
Total Debt	**194,510**	**30,178**	**(22,104)**	**202,584**

OUTTURN REPORTS

The Revenue & HRA, Capital and Treasury Management Outturn reports were submitted to the Cabinet on 25 June and to Overview & Scrutiny Committee on 126 July, 2019. These reports are available to members of the public and may be obtained from the Head of Financial Management at Bury Town Hall or by telephoning 0161-253 5034.

HOUSING

The Housing Revenue Account (HRA) on page 104 produced a surplus of **£0.432m** during the year. This was against an estimated surplus for the year of £1.704m.

COLLECTION FUND

The information shown on page 109 demonstrates that at 31st March 2019 there was a surplus balance on the Collection Fund of **£9.221m.**

ECONOMY, EFFICIENCY AND EFFECTIVENESS IN USE OF RESOURCES

The Council has a framework in place to ensure its resources are used in the most economical, efficient and effective way.

This is achieved by:

- Putting in place arrangements for the sound and fit for purpose governance;
- Understanding and using appropriate and reliable financial and non-financial performance information to support informed decision making and performance management;
- Having reliable and timely financial reporting that supports the delivery of strategic priorities;
- Managing risks effectively and maintaining a sound system of internal control;
- Planning finance effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;
- Managing and utilising assets effectively to support the delivery of strategic priorities;
- Planning, organising and developing the workforce effectively to deliver strategic priorities;
- Procuring supplies and services effectively and economically to support the delivery of strategic priorities:

CORPORATE RISKS

The Council has an embedded process to manage risks and assist the achievement of its objectives, alongside national and local performance targets. The Corporate Risk Register plays an integral role to support production of the Corporate Plan and is subject to annual review by the Audit Committee when it approves the final accounts.

Key corporate risks are detailed in the Annual Governance Statement. They include the risk that:

- The Council doesn’t agree a balanced budget;
- The Council cannot deliver the savings approved in the budget;
- Resilience and capacity of services is jeopardised by ongoing funding reductions;
- Changes to the Business Rates Retention scheme (75%) impact adversely on the Council – e.g. appeals;
- Ongoing Welfare Reforms place additional pressure on both residents and the Council;
- General pressures from school budgets and impacts upon income levels for traded services;
- Unknown implications of the Brexit referendum impact adversely upon the Council;
- The Council is unable to manage customer / resident demands and expectations in the light of funding reductions;
- The Council’s growth strategy is impeded by external influences, e.g. economic conditions;
- Population growth and age profile lead to service demands exceeding Council capacity / resources;

- Ability to maintain core functions (statutory and non-statutory) e.g. safeguarding is compromised by funding reductions;
- Health & Social Care integration does not reform services and deliver required efficiency savings;
- GM approach to devolution does not reform services and deliver required efficiency savings;

The Council currently has a number of significant projects covering a wide range of services, which can involve working in partnership with others, many of which require considerable levels of one-off and recurrent funding from the Council. Specific risks relating to partnerships and projects have been incorporated into the Annual Governance statement where appropriate.

LOOKING AHEAD

- In February 2019, the Council agreed the final year of a three year budget for 2017/18 to 2019/20 in compliance with its "Golden Rules". Total of £24m is required to be saved by both Bury Council and the CCG. It is essential that the budget continues to be monitored closely during the year to ensure that departmental savings plans are being achieved, and also that appropriate preparations are made for future years including the refresh of the Council's Medium Term Financial Strategy which will flow from a new corporate plan. Further measures to keep the budget in check that have been implemented in 2019/20 include a £1,000 per transaction procurement limit, a review of external staff resources such as consultants and contractors and a recruitment review for vacant posts - internal recruitment only with external recruitment by exception and by corporate agreement. Themed budget boards will be established to make sure that collectively the Council and CCG meets the £24m savings that are required.

- Economic conditions continue to have an adverse impact on income levels in Departments, notably Operations (parking fees) and Business, Growth and Infrastructure (property income). The risk is recognised in the assessment of the minimum level of balances and will continue to be closely monitored throughout 2019/20.

- Budgets in respect of Children's Social Care remain under pressure in the light of the increased emphasis on child protection nationally. Likewise, pressures remain in Adult Care Services in respect of an increasing elderly population and Learning Disability care packages. Controls are in place to ensure appropriate care packages are provided, and improved procurement activity ensures these are obtained at competitive rates. This situation will continue to be closely monitored during 2019/20.

- The Council faced two significant changes to the structure of Local Government Finance that took effect from April 2013 - the localisation of Council Tax Benefit and changes to the system for Business Rates. These challenges were once again addressed in setting the 2019/20 budget and monitoring / reporting arrangements were put in place to track progress through the year.

- The Council's wage bill is a concern for the Council and workforce planning is essential Details of the exit schemes that are available for application, with immediate effect, and until 31 May, 2019, was launched on 30 April, 2019. Decisions about applications will be made by 30 June, 2019. Business cases need to be provided that demonstrate the costs of departure can be met by available salary budget.

- It is considered that due to the commencement of General Data Protection Regulations (GDPR) in early 2018/19, the level of public interest and the significant level of data breach fines that information governance should remain as a significant governance issue for 2018/19. This will also facilitate the on-going review of arrangements in the first year after the implementation of GDPR. The work undertaken in 2018/19 has enabled the council to meet the GDPR requirements and an audit of the council's arrangements for GDPR is scheduled to be undertaken in 2019/20 to provide a significant level of assurance.

- The Council continues to work closely with Six Town Housing, and a joint Housing Strategic Priorities Board now oversees priorities, and ensures that effective governance arrangements are in place. In addition, regular finance meetings continue to take place between finance staff from Six Town Housing and the Council's s151 Officer.

- The Council set up a Local Authority Trading Company (LATCo) in October 2015 (Persona) to provide a number of adult social care services to the community of Bury. The services include Short Stay (Elmhurst and Spurr House), Shared Lives, Supported Accommodation (Community based), Day Services for Older People (Grundy, Pinfold), Day Services for Physical Disability (ReStart at Castle Leisure), and Day Services for Learning Disabilities (various community bases). Shareholder governance is essential in order to ensure that the Council, who is the 100% shareholder, is strategically in control of the LATCo and thereby meets the requirements of the TECKAL exemption (i.e. the need for the Council to exert control and influence over the company). However, this needs to be balanced with the need to enable the LATCo to develop as an organisation and a business. The governance arrangements include:

    - Shareholder Panel;
    - LaTCo Board;
    - Executive Management Team;
    - Stakeholder Forum;
    - Committees

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

- Health and Social Care Integration – Bury Council and Bury Clinical Commissioning Group (CCG) are working together with their partners, Pennine Care NHS Foundation Trust, Northern Care Alliance, the GP Federation, BARDOC and the Voluntary, Community and Faith Alliance (VCFA), to help people stay well for longer than is currently the case, as well as reduce variation in the quality of standards across the borough.

  How the Council plan to do this is explained in the borough's Locality Plan. This document sets out a vision to enable people to be active participants in their own wellbeing, to build thriving communities and reduce demand for statutory services. If the Council and CCG do nothing, it is forecast there will be a financial gap of £75.6m.

  The Bury One Commissioning Organisation is the joining up of Council and CCG services which plan, agree and ensure providers deliver effective health and wellbeing services for Bury. This involves teams from both the Council and CCG working together as one team on a shared vision and strategic plan for Bury. The new body will have single leadership, single staff and a single budget.

INSPECTION OF THE ACCOUNTS

In accordance with the Accounts and Audit Regulations 2015 members of the public have the right to inspect the Authority's Accounts, including supporting documents, on reasonable notice at all reasonable times. Any rights of objection, inspection and questioning of the external auditor may only be exercised within a single period of 30 working days. This year the Accounts were deposited for inspection at the Town Hall for 30 working days commencing 3 June 2019 until 12 July and the External Auditor was available for questioning from 3 June 2019. This facility was advertised in the local press and on the Bury Council website.

Insert signature

M Woodhead,
Chief Finance Officer

30 July, 2019

Town Hall,
Knowsley Street,
BURY,
BL9 0SP.

0161-253-7659

Email: mike.woodhead@nhs.net

STATEMENT OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Bury that Officer is the Chief Finance Officer.
- To manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- To approve the Statement of Accounts.

The Responsibilities of Audit Committee

Audit Committee is required:

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

The Responsibilities of Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of CIPFA's Code of Practice on Local Authority Accounting in Great Britain, is required to present **a true and fair view** of the financial position, financial performance and cash flows of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2019.

In preparing the Statement of Accounts the Chief Finance Officer has:

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

The Chief Finance Officer has also:

- Kept proper accounting records which are up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Signed the letter of representation with the External Auditor;
- Signed and dated the draft Statement of Accounts, confirming satisfaction that it presents a true and fair view of the authority's financial position at the balance sheet date, the authority's income and expenditure for the year;

- Commenced the period for the exercise of public rights with regards to the inspection of the statement of accounts;
- Notified the external auditor of the date on which that period began;
- Assessed the Authority's [and the Group's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Authority [and the Group] will continue in operational existence for the foreseeable future;
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- Reconfirmed satisfaction that the accounts present a true and fair view of the financial position at the balance sheet date and the income and expenditure for the year, upon conclusion of the public inspection period and immediately prior to approval of the audited accounts by Audit Committee.

Auditor Responsibilities

The External Auditor's Certificate and Opinion is included at page 21.

Insert signature

M Woodhead,
Chief Finance Officer

30 July, 2019

Town Hall,
Knowsley Street,
BURY,
BL9 0SP.

0161-253-7659

Email: mike.woodhead@nhs.net

Independent auditor's report to the members of Bury Metropolitan Borough Council *(to be inserted at completion of audit)*

Independent auditor's report to the members of Bury Metropolitan Borough Council *(to be inserted at completion of audit)*

Independent auditor's report to the members of Bury Metropolitan Borough Council *(to be inserted at completion of audit)*

CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/2018 Restated * Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's		2018/2019 Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
			Continuing Services			
133,107	(51,173)	81,934	Communities & Wellbeing	130,571	(56,178)	74,393
230,875	(171,165)	59,710	Children, Young People & Culture	226,765	(172,688)	54,077
31,171	(21,409)	9,762	Resources & Regulation	30,179	(21,932)	8,247
6,843	(5,063)	1,780	Business, Growth & Infrastructure	8,089	(5,543)	2,546
19,751	(7,114)	12,637	Operations	23.473	(7,600)	15,873
755	(196)	559	Art Gallery & Museum	651	(138)	513
57,959	(53,040)	4,919	Non Service Specific	50,419	(52,115)	(1,696)
13,241	(31,348)	(18,107)	Local Authority Housing (HRA)	31,515	(30,541)	974
493,702	**(340,508)**	**153,194**	**Cost Of Services**	**501,662**	**(346,735)**	**154,927**
			Other Operating Expenditure			
0	(628)	(628)	(Gain)/Loss on Disposal of Non-Current Assets	0	0	0
32,494	(36,379)	(3,885)	(Surplus)/Deficits on Trading Operations	30,284	(32,144)	(1,860)
1,532	0	1,532	Contribution of Housing Capital Receipts to Government Pool	1,305	0	1,305
26,890	0	26,890	Levies	26,497	0	26,497
60,916	**(37,007)**	**23,909**		**58,086**	**(32,144)**	**25,942**
			Financing and Investment Income and Expenditure			
7,813	0	7,813	Interest Payable & other Similar Charges	7,719	0	7,719
0	(7,248)	(7,248)	Interest and Investment Income	0	(8,136)	(8,136)
23,902	(17,410)	6,492	Pensions Interest Cost and Expected Return on Pensions Assets (IAS19)	25,281	(18,787)	6,494
31,715	**(24,658)**	**7,057**		**33,000**	**(26,923)**	**6,077**
			Taxation and Non-Specific Grant Income & Expenditure			
0	(79,719)	(79,719)	Demand On Collection Fund: Council Tax	0	(84,719)	(84,719)
0	(23)	(23)	Government Grants (not attributable to specific services)	0	(28)	(28)
1,882	(63,398)	(61,516)	Non-Domestic Rate distribution	2,248	(67,634)	(65,386)
0	(18,484)	(18,484)	Capital grants and contributions	0	(27,337)	(27,337)
1,882	**(161,626)**	**(159,742)**		**2,248**	**(179,718)**	**(177,470)**
588,215	**(563,797)**	**24,418**	**(Surplus) or Deficit On Provision of Services**	**594,996**	**(585,520)**	**9,476**
		(8,693)	(Surplus) / Deficit on revaluation of property, plant and equipment			(10,879)
		0	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			497
		(8,200)	(Surplus) / Deficit from investments in equity instruments designated at fair value through other comprehensive income			(800)
		(29,702)	Actuarial (gains) / losses on pension assets and liabilities			22,754
		16,091	Any other (gains)/ losses for the year			13,122
		(30,504)	**Other Comprehensive Income and Expenditure**			**24,694**
		(6,086)	**Total Comprehensive Income and Expenditure**			**34,170**

*Restated due to directorate reorganisation and reclassification of levies from Non-Service Specific and Operations to Other Operating Expenditure.

BALANCE SHEET AT 31ST MARCH 2019

31/3/2018		31/3/2019			
		£'000	£'000	£'000	Note
	PROPERTY, PLANT & EQUIPMENT				
233,197	Council Dwellings	236,228			
240,442	Other Land & Buildings	243,680			
3,428	Vehicles & Plant	2,542			
27,754	Infrastructure Assets	31,474			
2,523	Community Assets	2,983			
30,613	Surplus Assets	29,914			
11,040	Assets under construction	6,171	**552,992**		**12**
1,650	Intangible Assets	2,319	**2,319**		**14**
16,270	Investment Property	18,762	**18,762**		**15**
24,577	Heritage Assets	24,592	**24,592**		**13**
591,494	**TOTAL PROPERTY, PLANT & EQUIPMENT**		**598,665**	**598,665**	
	LONG TERM INVESTMENTS				
51,900	Manchester Airport PLC		52,700	**52,700**	**19**
51,900					
19,845	**LONG TERM DEBTORS**		**30,947**		**22**
	CURRENT ASSETS				
1,600	Stocks & Work in Progress	1,401			
3,044	Assets Held for Sale	3,010			**12**
44,494	Sundry Debtors & Advance Payments	45,861			**20**
8,504	Short Term Investments	7,353			
10,383	Cash And Cash Equivalents	6,827			
68,025			**64,452**		
	LESS : CURRENT LIABILITIES				
(19,913)	Short Term Loans Outstanding	(19,034)			**23**
(140)	Deposits & Clients' Funds	(177)			
(10,537)	Short Term Provisions	(7,959)			**25**
(34,584)	Sundry Creditors & Advance Receipts	(38,118)			**21**
(5)	Revenue Grants Receipts in Advance	(5)			
(65,179)			**(65,293)**		
2,846	**NET CURRENT ASSETS**			**(841)**	
666,085	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**681,471**	
	LESS: LONG TERM LIABILITIES				
(176,280)	External Loans Outstanding		(185,176)		**23**
(372)	Capital Grants Receipts in Advance		(1,171)		
(257)	Finance Lease Liabilities		(71)		**18**
(3,533)	Deferred Liabilities		(2,719)		**24**
(243,707)	Pension Liability		(285,497)		**4**
(33,064)	Long Term Provisions		(32,135)		**25**
(457,213)				**(506,769)**	
208,872	**TOTAL NET ASSETS**			**174,702**	

BALANCE SHEET AT 31ST MARCH 2019

31/3/2018		31/3/2019 £'000	£'000	£'000	Note
	FINANCED BY :				
	USABLE RESERVES				
(24,695)	Earmarked Reserves inc. schools balances		(18,359)		**30,31**
(4,918)	Capital Receipts Unapplied		(5,415)		
(11,865)	Capital Grants Unapplied		(10,904)		
(7,549)	General Fund		(7,703)		**29**
(6,538)	Housing Revenue Account		(6,970)		
(1,158)	Major Repairs Reserve		0		
(2,314)	Section 106 Commuted Sums		(2,541)		**31**
(11,651)	Other Balances / Airport		(11,651)		**31**
(70,688)				**(63,543)**	
	UNUSABLE RESERVES				
(107,257)	Revaluation Reserve		(114,731)		**32**
(237,995)	Capital Adjustment Account		(234,711)		**34**
268	Financial Instruments Adjustment Account		274		
(41,686)	Available for Sale Financial Instruments Reserve		0		
0	Financial Instruments Revaluation Reserve		(42,486)		**33**
(1,913)	Collection Fund Adjustment Account		(10,254)		**35**
4,720	Accumulated Absences		5,251		
243,707	Pension Reserve		285,497		**4**
1,971	Workforce Transformation Reserve		0		
1	Deferred Capital Receipts		1		**36**
(138,184)				**(111,159)**	
(208,872)	**TOTAL RESERVES AND BALANCES**			**(174,702)**	

MOVEMENT IN RESERVES STATEMENT

2018/19	Earmarked Reserves / General Fund Balances £000's	Housing Revenue Account £000's	Capital Receipts Unapplied £000's	Major Repairs Reserve £000's	Capital Grants Unapplied £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Authority Reserves £000's
Balance at 1st April 2018	**46,209**	**6,538**	**4,918**	**1,158**	**11,865**	**70,688**	**138,184**	**208,872**
Movement in reserves during 2018/19								
Total Comprehensive Income and Expenditure	(3,684)	(5,792)	0	0	0	**(9,476)**	(24,694)	**(34,170)**
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(2,271)	6,224	497	(1,158)	(961)	**2,331**	(2,331)	**0**
Increase or (decrease) in 2018/19	(5,955)	432	497	(1,158)	(961)	**(7,145)**	(27,025)	**(34,170)**
Balance at 31 March 2019 carried forward	**40,254**	**6,970**	**5,415**	**0**	**10,904**	**63,543**	**111,159**	**174,702**

2017/18	Earmarked Reserves / General Fund Balances £000's	Housing Revenue Account £000's	Capital Receipts Unapplied £000's	Major Repairs Reserve £000's	Capital Grants Unapplied £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Authority Reserves £000's
Balance at 1st April 2017	**49,902**	**3,569**	**4,205**	**209**	**14,247**	**72,132**	**130,654**	**202,786**
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure	(38,743)	14,325	0	0	0	**(24,418)**	30,504	**6,086**
Adjustments from income & expenditure charged under the accounting basis to the funding basis	35,050	(11,356)	713	949	(2,382)	**22,974**	(22,974)	**0**
Increase or (decrease) in 2017/18	(3,693)	2,969	713	949	(2,382)	**(1,444)**	7,530	**6,086**
Balance at 31 March 2018 carried forward	**46,209**	**6,538**	**4,918**	**1,158**	**11,865**	**70,688**	**138,184**	**208,872**

CASH FLOW STATEMENT

2017/18 restated £000's		2018/2019 £000's	£000's	£000's
	OPERATING ACTIVITIES			
	Cash Outflows:			
179,394	Cash Paid to and on behalf of Employees	179,164		
229,554	Cash Paid for Goods and Services	223,788		
30,654	Housing Benefit paid out	29,143		
3,582	Interest Paid	6,528		
1,532	Payments to Housing Capital Receipts Pool	1,305		
444,716	**Cash Outflows Generated from Operating Activities**		**439,928**	
	Cash Inflows:			
(29,689)	Rents (after Rebates)	(29,305)		
(80,457)	Council Tax Receipts (excl major preceptors share of receipts)	(85,903)		
(46,204)	NNDR Receipts (excl government and major preceptors)	(46,485)		
(30,260)	DWP Grants for Benefits	(28,792)		
(168,129)	Other Government Grants	(172,453)		
(2,435)	Interest Received	(2,495)		
(4,813)	Airport Dividend Received	(5,641)		
(84,417)	Cash Received for Goods and Services	(89,432)		
(446,404)	**Cash Inflows Generated from Operating Activities**		**(460,506)**	
(1,688)	**NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES**			**(20,578)**
	INVESTING ACTIVITIES			
15,940	Purchase of Property, Plant & Equipment		26,129	
(8,200)	Purchase of Long Term Investments		800	
5,502	Net Increase / (Decrease) in Short Term Deposits		(1,151)	
(5,402)	Proceeds of Sale of Property, Plant & Equipment		(3,558)	
(372)	Capital Grants received		(1,171)	
7,468	**NET CASH FLOWS FROM INVESTING ACTIVITIES**			**21,049**
	FINANCING ACTIVITIES			
	Repayments of amounts borrowed:			
1,120	Long Term loans repaid		59	
2,000	Short Term loans repaid		22,100	
(147)	Net Receipts from Long Term Debtors		11,102	
0	New Long Term Loans		(19,078)	
(2,000)	New Short Term Loans		(11,100)	
75	Billing Authorities – NNDR and Council Tax Adjustments		2	
1,048	**NET CASH FLOWS FROM FINANCING ACTIVITIES**			**3,085**
6,828	**NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS**			**3,556**
17,211	**Cash and Cash Equivalents at beginning of the reporting period**			**10,383**
10,383	**Cash and cash equivalents at the end of the reporting period**			**6,827**
	Cash and cash equivalents include:			
	Cash held:			
81	Imprest accounts			78
404	Schools cash advances			182
9,898	Short term deposits with banks & building societies			6,567
10,383				**6,827**

*Insert signature***M Woodhead,**
Chief Finance Officer

30 July, 2019

INDEX FOR THE NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES; GOING CONCERN; CRITICAL JUDGEMENTS; AND ACCOUNTING POLICIES ISSUED BUT NOT YET ADOPTED

GENERAL

The Statement of Accounts summarises the Council's transactions for the 2018/2019 financial year and its position at year end of 31 March 2019. The Accounts have been prepared in accordance with the Accounts and Audit Regulations 2015 and the Local Government and Housing Act 1989. They follow the principles and form recommended by the 2018 Code of Practice on Local Authority Accounting issued by CIPFA.

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

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

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

GOING CONCERN

The Accounting Code, (standard IAS 1) requires management to make an assessment of an entity's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The authority discloses that the accounts have been prepared on a going concern basis and that the Council will continue in existence for the foreseeable future.

This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

The Code is clear that transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern. However, if there are material concerns about the financial health of the authority this would be raised as part of the statutory responsibilities of the Section 151 Officer and by the external auditors as part of the accounts audit process.

The accounts have been prepared on the assumption that the Council will continue and there are no material concerns over its financial position which would impact on this conclusion.

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

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

The critical judgements made in the Statement of Accounts are:

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

- The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. Billing authorities acting as agents on behalf of the major preceptors, central government and themselves (as principal) are required to make provisions (in accordance with the requirements of the Code and legislation) for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts relating to non-domestic rates charged to businesses in 2012-13 and earlier financial years. The amount recognised as a provision should be the best estimate at the Balance Sheet date of the expenditure required to settle the present obligation. The risks and uncertainties that inevitably surround many events and circumstances should be taken into account in reaching the best estimate of a provision. Future events that may affect the amount required to settle an obligation should be reflected in the amount of a provision where there is sufficient objective evidence that they will occur. To achieve this, billing authorities may need to use estimation techniques to establish a range of possible outcomes for ratepayer appeals and the probable financial effect of these outcomes, in order to determine the amount to settle the appeals. Careful analysis of these possible outcomes, the use of judgement, together with their own expertise in making similar provisions should enable billing authorities to establish provisions based on their best estimate of the most likely outcome. Expert advice may be required for more complex or material appeals. Authorities are required to separately disclose their respective share of these provisions in accordance with the Code of Practice.

- Fair value measurements. When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow model). Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainly and risk. However, changes in assumptions could affect the fair value of the authority's assets and liabilities.

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

- Investment Properties. The investment portfolio valuation is determined using internal valuations of each of the property assets in the portfolio, which currently total 53. An assessment of the yields for each of these properties is undertaken using Valuation Office Property Market Reports, market transaction evidence or external valuations as required; and these are then used to produce multipliers and applied to the rental streams from each of the individual properties to form an overall valuation. A key source of uncertainty however is the current economic downturn, where the risk of tenants going into liquidation, administration or simply defaulting on the rent is higher than before, which has the potential to affect the value of investment properties.

- Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Authority. This judgement has been based upon the degree to which the lease transfers the risks and rewards of ownership to the Authority in accordance with IAS 17. The Authority has recognised as operating leases a number of arrangements which are recognised, in accordance with IFRIC 4, and further details are disclosed in note 18 on page 78.

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

- The pensions liability is based on assumptions relating to discount rates used, future changes in salaries, changes in retirement ages, mortality rates and expected returns on pension fund assets. We review these assumptions regularly, and for pensions annually. However, a change in estimates could have a material impact on the carrying amount of these provisions. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. See note 4, page 50 for further details.

- Depreciation of plant and other assets is charged so as to write down the value of those assets to their residual value over their respective estimated useful lives. The Authority is required to assess the useful economic lives and residual values of the assets so that depreciation is charged on a systematic basis to the current carrying amount. These are also dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The depreciation lives of our assets are disclosed on page 45.

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

- Accounting for Schools – Balance Sheet Recognition of Schools:

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

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

  In 2014/15 the Council completed a school by school assessment across the different types of schools it controls within the Borough. Letters of confirmation were received from the Diocese of Manchester, Salford Diocese, Peel Brow Foundation School, Manchester Mesivta and Bury and Whitefield Jewish Primary School that state that the schools occupy the school premises subject to the direction of the Trustees who own the land on which the schools are sited. All decisions relating to land and buildings rest with the Trustees and there has been no assignment of rights to the property. No formal documentation exists, the schools occupy the premises under a "mere" licence which has passed no interest to the school's governing body and which is terminable by the Trustees at any time. There has been no change in circumstances of these schools. As such none of the schools are included on the Council's balance sheet.

  All 35 community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet.

  Academies are not considered to be maintained schools in the Council's control. The existing schools' land and building assets are transferred to academies on conversion date on a long term lease of 125 years. The nominal value shown on the Council's Balance Sheet at year end reflects this arrangement.

  For local authority maintained schools transferring to academy status an academy conversion accounting policy is in place that sets out the critical actions that must be completed in order for

the school to transfer to an academy trust. This includes the treatment of transactions and balances of the schools being derecognised from the local authority single entity financial statements and the consideration of non-current assets.

ACCOUNTING STANDARDS ISSUED, BUT NOT YET BEEN ADOPTED

The Code of Practice on Local Council Accounting in the United Kingdom 2019/20 has introduced several changes in accounting policies which will be required from 1 April 2019. If these had been adopted for the financial year 2018/19 there would be no material changes as detailed below:

- IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This amendment to the existing standard will have no impact on the Council as it already complies.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration is a new standard that clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.
- IFRIC 23 Uncertainty over Income Tax Treatments is a new standard that provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on the group accounts.
- IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

It is anticipated that the new standards and amendments to existing standards will not have a material impact on the information provided in the financial statements.

CAPITAL RECEIPTS

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

CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts have been charged with the following to record the real cost of holding Property, Plant & Equipment during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses attributable to the clear consumption of economic benefits on tangible Property, Plant & Equipment used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- Amortisation of intangible assets attributable to the service

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

EMPLOYEE BENEFITS

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the provision of services, and then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits, and are charged on an accrual's basis to the Non Service Specific Items line in the Comprehensive Income and Expenditure Statement at the earlier or when the Authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

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

- **Teachers:**
  The Council administers a national scheme for the Department for Education (DfE) and although the scheme is unfunded the DfE uses a notional fund as the basis for calculating the employer's contribution rate paid by the Authority.
- **Other Employees:**
  Contributions are paid to the Greater Manchester Pension Fund that is administered by Tameside Council on behalf of the 10 Greater Manchester district councils. This is a contributory, career-average salary based, occupational pension scheme which is contracted out of the State Earnings Related Scheme. The contribution rate is determined by the Fund's actuary based on triennial valuations, the last of which took place in 2016/17.

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Service Specific Items;
  - Net interest on the net defined benefit liability (asset) i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and

Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means there are transfers to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but repaid at year-end. 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 earned by employees.

Details of contribution rates and amounts paid to the schemes in 2018/2019 are shown in Note 4 on page 50.

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

FAIR VALUE

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or
b) In the absence of the principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority 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.

FINANCIAL INSTRUMENTS

Financial Assets

Financial Assets e.g. investments (excluding those in companies included in the Council's group accounts) and debtors are classified into three types – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

The categorisation of financial assets into these types is dependent on the reason for holding these assets (to collect cash flows, to sell assets or achieve objectives by other means).

Financial assets are brought onto the balance sheet at fair value when the Council becomes a party to contractual provisions.

Amortised Cost

These assets relate to financial instruments where the amounts received relating to them are solely principal and interest and they are held to generate cash flows (e.g. investments of surplus cash with the government's debt management office or loans to third parties).

The interest received on these assets is spread evenly over the life of these instruments.
Any gain or loss in the value of these assets is recognised in the net surplus / deficit on the net provision of services at the point of derecognition (disposal) or reclassification.

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 (e.g. money market funds).

The interest received on these assets is spread evenly over the life of these instruments.

Changes in the fair value of these assets are charged to Other Comprehensive Income and Expenditure. Cumulative gains and losses are charged to the surplus / deficit on provision of services when they are disposed of.

Under capital accounting regulations where these assets were treated as capital expenditure the gain or loss are reversed to an unusable reserve - the Financial Instruments Revaluation.

Fair Value through Profit and 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 declared.
Charges in fair value are charged to the surplus / deficit on the net provision of services as they occur.

Under capital accounting regulations where these assets were treated as capital expenditure the gain or loss is reversed through the Movement in Reserves Statement and charged to an unusable reserve - the Capital Adjustment Account.

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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.

Credit loss

The Council will recognise a loss allowance for expected credit losses, if applicable, on assets where cash flows are solely principal and interest (i.e. financial instruments measured at amortised cost or FVOCI

unless they have been designated as such). This does not apply where the counterparty is central government or another local authority.

At each year end the loss allowance for a financial instrument is calculated as equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If at year end the credit risk has not increased significantly since initial recognition the loss allowance is measured at an amount equal to twelve month expected credit losses.

Where the financial asset was treated as capital expenditure any losses will be reversed via the Movement in Reserves Statement to the Capital Adjustment Account.

The Council has made a number of loans to individuals at less than market rates of interest (these are known as soft loans). When the loans are made the amount of interest forgone over the life of the loan is charged to the Comprehensive Income and Expenditure Statement (debited to the appropriate service line) and the outstanding principal is reduced on the Balance Sheet. This represents the present value of the interest that will be foregone over the life of the loan agreement. Statutory provisions require that the impact of the soft loans on the General Fund balance is the interest receivable in the year, so the amount of foregone interest charged is managed by a transfer from the Financial Instruments Adjustment Account to the Movement in Reserves Statement.

Embedded Derivatives

The Council has given equity mortgages and loans to individuals to assist with the purchase and improvement of properties. The repayments of these are based on a proportion of the value of the property in a number of years. This type of loan is classed as an embedded derivative as the amount of repayment is linked to future property values. When these mortgages and loans are granted, long-term debtors and deferred capital receipts are written onto the balance sheet. At the end of each financial year the long-term debtors and deferred capital receipt are adjusted in line with the change in property values.

Financial Liabilities

Financial liabilities (e.g. borrowings and creditors) are recognised when the other party has met a commitment under the contract that creates an obligation for the Council to transfer economic benefits. For instance, when the Council takes out a loan, the advance of cash from the lender initiates the obligation to repay at some future date, and the loan would be recognised as a liability on the Balance Sheet when the advance is received.

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 many of the borrowings that the Council has, this means that the amount shown in the Balance Sheet is the outstanding principal repayable plus accrued interest, and the amount charged to the Comprehensive Income and Expenditure Statement is the amount payable per the loan agreement.

For Lender Option Borrower Option (LOBO) loans the effective interest rate has been calculated over the life of the loan. This is an average and differs from the amounts actually paid in the year. The difference between the calculated interest charge and interest paid has been adjusted in the carrying amount of the loan on the balance sheet. The amount charged in the Comprehensive Income and Expenditure Statement is the effective interest rate for the life of the loan rather than the amount payable per the loan agreement.

Where the Council is in receipt of loans that are interest free or at less than prevailing market interest rates if material, the effective interest rate is calculated so that the value of the financial assistance to the Council by the lender is separated from the financial cost of the transaction. This gain is calculated by working out the net present value of all future cash payments using the interest rate for a similar loan taken by the Council. This results in a lower figure for the fair value of the loan with the difference from

the loan received treated as a government grant. This gain is reversed out in the Movement in Reserves Statement to the Financial Instruments Adjustment Account.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However if the repurchase takes place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan. In this scenario 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 (amounts paid or received on the rescheduling of a loan) have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact of premiums on the General Fund balance to be spread over the longer of the outstanding period of the replaced loan or the period of the replacement loan or any other shorter period that the Council wishes to choose. Discounts are required to be credited to revenue over a maximum period equal to the outstanding term of the replaced loan or ten years (if shorter). The difference between the amount charged to the Comprehensive Income and Expenditure Statement and the net charge against the General Fund balance is transferred to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement.

Following the HRA debt settlement there are no outstanding HRA premiums and discounts.

GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where there are no conditions attached to the grant, the grant is recognised immediately as income in the Comprehensive Income and Expenditure Statement. This applies equally to both capital and revenue grants and includes the Local Services Support Grant which is a non-ringfenced general grant.

HERITAGE ASSETS

The CIPFA Code of Practice requires that heritage assets are measured at valuation in the 2018/19 financial statements. Details can be found in Note 13 (page 74).

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

Civic Regalia

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

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

Art Gallery and Museum collections

The Art Gallery and Museum collections were revalued during 2015/16. The insurance valuation amount for the collection has been used in the Authority's accounts for the collection of pictures and objects. It emphasises the collection's financial importance to the Authority and substitutes an external valuation that in the Authority's view would not produce a figure that truly reflects the contribution to the knowledge, interest and cultural enrichment of the general public in the area.

A small addition of £15,000 was gifted to sculpture gallery in 2018/19 with no affect on the insurance valuation in place. This remains valid for the 2018/19 financial year representing the overall value of Heritage Assets recognised in the accounts for the year.

INTANGIBLE ASSETS

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

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

INTEREST

Interest for the whole Authority is seen on the face of the Comprehensive Income and Expenditure Statement and is charged to Non Service Specific Items. Interest payable on borrowing is charged on a straight-line basis over the period of the loan.

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

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

INVENTORIES AND LONG TERM CONTRACTS (to delete)

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

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

INVESTMENT PROPERTY

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

of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. They are not depreciated but are revalued annually according to market conditions at year-end. 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 in the Comprehensive Income and Expenditure Statement and result in a gain to 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 posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

INVESTMENTS

Investments are recorded in the Balance Sheet at amortised cost, apart from Manchester Airport investment which is included at Fair Value through Other Comprehensive Income

LEASING

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

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

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

The Authority as Lessee

Finance Leases:

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases:

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

The Authority as Lessor

Finance Leases:

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases:

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

LOCAL AUTHORITY SCHOOLS

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

PRIOR YEAR ADJUSTMENTS / EXCEPTIONAL ITEMS

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

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

Prior year adjustments represent those material adjustments applicable to prior years arising from changes in accounting policies or the correction of fundamental errors.

PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred in the cost of acquisition, construction and completion of qualifying assets.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for any offices that are situated close to the Council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement costs (instant build) as an estimate of current value;
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;

- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other 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 a proxy for current value.

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

Assets included in the Balance Sheet at current value, such as operational other land and buildings, non-operational surplus and held for development assets, are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. where assets are of lower value, any changes to them have minimal impact on the overall value of the Asset Register. Accordingly the Terms of Engagement have been varied to permit a "de minimis" value of less than £50,000 to be adopted. In order to check that there has not been any significant variation in value from one revaluation to the next sample testing of de minimis assets is to be undertaken.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulate gains)
- where there is a balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

Where impairment losses are identified they are accounted for by:

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment qualifying assets by the systematic allocation of their depreciable amounts over their useful lives. Qualifying assets are all operational assets that are used to or provide support to service delivery.

An exception is made for assets without a determinable finite useful life (i.e. non operational assets that are not held for investment, freehold land and most Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

	Bases	**Estimated Life**
Schools and Education Properties	Straight line	8 – 68 Years
Other Operational Properties	Straight line	10 – 99 Years
Infrastructure Assets	Straight line	25 Years
Plant & Equipment	Straight line	5 – 10 Years
Council Dwellings	Straight line	Based on component life

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

In 2018/19 the Council has applied depreciation to operational assets in accordance with IAS16 'Property, Plant and Equipment'.

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

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Service. Depreciation is not charged on Assets Held for Sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (where Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income

and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

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

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

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

PROVISIONS

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

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. 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 transferred back into the General Fund balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority. These include:

- The Revaluation Reserve (RR) is intended to record accumulated movements on revaluation of Property, Plant & Equipment. These revaluation movements were previously processed through the FARA. The RR is made up of individual credit balances resulting from upward revaluations of specific assets. It is not permissible for there to be a debit balance against any asset. A downward revaluation not covered by a previously established credit balance is processed through the Capital Adjustment Account.
- The Capital Adjustment Account (CAA) was initially constituted by transferring into it the closing balances on the former Capital Financing Account (CFA) and Fixed Asset Restatement Account (FARA). Entries to the CAA are those previously made to the CFA and FARA with the exception of

revaluation movements now processed through the RR. An overall credit balance on the CAA indicates that capital finance has been set aside at a faster rate than Property, Plant & Equipment have been consumed. An overall debit balance indicates that Property, Plant & Equipment have been consumed in advance of their financing.

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of 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 so there is no impact on the level of council tax. This was formerly described as Deferred Charges and disclosed in the Balance Sheet with Intangible Assets. There is no longer a Balance Sheet disclosure and the expenditure is amortised to revenue in the year that the expenditure is incurred, as shown in Note 14 (page 75).

REVENUE FROM CONTRACTS WITH SERVICE USERS

This revised accounting standards considers when income from contracts should be included in the accounts. In order to be classed as a contract an agreement does not have to be a written contract – it has to be approved by all parties, have identifiable rights and payment terms, have commercial substance and be probable that income will be collected.

In order to ascertain when income should be included the performance obligations in a contract have to be identified, the transaction price has to be determined, the transaction price allocated to each performance obligation and the income recognised as each performance obligation is satisfied.

Income can be included over time or at a point in time. Income will be recognised over time when service recipients are receiving and consuming a service e.g. care home provision. Any other income is likely to be recognised at a point in time.

The income for the sale of goods would be recognised immediately but dependant on the contract terms the income relating to maintenance could be recognised over the life of the contract or at the start of the contract.

It is not anticipated that this accounting standard will significantly change the current treatment of income in the Council's accounts.

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

- Not all payments to public utilities (gas, electricity etc.) have been accrued but since this is a consistent policy from one year to the next the effect on the Accounts for 2018/2019 will not be material.

Impairment allowance has been made where necessary and uncollectable amounts have been written-off.

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

SUPPORT SERVICES

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

VALUE ADDED TAX (VAT)

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

DISCLOSURE NOTES RELATING TO INCOME AND EXPENDITURE STATEMENT:

2. EXPENDITURE AND FUNDING ANALYSIS

2017/2018 Net Expenditure Chargeable to the General Fund & HRA balances £000's	2017/2018 Adjustments between the Funding & Accounting Basis £000's	2017/2018 Net Expenditure In the Comprehensive Income & Expenditure Statement £000's		2018/2019 Net Expenditure Chargeable to the General Fund & HRA balances £000's	2018/2019 Adjustments between the Funding & Accounting Basis £000's	2018/2019 Net Expenditure In the Comprehensive Income & Expenditure Statement £000's
			Continuing Services			
69,415	12,519	81,934	Communities & Wellbeing	69,460	4,933	74,393
36,445	23,265	59.710	Children, Young People & Culture	36,901	17,176	54,077
7,339	2,423	9,762	Resources & Regulation	5,733	2,514	8,247
1,223	557	1,780	Business Growth & Infrastructure	1,009	1,537	2,546
10,222	2,415	12,637	Operations	11,519	4,354	15,873
559	0	559	Art Gallery & Museum	513	0	513
4,919	0	4,919	Non Service Specific	(1696)	0	(1696)
(29,463)	11,356	(18,107)	Local Authority Housing (HRA)	(5,250)	6,224	974
100,659	**52,535**	**153,194**	**Net Cost Of Services**	**118,189**	**36,738**	**154,927**
(98,336)	**(30,440)**	**(128,776)**	Other Income and Expenditure	**(115,408)**	**(30,043)**	**(145,451)**
2,323	**22,095**	**24,418**	**(Surplus) or Deficit**	**2,781**	**6,695**	**9,476**
		10,100	Opening General Fund and HRA Balance			7,777
		2,323	Less / Plus Surplus or (deficit) on General Fund & HRA Balance in Year			(2,781)
		7,777	**Closing General Fund and HRA Balance at 31 March ***			**4,996**
			** For a split of this balance between the General Fund and HRA – see Movement in Reserves Statement*			

NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

				Adjustments Between Funding & Accounting Basis 2017/2018
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure amounts	**Adjustments for Capital Purposes £000's**	**Net Change for the Pensions Adjustments £000's**	**Other Differences £000's**	**Total Adjustments £000's**
Communities & Wellbeing	8,875	3,644		12,519
Children, Young People & Culture	15,494	8,193	(422)	23,265
Resources & Regulation	241	2,170	12	2,423

Business Growth & Infrastructure	557			557
Operations	2,415			2,415
Art Gallery & Museum	0			0
Non Service Specific	0			0
Local Authority Housing (HRA)	11,356			11,356
Net Cost Of Services	**38,938**	**14,007**	**(410)**	**52,535**
Other Income and Expenditure from the Expenditure & Funding Analysis	(33,448)	6,492	(3,484)	(30,440)
Difference between general fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	**5,490**	**20,499**	**(3,894)**	**22,095**

Adjustments Between Funding & Accounting Basis 2018/2019

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure amounts	**Adjustments for Capital Purposes**	**Net Change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	£000's	**£000's**	**£000's**	**£000's**
Communities & Wellbeing	2,389	2,544		4,933
Children, Young People & Culture	10,294	6,411	471	17,176
Resources & Regulation	333	2,122	59	2,514
Business Growth & Infrastructure	1,002	535		1,537
Operations	3,424	930		4,354
Art Gallery & Museum				
Non Service Specific				
Local Authority Housing (HRA)	6,224			6,224
Net Cost Of Services	**23,666**	**12,542**	**530**	**36,738**
Other Income and Expenditure from the Expenditure & Funding Analysis	(36,537)	6,494		(30,043)
Difference between general fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	**(12,871)**	**19,036**	**530**	**6,695**

3. TRADING SERVICES

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

2017/18 Deficit/ (Surplus) £000's		**2018/19 Gross Expenditure £000's**	**Income £000's**	**Deficit/ (Surplus) £000's**
507	Civic Halls	1,525	(961)	564
(1,150)	Markets	1,571	(2,644)	(1,073)
(585)	Property & Estates	3,134	(2,774)	360
(404)	Industrial Units	907	(1,389)	(482)
(738)	Highway Network Services	1,443	(2,111)	(668)

(190)	Architectural Practice	2,462	(2,868)	(406)
(70)	Grounds Maintenance	0	0	0
(133)	Catering	6,219	(6,041)	178
10	Cleaning of Buildings	3,455	(3,363)	92
0	Education – Fair Funding	4,842	(4,842)	0
(567)	Emergency & Security Service	894	(1,472)	(578)
(565)	Transport Services	3,832	(3,679)	153
(3,885)	**TOTAL**	**30,284**	**(32,144)**	**(1,860)**

All material trading accounts are shown above. Grounds Maintenance has not been included in 2018/19 as it is no longer deemed to be a trading service. Both 2017/18 and 2018/19 figures include adjustment for IAS19 (formerly FRS17), accumulated absence (accrued holiday pay) and impairment charges. Details of individual trading accounts are contained within the detailed revenue outturn report – copies of which are available from the Head of Financial Management at Bury Town Hall (telephone 0161-253-5034)

4. DEFINED BENEFIT PENSION SCHEMES

Teachers' Pension Scheme

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

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

The scheme has in excess of 4,900 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31st March 2019, the Authority's own contributions equate to approximately 18.02%.

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

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

Participation in Pensions Schemes

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

Defined Benefit Scheme

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

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

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

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

Discretionary Post-retirement Benefits

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

Transactions Relating to Retirement benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year: Please note post-employment benefit charged to the surplus or deficit on provision of service was previously reported as £17,957 in error.

Comprehensive Income and Expenditure Statement	**Year to**	**Year to**
Cost of Services:	**31 March 2018 Restated**	**31 March 2019**
	£000's	£000's
Current Service Cost	30,852	30,732
Past service costs including (gain) / loss from Settlements	1,689	699
Effect Of settlements	0	0
Financing and Investment Income and Expenditure	(17,410)	(18,787)
Net interest expense	23,902	25,281
Other Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**39,033**	**37,925**
Other post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		

Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(12,384)	(34,946)
Actuarial gains and losses arising in changes in demographic assumptions	0	
Actuarial gains and losses arising in changes in financial assumptions	(17,398)	57,202
Other Experience	80	498
	(29,702)	**22,754**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**9,331**	**60,679**
Movement in Reserves Statement		
Reversal of net changes made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(9,331)	(60,679)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	**18,534**	**18,889**

Pensions Assets and Liabilities Recognised in the Balance Sheet

	31 March 2018	31 March 2019
	£000's	£000's
Present value of the defined benefit obligation	(968,702)	(1,060,399)
Fair Value of plan assets	724,995	774,902
Net liability arising from defined benefit obligation	**(243,707)**	**(285,497)**

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

	31 March 2018	31 March 2019
	£000's	£000's
Opening fair value of scheme assets	698,541	724,995
Interest income	17,410	18,787
The return on plan assets, excluding the amount included in the net interest expense	12,384	34,946

Other (if applicable)		
The effect of changes in foreign exchange rates	0	0
Contribution from employer	15,820	16,213
Contributions from employees in the scheme	4,617	4,777
Contributions in respect of unfunded benefits	2,714	2676
Benefits paid	(26,491)	(27,492)
Fair Value of plan assets	**724,995**	**774,902**

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

	Year to 31 March 2018 £000's	**Year to 31 March 2019** £000's
Opening balance at 1st April 2018	951,451	968,702
Current Service cost	30,852	30,732
Effects Of Settlement	0	0
Interest cost	23,902	25,281
Contributions from scheme participants	4,617	4,777
Remeasured (gains) and losses:		
Actuarial gains / losses arising from changes in demographic assumptions	0	0
Actuarial gains / losses arising from changes in financial assumptions	(17,398)	57,202
Other experiences	80	498
Past service costs	1,689	699
Losses / (gains) on curtailment	0	0
Liabilities assumed on entity combinations	0	0
Benefits paid	(26,491)	(27,492)

Liabilities extinguished on settlements	0	0
Closing balance 31st March 2019	**968,702**	**1,060,399**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets Year to 31 March 2018 £000's	Fair value of scheme assets Year to 31 March 2019 £000's
Cash and cash equivalents	**26,518**	**19,355**
Equity instruments:		
By industry type		
Consumer	41,369	42,801
Manufacturing	49,628	44,781
Energy and utilities	39,297	43,546
Financial institutions	59,712	61,327
Health and care	18,530	22,882
Information technology	11,620	13,834
Other	7,091	8,490
Sub-total equity	**227,247**	**237,661**
Bonds:		
By sector		
Corporate	26,874	28,985
UK Government	6,282	5,103
Other	20,175	19,654
Sub-total bonds	**53,331**	**53,742**
Property		
UK Property	24,822	36,805
Overseas Property	0	0
Sub-total property	**24,822**	**36,805**
Private equity:		
All	24,261	36,291
Sub-total private equity	**24,261**	**36,291**
Investment Funds and Unit Trusts		
Equities	196,177	175,174
Bonds	94,004	96,391
Hedge Funds	0	0
Commodities	0	0
Infrastructure	18,771	37,150
Other	59,864	81,940
Sub-total investment funds and unit Trusts	**368,816**	**390,655**

Derivatives:		
Other	0	393
Total assets	**724,995**	**774,902**

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions payable in future schemes dependent on assumptions about mortality rates, salary levels etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hyman Robertson an independent firm of actuaries, estimates for the Greater Manchester Pension Fund based on the latest full valuation of the scheme as at 31st March 2019.

The significant assumptions used by the actuary have been:

Long term expected rate of return on assets in the scheme:	**31 March 2018**	**31 March 2019**
Actual returns 1st April to 31st December	4.30%	-0.01%
Total returns from 1st April to 31st March	4.30%	7.40%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.5 years	21.5 years
- Women	24.1 years	24.1 years
Longevity at 65 for future pensioners:		
- Men	23.7 years	23.7 years
- Women	26.2 years	26.2 years
Rate of inflation	2.40%	2.50%
Rate of increase in salaries	2.50%	2.60%
Rate of increase in pensions	2.40%	2.50%
Rate for discounting scheme liabilities	2.60%	2.40%

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

	Approximate % increase to Employer Liability	Approximate amount £000's
0.5% decrease in Real Discount Rate	10%	103,891
0.5% increase in the Salary Increase Rate	1%	14,334
0.5% increase in the Pension Increase Rate	8%	87,913

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate as possible. The Greater Manchester Pension Scheme has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next three years. Funding levels are monitored on an annual basis. The last valuation was completed on 31st March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions services Act 2013. Under the Act, The Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2015 (or service after 31st March 2016 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £15,672,000 expected contributions to the scheme in 2019/20.The weighted average duration of the defined benefit obligation for scheme members is 16.9 years, (16.9 years 2017/18).

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Year to 31 March 2018	**Year to 31 March 2019**
Balance 1st April	**(252,910)**	**(243,707)**
Remeasurements of the net defined benefit liability / (asset)	29,702	(22,754)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(39,033)	(37,925)

Employers pension contributions and direct payments to pensioners payable in the year	18,534	18,889
Closing Balance	**(243,707)**	**(285,497)**

Funding Valuation

The Council's share of pension fund assets is rolled forward, by the actuary, from the latest formal valuation date. The roll forward amount is then adjusted for investment returns, the effective contributions paid into and estimated benefits paid from the fund by the Council and its employees. As such this estimate may differ from the actual assets held by the Pension Fund at 31 March, 2018.

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

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

The table below shows the costs of these items:

2017/18		**2018/19**	
Total Cost £000's		**Total Cost £000's**	**Proportion of Pensionable pay %**
	Teachers		
9,193	Contribution to DfE etc.	8,898	16.14
1,351	Added years and pensions increases	1,324	2.4
0	Lump sum payments	0	
10,544		**10,222**	
	NHS employees		
59	Contribution to Superannuation Fund	49	0.06
0	Added years and pension increases	0	0
0	Lump sum payments	0	
59		**49**	

BURY PENSION GUARANTEES

The Council has pension guarantees in place for two organisations Addiction Dependency Solutions and Persona Care and Support Ltd. The guarantees identified are those which the Council has an agreement in place with GMPF. Valuations have been obtained on both an on-going and cessation basis.

We have determined that these pension guarantees meet the definition of an insurance contract in accordance with IFRS4. IFRS4 defines an insurance contract as:

A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The Council is the insurer and through the provision of the pension guarantee is accepting the risk of the admission body being unable to fund the benefits earned by its employees.

We have assessed the nature and extent of potential liabilities in respect of these guarantees and the likelihood of cash outflow is low. If any guarantee was invoked, this would be valued on an ongoing basis as the net surplus/liability would be added to the BMBC sub fund as we are a continuing employer. The overall net surplus/deficit position for guarantees valued on an ongoing basis is a net surplus position – because there is a net surplus and because the likelihood of cash outflow is considered to be remote, no liabilities have been included in the Council's financial statements at 31 March 2019.

5. EMPLOYEES IN HIGHER EARNINGS BANDS

In accordance with the Accounts and Audit Regulations 2015, Authorities are required to disclose individual remuneration details for certain employees.

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

Postholder Information (Post title and Name)	Note	Salary (including fees and allowances) £	Benefits In Kind £	Total Remuneration excluding pension contributions £	Employers Pension Contributions £	Total Remuneration Including Pension Contributions £
2018/19						
Chief Executive - G Little	1	121,070	0	**121,070**	24,819	**145,889**
Interim Chief Executive – P Jones-Greenhalgh	2	106,066	0	**106,066**	10,973	**117,039**
2017/18						
Interim Chief Executive – P Jones-Greenhalgh	3	169,759	0	**169,759**	31,807	**201,566**

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

Postholder Information (Post title and Name)	Note	Salary (including fees and allowances) £	Benefits In Kind £	Total Remuneration excluding pension contributions £	Employers Pension Contributions £	Total Remuneration Including Pension Contributions £
2018/19						
Interim Executive Director – Communities & Wellbeing		111,994	0	**111,994**	22,959	**134,953**
Executive Director – Children & Young People	4	114,816	0	**114,816**	23,537	**138,353**
Interim Executive Director - Resources & Regulation		120,318	0	**120,318**	24,665	**144,983**
Assistant Director – Legal & Democratic Services		80,171	0	**80,170**	16,113	**96,283**

Executive Director – Business, Growth & Infrastructure	5	117,725	0	**117,725**	24,134	**141,859**
Executive Director – Strategy & Transformation	6	9,898	0	**9,898**	2,029	**11,927**
2017/18						
Interim Executive Director – Communities & Wellbeing		110,968	0	**110,968**	22,748	**133,716**
Interim Executive Director – Children, Young People & Culture		107,574	0	**107,574**	22,053	**129,627**
Interim Executive Director - Resources & Regulation		115,541	0	**115,541**	23,686	**139,227**
Assistant Director – Legal & Democratic Services		78,599	0	**78,599**	16,113	**94,712**
Interim Executive Director – Business, Growth & Infrastructure	7	18,782	0	**18,782**	3,850	**22,632**

Note:

1. The postholder was appointed on 16 July, 2018 and has a full year equivalent salary of £171,813;
2. The postholder retired on 31 July, 2018;
3. The salary includes £14,603 returning officer election allowance for the GM Mayoral Election held on 5 May, 2017 and General Election held on 8 June 2017;
4. The postholder was made permanent on 26 November, 2018;
5. The postholder was made permanent on 29 January, 2019;
6. The postholder was appointed on 4 March, 2019 and the salary is for the period to 31 March, 2019;
7. The postholder was appointed on an interim basis on 29 January, 2018 and the salary is for the period to 31 March, 2018.

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

Salary Range (£)	2018/2019 Teaching Staff	2017/2018 Teaching Staff	2018/2019 Non-Teaching Staff	2017/2018 Non-Teaching Staff
50,000 to 54,999	55	58	11	10
55,000 to 59,999	37	34	13	13
60,000 to 64,999	31	29	6	6
65,000 to 69,999	18	14	2	0
70,000 to 74,999	8	7	3	2
75,000 to 79,999	3	6	0	3
80,000 to 84,999	6	3	4	1
85,000 to 89,999	2	4	1	0
90,000 to 94,999	2	0	0	0
95,000 to 99,999	0	0	1	1
100,000 to 104,999	0	0	0	0
105,000 to 109,999	0	0	0	0
110,000 to 114,999	1	0	0	0
115,000 to 119,999	0	1	0	0
120,000 to 124,999	0	0	0	0
125,000 to 129,999	0	0	0	0
130,000 to 134,999	0	0	0	0

135,000 to 139,999	0	0	0	0
140,000 to 144,999	0	0	0	0
145,000 to 149,999	0	0	0	0
150,000 to 154,999	0	0	0	0
155,000 to 159,999	0	0	0	0
TOTAL	**163**	**156**	**41**	**36**

Analysis of Teaching Staff:

The 2018 Code of Practice recommends that where the authority is not the employer, and the employee is not the employee of the authority, then for schools, typically voluntary aided and foundation schools, employee expenditure is reported separately. As such the following table has been produced to differentiate the different type of school for 2018/19. Peel Brow is the only foundation school and one member of staff is listed in the voluntary aided category.

Salary Range (£)	2018/2019 Voluntary Aided	2018/2019 Voluntary Controlled	2018/2019 Community (Bury Council)	2018/2019 Total
50,000 to 54,999	17	7	31	55
55,000 to 59,999	11	1	25	37
60,000 to 64,999	7	4	20	31
65,000 to 69,999	6	4	8	18
70,000 to 74,999	1	0	7	8
75,000 to 79,999	1	1	1	3
80,000 to 84,999	1	0	5	6
85,000 to 89,999	1	0	1	2
90,000 to 94,999	1	0	1	2
95,000 to 99,999	0	0	0	0
100,000 to 104,999	0	0	0	0
105,000 to 109,999	0	0	0	0
110,000 to 114,999	0	0	1	1
115,000 to 119,999	0	0	0	0
120,000 to 124,999	0	0	0	0
125,000 to 129,999	0	0	0	0
130,000 to 134,999	0	0	0	0
135,000 to 139,999	0	0	0	0
140,000 to 144,999	0	0	0	0
145,000 to 149,999	0	0	0	0
150,000 to 154,999	0	0	0	0
TOTAL	**46**	**17**	**100**	**163**

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

Teaching Staff

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed (VER / VES / Compromise Agreements)		Total Number of Exit packages by cost band		Total cost of exit packages in each band	
	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2018/ 2019 £000	2017/ 2018 £000
£0 - £20,000	3	2	14	13	**17**	**15**	**147**	**110**
£20,001 – £40,000	0	0	5	3	**5**	**3**	**132**	**75**
£40,001 –	0	0	1	0	**1**	**0**	**43**	**0**

£60,000								
£60,001 – £80,000	0	0	0	0	**0**	**0**	**0**	**0**
£80,001 – £100,000	0	0	0	0	**0**	**0**	**0**	**0**
£100,001 – £150,000	0	0	0	0	**0**	**0**	**0**	**0**
Total	**3**	**2**	**20**	**16**	**23**	**18**	**322**	**185**

Non-Teaching Staff

Exit package cost band (including special payments)	**Number of Compulsory Redundancies**		**Number of other departures agreed (VER / VES / Compromise Agreements)**		**Total Number of Exit packages by cost band**		**Total cost of exit packages in each band**	
	2018/ 2019	**2017/ 2018**	**2018/ 2019**	**2017/ 2018**	**2018/ 2019**	**2017/ 2018**	**2018/ 2019 £000**	**2017/ 2018 £000**
£0 - £20,000	4	2	65	61	**69**	**63**	**475**	**535**
£20,001 – £40,000	0	0	11	22	**11**	**22**	**337**	**579**
£40,001 – £60,000	0	0	1	0	**1**	**0**	**45**	**0**
£60,001 – £80,000	0	0	1	0	**1**	**0**	**30**	**0**
£80,001 – £100,000	0	0	0	0	**0**	**0**	**0**	**0**
£100,001 – £150,000	0	0	0	0	**0**	**0**	**0**	**0**
Total	**4**	**2**	**78**	**83**	**82**	**85**	**887**	**1,114**

6. TRANSACTIONS WITH RELATED PARTIES

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

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

During 2018/2019 the Council has undertaken the following transactions with related parties:

Member Interest	**Amount Paid to Organisation 2018/19 (£)**	**Amount Paid to Organisation 2017/18 (£)**
Volunteer Admin Worker with a Charity for Women from BME Communities	650	2,100
Inspector with an Independent Regulator of Health and Social Care	18,269	12,014
Director & Company Secretary of a Local Charity for Visually Impaired People	88,587	78,215
Employee of Not-for-Profit Organisation for People with Substance Misuse Related issues	228,022	228,328
Committee Member of a Sports Club	4,510	1,000

Trustee of a charity for organisations working directly with people who become homeless in England.	1,337	4,510
Spouse is employee of Bury Based Teaching Agency	84,586	72,286
Trustee of a Local Charity for Children and Young People	8,858	184
Trustees of a Community Centre that provides a meeting place for various clubs and groups	156,826	179,010
Director of a Clothing Company	253	0

Four Members of the Council are on the board of Six Town Housing, which represents 30.8% of the voting rights of Six Town Housing. The Council entered into transactions with the concern to the net value of £4,243,625.62 during 2018/19 (£3,349,297.41 in 2017/2018). This represents income to the Council of £16,530,360.33 (£16,656,827.41 in 2017/2018) and expenditure of £20,773,985.95 (£20,006,124.82 in 2017/2018), including the management fee paid to Six Town Housing of £13,058,600.04

One Member of the Council is on the board of Persona group, which represents 14.3% of the voting rights of Persona group. The Council entered into transactions with the concern to the net value of £10,447,982.62 during 2018/2019 (£10,815,139.95 in 2017/2018). This represents income to the Council of £829,540.39 in 2018/2019 (£1,380,543.57 in 2017/2018) and expenditure of £11,277,523.01 in 2018/2019 (£11,115,000.87 in 2017/2018), including the management fee paid to Persona Care & Support, of £11,154,892.92.

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

Details of transactions are recorded in the Register of Member's Interest; further information can be obtained from the Head of Financial Management at Bury Town Hall or by telephoning 0161 253 5034.

7. DISCLOSURE OF DEPLOYMENT OF DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School's Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.
Details of the deployment of DSG receivable for 2018/19 are as follows:

	Central Expenditure	**ISB**	**Total**
	£000	£000	£000
Final DSG for 2018-19 before Academy recoupment			(163,221)
Academy figure recouped for 2018/19			18,511
Total DSG after Academy recoupment for 2018/19			**(144,710)**
Central Spend Brought Forward from 2017/18			(11,103)
Less Central Spend Carry-forward to 2019-20 agreed in advance			**11,103 (i)**
Agreed Initial budgeted distribution in 2018/19	**(20,923)**	**(123,787)**	**(144,710)**
In Year Adjustments	209	0	209
Final Budgeted Distribution for 2018/19	**(20,714)**	**(123,787)**	**(144,501)**
Less Actual Central Expenditure	24,242	0	24,242
Less Actual ISB deployed to Schools	0	123,787	123,787

Plus Local Authority contribution for 2018/19	0	0	0
Carry forward to 2019/20	**3,528 (ii)**	**0**	**14,631 (=i+ii)**

N.B. £14,631m is total of £3.528m in year carry forward plus £11.103m carry forward agreed in advance.

8. BETTER CARE FUND – MEMORANDUM OF ACCOUNT

Better Care Fund – Core

The Better Care Fund (BCF) core contribution was announced as part of the June 2013 spending round. It is a single budget shared between the NHS and local government to help them work more closely to try to shift resources into social care and community settings.

Clinical Commissioning Groups (CCGs) and Local Authorities are required to pool the BCF budget and agree an integrated spending plan for how they will use their BCF allocation.

Local Health and Wellbeing Boards (HWB) have overall accountability for the local BCF core pooled budget. The 2018/19 BCF (revenue) allocation received from Bury CCG is £12.641m.

Better Care Fund – Improved Better Care Fund (IBCF)

The IBCF was first announced in the 2015 Spending Review and a further increase to IBCF was announced in the autumn 2017 budget. IBCF is paid as a direct grant to local government, with a condition that it is pooled into the local BCF plan. The 2018/19 IBCF allocation for Bury council is £5.263m.

Better Care Fund – Disabled Facilities Grant (DFG)

The disabled facilities grant is a Department for Communities and Local Government (DCLG) Grant awarded for the provision of adaptations to disabled people's homes to help them live as independently as possible. The 2018/19 DFG allocation for Bury council is £1.696m.

The 2018/19 total BCF budget hosted by Bury council is £19.601m and is analysed in Table 1 below.

Table 1

2018/19 BCF Funding Allocation	£'000
Bury CCG Contribution – Core BCF (Revenue)	12,641
Bury Council Contribution (Via a DCLG Revenue Grant)– Improved Better Care Fund	5,264
Bury Council Contribution (Via a DCLG Capital Grant)- Disabilities Facilities Grant	1,696
Total	**19,601**

The financial performance of the Better Care Fund in the year to 31st March 2019 is analysed in table 2 below.

Table 2

	Description	Budget £'000	Outturn £'000	Variance £'000
Income	BCF Core (Revenue)	(12,641)	(12,641)	0
	IBCF Grant (Revenue)	(5,264)	(5,264)	0
	DFG (Capital)	(1,696)	(1,696)	0
	Total Income	**(19,601)**	**(19,601)**	**0**
Expenditure	BCF Core (Revenue)	12,641	12,417	(224)
	IBCF Grant (Revenue)	5,264	5,264	0
	DFG (Capital)	1,696	1,696	0
	Total Expenditure	**19,601**	**19,377**	**(224)**
	Variance	**0**	**(224)**	**(224)**

Use of 2018/19 Balances:

BCF Core – (£0.224m)

The £0.224m BCF underspend has been used to offset in year pressures within the councils' Care in the Community budget which is in line with the BCF plan with regards to the protection of Social Care provision.

9. DISCLOSURE OF AUDIT COSTS

In 2018/19 the Authority incurred the following costs in relation to the audit of the Statement of Accounts:

	2018/2019 (£000)	2017/2018 (£000)
Fees payable with regard to external audit services carried out by the appointed auditor for the year	90	117
Fees payable in respect of other services provided by appointed auditor during the year relating to 2017/18 grants (2016/17 grants prior year)	0	18
Fees payable to KPMG relating to 2017/18 other services and grants	6	3
Refund of retained earnings from PSAA	0	(15)
TOTAL	**96**	**123**

10. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis provides details of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement. Decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to departments.

The income and expenditure of the Authority's principal departments recorded in the budget reports for the year and detailed on pages 11 & 12 of this document is as follows:

2018-19 Directorate Analysis	**Communities & wellbeing**	**Children, Young People & Culture**	**Resources & Regulation**	**Business Growth & Infrastructure**	**Art Gallery & Museum**	**Operations**	**NSS**	**Housing General Fund**	**Total Directorate Analysis**
Fees, charges & other Internal income	(46,532)	(1,783)	(8,202)	(9,482)	(137)	(5,631)	(3,277)	(1,102)	(76,146)
Internal Income	(1,665)	(6,755)	(25,063)	(5,648)	(1)	(7,665)	(683)	(7)	(47,487)
Interest and investment income	0	0	0	0	0	0	(21,276)	0	(21,276)
Government grants and contributions	(13,370)	(2,098)	(1,623)	(626)	(4)	(281)	(2,322)	(44,986)	(65,310)
Total income	**(61,567)**	**(10,636)**	**(34,888)**	**(15,756)**	**(142)**	**(13,577)**	**(27,558)**	**(46,095)**	**(210,219)**
Employee expenses	26,390	25,814	22,664	4,947	359	9,091	1,319	0	90,584
Other service expenses	104,852	32,350	12,550	9,865	273	18,826	16,832	44,837	240,385
Support service recharges	2,416	3,527	6,298	1,661	25	1,385	585	1,215	17,112
Total operating expenses	**133,658**	**61,691**	**41,512**	**16,473**	**657**	**29,302**	**18,736**	**46,052**	**348,081**
Surplus or deficit on the provision of services	**72,091**	**51,055**	**6,624**	**717**	**515**	**15,725**	**(8,822)**	**(43)**	**137,862**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	2018-19
	£000's
(Directorate) Analysis	**137,862**
Services and Support Services not in Analysis	3,367
Amounts not reported to management for decision making	974
Amounts not included in I & E	39,221
Sub Total - Cost of Services	**181,424**
Less Corporate Amounts	(171,948)
Total	**9,476**

2018-19 Reconciliation to Subjective Analysis	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts Not included in CIES	Operating Costs Of Service	Corporate Amounts	Total
Fees, charges & other Internal income	(76,146)	(7,190)	(30,321)	0	(113,657)	(32,144)	(145,801)
Internal Income	(47,487)	(2,998)	0	0	(50,485)	0	(50,485)
Interest and investment income	(21,276)	0	0	0	(21,276)	(8,135)	(29,411)
Government grants and contributions	(65,310)	(157,079)	(76)	(588)	(223,053)	(177,470)	(400,523)
Total income	**(210,219)**	**(167,267)**	**(30,397)**	**(588)**	**(408,471)**	**(217,749)**	**(626,220)**
Employee expenses	90,584	108,903	8,116	0	207,603	11,315	218,918
Other service expenses	190,222	54,356	7,187	39,809	291,574	15,059	306,633
Support service recharges	17,112	7,375	0	0	24,487	1,301	25,788
Depreciation, amortisation & impairment	23,666	0	16,068	0	39,734	2,608	42,342
Interest payments	0		0	0	0	14,213	14,213
Precepts & Levies	26,497	0	0	0	26,497	0	26,497
Payments to Housing Capital Receipts Poll	0	0	0	0	0	1,305	1,305
Gain or loss on disposal of Property, Plant & Equipment	0	0	0	0	0		0
					0		0
Total operating expenses	**348,081**	**170,634**	**31,371**	**39,809**	**589,895**	**45,801**	**635,696**
Surplus or deficit on the provision of services	**137,862**	**3,367**	**974**	**39,221**	**181,424**	**(171,948)**	**9,476**

2017-18 Directorate Analysis RESTATED	Communities & wellbeing	Children, Young People & Culture	Resources & Regulation	Business Growth & Infrastructure	Art Gallery & Museum	Operations	NSS	Housing General Fund	Total Directorate Analysis
Fees, charges & other Internal income	(42,961)	(1,601)	(23,004)	(9,313)	(140)	(5,496)	(2,836)	(1,787)	(87,138)
Internal Income	(2,366)	(6,579)	(12,219)	(5,547)	(1)	(9,760)	0	(7)	(36,479)
Interest and investment income	0	0	0	0	0	0	(19,957)	0	(19,957)
Government grants and contributions	(10,327)	(2,717)	(2,669)	(449)	(93)	(722)	(593)	(47,627)	(65,197)
Total income	**(55,654)**	**(10,897)**	**(37,892)**	**(15,309)**	**(234)**	**(15,978)**	**(23,386)**	**(49,421)**	**(208,771)**
Employee expenses	26,657	26,777	23,484	4,076	383	7,946	1,515	0	90,838
Other service expenses	108,188	35,235	14,278	8,777	358	18,005	3,636	48,011	236,488
Support service recharges	2,591	3,691	6,342	1,635	26	1,531	545	1,258	17,619
Total operating expenses	**137,436**	**65,703**	**44,104**	**14,488**	**767**	**27,482**	**5,696**	**49,269**	**344,945**
Surplus or deficit on the provision of services	**81,782**	**54,806**	**6,212**	**(821)**	**533**	**11,504**	**(17,690)**	**(152)**	**136,174**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	**2017-18**
	£000's
(Directorate) Analysis	**136,174**
Services and Support Services not in Analysis	4,448
Amounts not reported to management for decision making	(18,107)
Amounts not included in I & E	57,569
Sub Total - Cost of Services	**180,084**
Less Corporate Amounts	(155,666)
Total	**24,418**

2017-18 Reconciliation to Subjective Analysis	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts Not included in CIES	Operating Costs Of Service	Corporate Amounts	Total
Fees, charges & other Internal income	(87,138)	(12,302)	(31,348)	0	(130,788)	(37,008)	(167,796)
Internal Income	(36,479)	0	0	0	(36,479)	0	(36,479)
Interest and investment income	(19,957)	(1)	0	0	(19,958)	(7,248)	(27,206)
Government grants and contributions	(65,197)	(154,739)	0	(1,226)	(221,162)	(159,742)	(380,904)
Total income	**(208,771)**	**(167,042)**	**(31,348)**	**(1,226)**	**(408,387)**	**(203,998)**	**(612,385)**
Employee expenses	90,838	112,654	36	0	203,528	12,725	216,253
Other service expenses	174,866	54,566	10,166	24,059	263,657	16,624	280,281
Support service recharges	17,619	4,270	251	0	22,140	1,440	23,580
Depreciation, amortisation & impairment	28,663	0	2,788	34,736	66,187	1,706	67,893
Interest payments	6,697	0	0	0	6,697	14,305	21,002
Precepts & Levies	26,890	0	0	0	26,890	0	26,890
Payments to Housing Capital Receipts Poll	0	0	0	0	0	1,532	1,532
Gain or loss on disposal of Property, Plant & Equipment	(628)	0	0	0	(628)	0	(628)
Total operating expenses	**344,945**	**171,490**	**13,241**	**58,795**	**588,471**	**48,332**	**636,803**
Surplus or deficit on the provision of services	**136,174**	**4,448**	**(18,107)**	**57,569**	**180,084**	**(155,666)**	**24,418**

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

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

	2018/2019 £000's	2017/2018 £000's
Net expenditure in the (Directorate) Analysis	**137,862**	**136,174**
Net expenditure of services and support services not included in the Analysis	3,367	4,448
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	974	(18,107)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	39,221	57,569
Cost of Services in Comprehensive Income and Expenditure Statement	**181,424**	**180,084**

11. LEVIES

Levies at 31st March: consisted of:-	2017/18 £000's	2018/19 £000's
GM Waste Disposal Authority	19,712	7,379
GM Passenger Transport Authority	7,081	19,019
Environment Agency	97	99
TOTAL	**26,890**	**26,497**

DISCLOSURE NOTES RELATING TO BALANCE SHEET:

12. TANGIBLE PROPERTY, PLANT & EQUIPMENT

Movements in respect of tangible Property, Plant & Equipment were as follows: -

TANGIBLE PROPERTY, PLANT & EQUIPMENT - OPERATIONAL	**Council Dwellings**	**Other Land & Buildings**	**Infra-structure Assets**	**Vehicles, Plant and Eqpt**	**Community Assets**	**Total**
Certified Valuation or Cost at 1 April 2018	*240,607*	*257,821*	*54,934*	*14,713*	*2,715*	*570,790*
Additions	11,131	5,815	7,033	231	1,920	26,129
Revaluations recognised in the Revaluation Reserve	847	1,370	0	0	0	2,216

Revaluations recognised in the Surplus/Deficit on the provision of Services	2,866	(11,860)	0	0	0	(8,993)
Disposals	(2,404)	(508)	0	0	(1)	(4,642)
Reclassification (to) / from Held for Sale	0	0	0	0	0	0
Other movements - Reclassification	9,379	4,619	0	0	461	14,459
Value of assets at 31 March 2019	**262,426**	**257,257**	**61,967**	**14,944**	**5,095**	**601,689**
Accumulated depreciation and impairment at 1 April 2018	*(7,410)*	*(17,379)*	*(27,180)*	*(11,285)*	*(192)*	*(63,446)*
Depreciation - annual charge	(7,933)	(4,121)	(1,382)	(541)	0	(13,979)
Depreciation - written out to Revaluation Reserve	32	5,086	0	0	0	5,118
Depreciation - written out to the Surplus/Deficit on the Provision of Services	6	6,642	0	1,153	0	7,801
Impairments recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairments recognised in the Surplus/Deficit on the Provision of Services	(11,008)	(3,825)	(1,931)	(1,729)	(1,920)	(20,413)
Disposals	109	20	0	0	0	130
Other movements - Reclassification	6	0	0	0	0	6
At 31 March 2019	**(26,198)**	**(13,577)**	**(30,493)**	**(12,402)**	**(2,112)**	**(84,786)**
Balance Sheet Value of assets at 31 March 2019	**236,228**	**243,680**	**31,474**	**2,542**	**2,983**	**516,907**
Balance Sheet Value of assets at 1 April 2018	**233,197**	**240,442**	**27,754**	**3,428**	**2,523**	**507,344**

TANGIBLE PROPERTY, PLANT & EQUIPMENT - NON-OPERATIONAL	Surplus Assets	Surplus Assets Restated Note 15	Assets Under Construction	Total
Certified Valuation or Cost at 1 April 2018	*39,858*	*30,758*	*11,165*	*41,923*
Additions	0	0	9,581	9,581
Revaluations recognised in the Revaluation Reserve	434	434	0	434
Revaluations recognised in the Surplus/Deficit on the provision of Services	2	2	11	13
Disposals	(90)	(90)	0	(90)
Reclassification (to) / from Held for Sale	0	0	0	0
Other movements - Reclassification	(9,515)	(415)	(14,460)	(14,875)
Value of assets at 31 March 2019	**30,689**	**30,689**	**6,297**	**36,986**
Accumulated depreciation and impairment at 1 April 2018	(145)	(145)	(126)	(271)
Depreciation - annual charge	0	0	0	0
Depreciation - written out to Revaluation Reserve	0	0	0	0
Depreciation - written out to the Surplus/Deficit on the Provision of Services	0	0	0	0
Impairments recognised in the Surplus/Deficit on the Provision of Services	(630)	(630)	0	(630)
Disposals	0	0	0	0
Other movements - Reclassification	0	0	0	0
At 31 March 2019	**(775)**	**(775)**	**(126)**	**(901)**
Balance Sheet Value of assets at 31 March 2019	**29,914**	**29,914**	**6,171**	**36,085**
Balance Sheet Value of assets at 1 April 2018	**39,713**	**30,613**	**11,040**	**41,653**

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

During the year a number of schools converted to Academy status on a 125 year lease from Bury Council to the sponsors:

Shaw Education Trust: Tottington High School

Vision MultiAcademy Trust: Holy Trinity Primary, St John's Primary

Roch Valley Church of England multi academy Trust: St Thomas' Primary

Consequently, these assets are shown as disposals through a transfer of asset in year and the Carrying Amount held in Bury Council's accounts has been reduced to NIL to reflect de-recognition of service

	Council Housing Assets	Other Land & Bldgs	Vehicle Plant & Eqpt	Infrastr-ucture Assets	Commu-nity Assets	Invest ment Props	Assets under constru-ction	Surplus Assets	Heritage Assets	Assets held for Sale	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Valued at Historic Cost	-	-	2,542	31,474	2,983	0	6,171	0	660	-	**43,831**
Valued at Current / Fair Value:											
2018/19	**236,228**	**129,553**	**-**	**-**	**-**	**16,072**	**-**	**2,423**	**0**	**240**	**384,516**
2017/18	-	16,161	-	-	-	2,690	-	12,995	256	90	**32,192**
2016/17	-	2,455	-	-	-	-	-	7,948	-	1,003	**11,406**
2015/16	-	90,510	-	-	-	-	-	1,950	23,676	-	**116,136**
2014/2015 and prior	-	5,001	-	-	-	-	-	4,598	-	1,676	**11,275**
Total Tangible Property, Plant & Equipment	**236,228**	**243,680**	**2,542**	**31,474**	**2,983**	**18,762**	**6,171**	**29,914**	**24,592**	**3,010**	**599,356**

potential of these schools to the Authority. A nominal value for the land lease arrangement is in place.

More information on the basis of asset valuation and the accounting treatment for Property, Plant & Equipment may be found in the statement of accounting policies.

Valuations of Property, Plant & Equipment carried at Current Value

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

During 2018/2019 the Authority's Council Dwelling stock was re-valued to £235.4m. The figure in the table above relates to all Council Housing assets.

In accordance with IAS 16 "Property, Plant and Equipment" with adaptations for the public sector context, the Council has charged depreciation on its assets to the Comprehensive Income and Expenditure Statement regardless of the maintenance regime on the asset.

13. HERITAGE ASSETS

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

	Art Gallery and Museum Artefacts and Gifts £'000	Art Gallery and Museum Pictures £'000	Civic Regalia £'000	Total £'000
Certified Valuation or Cost at 1 April 2018	16	23,932	629	**24,577**
Additions	0	15	0	**15**
Disposals	0	0	0	**0**

Revaluations recognised in the Revaluation Reserve	0	0	0	**0**
Revaluations recognised in the Surplus/Deficit on the provision of Services	0	0	0	**0**
Reclassification	0	0	0	**0**
Value of assets at 31 March 2019	**16**	**23,947**	**629**	**24,592**
Accumulated depreciation and impairment at 1 April 2018	0	0	0	**0**
Depreciation - annual charge	0	0	0	**0**
Disposals	0	0	0	**0**
Impairments recognised in the Revaluation Reserve	0	0	0	**0**
Impairments recognised in the Surplus/Deficit on the Provision of Services	0	0	0	**0**
Other movements, reclassification	0	0	0	**0**
Depreciation and impairment at 31 March 2019	0	0	0	**0**
Balance Sheet Value of assets at 31 March 2019	**16**	**23,947**	**629**	**24,592**
Balance Sheet Value of assets at 1 April 2018	**16**	**23,932**	**629**	**24,577**

Additionally, the Authority has in its care three Historic Buildings that are classed as Heritage Assets – these carried in the accounts at a nominal value only and are named as the Radcliffe Tower in Radcliffe, The Dungeon in Tottington and Rodger Worthington's Grave in Hawkshaw.

HERITAGE ASSETS: SUMMARY OF TRANSACTIONS	**2017/2018**	**2018/2019**
	£'000	**£'000**
Cost of Acquisitions of Heritage Assets		
Art Gallery and Museum - artefacts and gifts	0	0
Art Gallery and Museum - pictures	0	0
Civic Regalia	0	0
Total Cost of Purchases	**0**	**0**
Value of Heritage Assets Acquired by Donation		
	0	15
Total Donations	**0**	**15**
Impairment of Civic Regalia Assets		
Carrying value	**0**	**0**
Proceeds	**0**	**0**

14. INTANGIBLE ASSETS

Movements in respect of intangible assets were as follows: -

	Software Licences £000's
Original cost	**10,396**
Amortisation to 1st April 2018	(8,746)
Balance at 1st April 2018	**1,650**

Purchases in year	1,074
Amortisation in year	(405)
Balance at 31st March 2019	**2,319**

15. INVESTMENT PROPERTIES

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

	2017/18 £000's	2018/19 £000's
Balance at 1st April	**9,374**	**16,270**
Disposals in year	0	(18)
Reclassification of assets	9,100	415
Net Gain (Loss) from fair value adjustment	(2,204)	2,094
Balance at 31st March	**16,270**	**18,762**

Bury Council's share of land owned at Manchester Airport was re-classified in year from Surplus Properties and included in the accounts under Investment Properties at a value of £9.515m, after an upward revaluation of £0.415m in 2018/19.

The re-classification was deemed appropriate after additional information on the Council's return and specification of the investment in the airport was obtained from the Airport and other shareholders.

Restated 2017/18 balances for Surplus assets and Investment properties are included in the Balance Sheet and applicable notes to the accounts.

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

	2017/18 £000's	2018/19 £000's
Rental Income from Investment Property	671	674
Direct operating expenses arising from investment property	(179)	(138)
Net gain / (loss)	**492**	**536**

16. CAPITAL EXPENDITURE and FINANCING

	2017/2018 £000's	2018/2019 £000's
Opening Capital Financing Requirement	**245,721**	**247,078**
Capital Investment		
Property, Plant And Equipment Additions In the Year		
Operational Assets	16,227	15,153
Non-operational Assets	9,632	16,288
Intangible Assets	466	1,397
	26,325	**32,838**
Revenue Expenditure Funded from Capital under Statute	1,146	2,510
Revenue Expenditure Funded from Capital under Statute – Equal Pay back Pay	0	0
	27,471	**35,348**
Sources of Finance		

Capital Receipts	(3,035)	(1,749)
Government Grants and other Contributions	(19,303)	(27,082)
Sums set aside from Revenue including Minimum Revenue Provision	(3,776)	(3,566)
	(26,114)	**(32,397)**
Closing Capital Financing Requirement	**247,078**	**250,029**
Explanation of movements in year		
Increase in underlying need to borrow		
- supported by Government financial assistance	0	0
- unsupported by Government financial assistance	5,133	6,517
Minimum Revenue Provision and other repayments in the year	(3,776)	(3,566)
Increase (decrease)in Capital Financing Requirement	**1,357**	**2,951**

Major capital commitments as at 31st March 2019 total £8.990m and include:

- All schools including Secondary Schools Modernisation - £1.335m
  - Corporate ICT and Planning - £0.366m
  - Highways Schemes - £4.771m
  - Housing Public Sector - £1.926m
  - Housing Development Schemes - £0.225m

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

17. OPERATING LEASES

Authority as Lessee:-

Vehicles, Plant, Furniture and Equipment - the Authority uses vehicles, plant and other equipment financed under the terms of an operating lease. The amount charged under these arrangements in 2018/2019 was £512,553 (2017/2018 £533,654).

Land and Buildings – the Authority leases numerous buildings, which have been accounted for as operating leases. The rentals payable in 2018/2019 were £1,363,187 (2017/2018 £1,354,920).

The Authority is committed to making payments of £221,700 under operating leases in 2019/2020 for Vehicles, Plant and Equipment and £1,363,599 for land and Buildings comprising the following elements:

	Land and Buildings £	**Vehicles, Plant and Equipment £**
Leases expiring in 2019/2020	0	105,958
Leases expiring between 2020/2021 and 2024/2025	278,209	115,742
Leases expiring after 2024/2025	1,085,390	0
TOTAL	**1,363,599**	**221,700**

Per IAS17, the estimate of the outstanding undischarged obligations in respect of operating leases is disclosed in the above illustration on the basis of an analysis of the commitment that the Authority has

to make payments in the succeeding financial year, categorised according to the eventual year of expiry of the leases under which the payments are to be made.

Authority as Lessor:-

The Authority acts as lessor for a number of buildings within the Borough, which are accounted for as operating leases. The rentals receivable in 2018/19 were £5,315,881.67 (2017/2018 £4,250,415.65).

The gross value of assets held for use in operating leases was £54,956,920. The assets have been valued at different stages over the last 5 years in accordance with IAS17 and are subject to depreciation ranging between 20-50% at 31 March 2019.

18. FINANCE LEASES

Authority as Lessee:

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

	31 March 2018 £000	**31 March 2019 £000**
Vehicles, Plant, Furniture and Equipment	499	89
Total	**499**	**89**

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

	31 March 2018 £000	**31 March 2019 £000**
Finance lease liabilities (net present value of minimum lease payments)	257	71
Finance costs payable in future years	2	0
Minimum lease payments	259	71

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

	Minimum Lease Payments		**Finance Lease Liabilities**	
	31 March 2018 £000	**31 March 2019 £000**	**31 March 2018 £000**	**31 March 2019 £000**
Not later than 1 year	188	24	186	22
Later than 1 year not later than 5 years	71	47	71	49
Later than 5 years	0	0	0	0
	259	**71**	**257**	**71**

	Minimum Lease Payments		**Finance Lease Liabilities**	
	31 March 2017 £000	**31 March 2018 £000**	**31 March 2017 £000**	**31 March 2018 £000**
Not later than 1 year	443	188	428	186

Later than 1 year not later than 5 years	259	71	253	71
Later than 5 years	0	0	4	0
	702	**259**	**685**	**257**

Authority as Lessor:

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

19. INVESTMENTS

Investments at 31st March: consisted of:-	**2017/18 £000's**	**2018/19 £000's**
Manchester Airport Holdings Limited	51,900	52,700
TOTAL	**51,900**	**52,700**

Manchester Airport Holdings Limited – The Council's shareholding in Manchester Airport Holdings Limited remains at 3.22% as at 31 March 2019. The asset is valued using the earning based method resulting in the asset being valued at fair value rather than historic cost, therefore requiring an annual valuation. A firm of financial experts and valuers have provided an independent valuation which includes reviewing the financial performance, stability and business assumptions of the Manchester Airport Holdings Limited. The valuation provided is based on estimations and assumptions and therefore should the Council sell its shareholding the value held in these statements may not be realised. As at 31 March 2019 the valuers advised of an increase of £0.8m in the fair value Council share from £51.9m to £52.7m which has been reflected in the financial statement.

The revaluation has been balanced by an increase in the Financial Instruments Revaluation Reserve of £0.8m – see Note 33, page 96.

20. ANALYSIS OF DEBTORS

	2017/18 £000's	**2018/19 £000's**
Central Government Bodies	10,582	10,783
Other Local Authorities	1,853	1,197
Payments in Advance	2,474	2,305
Capital Debtors	1,095	2,298
Collection Fund	12,307	12,436
Bodies External to General Government	16,183	16,842
TOTALS	**44,494**	**45,861**

21. ANALYSIS OF CREDITORS

	2017/18 £000's	**2018/19 £000's**
Central Government Bodies	2,141	2,505
Other Local Authorities	6,095	6,318
Income in Advance	8,902	7,870

Capital Creditors	2,542	2,404
Collection Fund	6,093	8,675
Bodies External to General Government	8,811	10,346
TOTALS	**34,584**	**38,118**

22. *LONG TERM DEBTORS*

Long Term Debtors as at 31st March: consisted of:-	**2017/18 £000's**	**2018/19 £000's**
Loan Accounts	12,542	23,656
Bury MBC Townside Fields	7,257	7,257
Debt Managed for Probation Services	14	13
Admin Buildings	23	12
Schools Energy Efficiency Scheme	9	9
TOTAL	**19,845**	**30,947**

23. LOANS OUTSTANDING, LONG & SHORT TERM

	2017/2018 £000's		**2018/2019 £000's**	
Analysis by loan type:				
PWLB loans:				
Bury	132,297		140,143	
Airport	558		11,828	
Market loans	63,335		44,691	
Temporary loans	0		7,545	
Local bonds	3		3	
TOTAL		**196,193**		**204,209**
Analysed by maturity period:-				
Short Term Loans Outstanding				
Within 1 year	19,913	19,913	19,034	19,034
Long Term Loans Outstanding				
1/2 years	10,000		1,000	
2/3 years	1,000		5,000	
3/4 years	5,000		3,000	
4/5 years	3,000		0	
5/6 years	0		0	
6/10 years	550		550	
10/15 years	26,000		26,000	
15+ years	130,730	176,280	149,626	185,176
TOTAL		**196,193**		**204,209**

The Airport PWLB debt at 31st March 2019 includes £0.550 million in respect of Bury's share of the debt transferred from Manchester City Council to each of the other Greater Manchester districts.

24. DEFERRED LIABILITIES

	2017/18 £000's	2018/19 £000's
Debt ex GMC - Tameside	3,031	2,331
Debt ex Probation - Trafford	14	13
Debt ex Inner City Central Station - MCC	39	30
Debt ex Airport GMMDAF	449	345
TOTAL	3,533	2,719

25. PROVISIONS

Short Term Provisions

	31st March 2018 £000's	Income £000's	Transfer to Long Term £000's	Expenditure £000's	31st March 2019 £000's
Children, Young People and Culture	(453)	(40)	199	175	(119)
Business Growth & Infrastructure	157	(163)	0	0	(6)
Operations	(26)	0	0	0	(26)
Business Rates Appeals	(10,215)	0	2,407	0	(7,808)
TOTALS	**(10,537)**	**(203)**	**2,606**	**175**	**(7,959)**

Long Term Provisions

	31st March 2018 £000's	Income £000's	Transfer from Short Term £000's	Expenditure £000's	31st March 2019 £000's
Liability Insurance	(26,044)	(2,317)	0	1,908	(26,453)
Property Insurance	(1,191)	(91)	0	0	(1,282)
Communities & Wellbeing	0	(539)	0	0	(539)
Children, Young People & Culture	(40)	0	(199)	40	(199)
Business Growth & Infrastructure	(256)	(2)	0	0	(258)
Operations	(30)	0	0	0	(30)
Workforce Transformation	(1,602)	0	0	1,602	0
Business Rates Appeals	(2,554)	(129)	(2,407)	3,138	(1,952)
Housing Revenue Account	(647)	(75)	0	0	(722)
Greater Manchester Pension Scheme	(600)	0	0	0	(600)
Other	(100)	0	0	0	(100)
TOTALS	**(33,064)**	**(3,153)**	**(2,606)**	**6,688**	**(32,135)**

The insurance provisions are used to provide cover against specific risks in order to reduce the level of external insurance premiums, whilst maintaining adequate cover. The income of £2.317m to Liability Insurance reflects the charges to departments required to adhere to the Council's policy of ensuring that the provision is adequate to meet all claims. The main movements in the expenditure of £1.908m represent payment of claims, premiums, brokerage and claims handling fees, and risk management initiatives.

The Property Insurance provisions are used to provide cover on specific risks which are not insured commercially. These risks are: fire, storm, flood and escape of water from any tank or apparatus or pipe and theft by forcible or violent entry / exit to a locked building. The income of £91,000 reflects charges to departments ensuring that the provision is adequate to meet all property claims. The expenditure represents payment of claims made by departments on the Property fund.

The main Communities & Wellbeing provision relates to premises costs where the amount outstanding has yet to be agreed with the landlord.

The Children, Young People & Culture short term provisions are partly the result of timing differences between the financial and academic years and represent amounts to be used in 2019/20. The long term provisions relate to non-ring fenced grant funding that will be used to fund one-off projects.

The Business Growth & Infrastructure provisions are mainly for the Heywood Link Commuted Sum which is payable to the East Lancashire Railway Trust when certain property leases pass from the Council to the Trust. This lease transfer could happen at any time in the future.

The Operations provisions relate to agreements under Sections 38 & 278 of the Highways Act 1980.

Changes to the Business Rates system came into force with effect from 1st April 2013 under the Localism Act whereby Local Authorities retain 50% of rates collected, and also assume responsibility for 50% of any losses due to appeals. From April 2017 Bury, along with the other Greater Manchester authorities, have piloted a 100% retention scheme under which the Council is responsible for 99% of the cost of the appeals. The process for lodging and processing appeals is beyond the control of the Local Authority, and reductions can be backdated. The Business Rates provision is to cover the backdating of appeals lodged, but not yet heard. The Council cannot be certain as to when these appeals will be settled as it is dependent on the timing of their settlement by the VOA. This provision has been determined on the assumption that current outstanding appeals will be settled in line with previous experience.

The Housing Revenue Account provision relates to a Furnished Tenancy Replacement scheme.

The Greater Manchester Pension Fund provision is to cover possible additional costs to the fund.

There are various other provisions which the Council makes from time to time including an Empty Property Purchase provision of £100,000.

26. CONTINGENT LIABILITIES

Municipal Mutual Insurance Ltd

On 30th September 1992 the Authority's then insurers, MMI Ltd., announced that they were no longer accepting new business. The Authority has 5 outstanding claims with MMI totalling £150,319 as at 31st March 2019. A "Scheme of Arrangement" has been put in place to facilitate an orderly settlement of the sums due.

On 13 November 2012 the directors of MMI triggered the Scheme of Arrangement which now means that the Authority may be required to repay £2,112,652 in respect of claims previously settled. However, the scheme provides that following the occurrence of a Trigger Event a levy may be imposed on all those creditors that have been paid in respect of established scheme liabilities. On 1 January, 2014 a rate of 15% was set by Ernst & Young, the Scheme's administrators, for which a provision of £300,000 was made in the Council's accounts in that year and an amount of £303,158.90 was paid in 2014/15 in respect of this. A further Levy Notice was issued on 1 April 2016 stating that the levy should now be set at 25%, an increase of 10%. As at 31 March 2019 this equates to £528,163 of the £2m that would have to be paid. In 2015/16 this authority, in line with the other Greater Manchester

authorities, increased the provision in its accounts for the increase in the amount of the levy, in Bury's case £200,000.

As such the amended amount that the authority may be required to repay is £1,584,489 (i.e. £2,112,652 less £528,163 levy) in respect of claims previously settled.

Six Town Housing (Arm's Length Management Organisation)

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

NNDR Appeals

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

Greater Manchester Housing Investment Fund

The Greater Manchester Devolution Agreement provided for a Housing Investment Fund of £300m over ten years, to be invested in the form of recoverable loans and equity into property investments to deliver the growth ambitions of Greater Manchester (GM).

The Fund was set-up on 1 April 2015 and was administered by Manchester City Council as accountable body and provided the opportunity to invest in locally prioritised schemes and give the flexibility required to stimulate the market, accelerate growth and increase housing supply.

The Housing Investment Fund has now transferred to Greater Manchester Combined Authority and Councils have been released from their obligations under the existing deed of indemnity.

27. TRUST FUNDS

The Council acts as a custodian trustee for 23 trust funds including as one of several trustees for two of those funds. As a custodian trustee the Council holds the property but takes no decisions on its use. In neither case do the funds represent the assets of the Council and therefore have not been included in the Balance Sheet. Total trust fund balance as at 31 March, 2019 is £812,155.60 (£811,506.94 17/18). For further information please contact Andrew Baldwin, Head of Financial Management at Bury Town Hall (telephone 0161 253-5034).

28. FINANCIAL INSTRUMENTS

Types of Financial Instruments

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

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 cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost

- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FV-OIC).

The authority's business model is to hold investments to collect contractual cash flows. 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).

	Non-Current				Current				Total
	Investments		Debtors		Investments		Debtors		
	31st March 2018 £000s	31st March 2019 £000s	31st March 2018 £000s	31st March 2019 £000s	31st March 2018 £000s	31st March 2019 £000s	31st March 2018 £000s	31st March 2019 £000s	31st March 2019 £000s
Amortised Cost									
Principal	0	0	19,845	30,946	8,500	7,351	352	350	38,647
Investment Accrued Interest	0	0	0	0	4	2	0	0	0
Cash & Cash Equivalents (CCE)	0	0	0	0	10,354	6,818	0	0	6,818
CCE Accrued Interest	0	0	0	0	29	9	0	0	9
Amortised Cost Total	0	0	19,845	30,946	18,858	14,171	352	350	45,467
Fair Value through other comprehensive income - designated equity instruments	0	0	0	0	0	0	0	0	0
Fair Value through other comprehensive income - other	51,900	52,700	0	0	0	0	0	0	52,700
Total Financial Assets	0	0	0	0	0	0	0	0	0
Non - Financial Assets	0	0	0	0	0	0	44,142	45,511	0
Total	**51,900**	**52,700**	**19,845**	**30,946**	**18,858**	**14,171**	**44,494**	**45,861**	**98,167**

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority 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 (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate the exactly discounts estimated cash payments over the life of the instrument to the amount at which it as originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

	Non-Current		Current				Total
	Borrowings		Borrowings		Creditors		
	31st March 2018 £000s	31st March 2019 £000s	31st March 2018 £000s	31st March 2019 £000s	31st March 2018 £000s	31st March 2019 £000s	31st March 2019 £000s
Amortised Cost							
Principal	176,006	184,904	18,503	17,680	262	2	202,586
Loans Accrued Interest	0	0	1,410	1,353	0	0	1,353
Market Loans Effective Interest Rate Adjustment	274	272	0	0	0	0	272
PFI, Finance lease and transferred debt	3,790	2,790	0	0	0	0	2,790
Total Financial Assets	180,070	187,966	19,913	19,034	262	2	207,001
Non - Financial Assets	0	0	0	0	34,322	38,110	0
Total	**180,070**	**187,966**	**19,913**	**19,034**	**34,584**	**38,112**	**207,001**

Reclassification of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting.

	Carrying amount brought forward at 1 April 2018 £000s	New Classifications at 1 April 2018		
		Amortised Cost £000s	Fair Value through Other Comprehensive Income £000s	Fair value through Profit and Loss £000s
Previous Classifications				
Loans and receivables	83,197	83,197	0	0
Available for Sale	51,900	0	51,900	0
Reclassified amounts at 1 April 2018	**135,097**	**83,197**	**51,900**	**0**

Effect of Asset Reclassification and Remeasurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet.

New Classifications at 1 April 2018

	Amortised Cost £000s	Fair Value through Other Comprehensive Income £000s	Fair value through Profit and Loss £000s	Non - financial instrument balances £000s	Total Balance Sheet carrying amount £000s

Remeasured carrying amounts at 1 April 2018	83,197	51,900	0	0	135,097
Reclassified amounts:					
Non - current investments	0	51,900	0	0	51,900
Long term debtors	19,845	0	0	0	19,845
Current investments	18,858	0	0	0	18,858
Current debtors	352	0	0	44,142	44,494
Reclassified amounts at 1 April 2018	**39,055**	**51,900**	**0**	**44,142**	**135,097**

Application of classification requirements at 1 April 2018

The following judgements were made in reclassifying financial instruments at 1 April 2018:-

Designated to Fair Value through other comprehensive income (FVOCI).

The Council has a 3.22% shareholding in Manchester Airport Holdings Limited and up to 31 March 2018 the shareholding was held as an "Available for Sale Financial Asset" and measured at fair value each year. Any change in fair value is posted to Other Comprehensive Income and Expenditure and accumulated gains and losses have been held in an Available for Sale Financial Instruments Reserve.

With the adoption of accounting standard IFRS 9 Financial Instruments, the "Available for Sale Financial Asset" category is no longer available. The new standard requires that investments in equity be classified as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through other comprehensive income. The investment in Manchester Airport Holdings Limited is an equity instrument and as such, the default valuation method is any gains and losses on changes in fair value would be recognised through profit and loss.

The Manchester Airport Holdings Limited shareholding is a strategic investment and not held for trading and therefore the Council has opted to designate it as fair value through other comprehensive income. This means that there is no impact on the revenue budget and the decision to designate to fair value through other comprehensive income is irrevocable. Any gains or losses on the revaluation of the shareholding will therefore be transferred to a Financial Instruments Revaluation Reserve.

Investments in equity instruments designated at fair value through other comprehensive income

With the introduction of IFRS 9 the authority has designated the following equity at 31 March 2019 as fair value through other comprehensive income:-

Description	**Nominal** **£000s**	**Fair Value** **£000s**	**Change in fair value during 2018/19** **£000s**	**Dividend 2018/19** **£000s**
Manchester Airport	10,214	52,700	800	5,635

Items of income, expense, gains or losses

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

	2017/2018			**2018/2019**		
	Surplus or Deficit on the provision of services £000s	**Other Comprehensive Income & Expenditure £000s**	**Total £000s**	**Surplus or Deficit on the provision of services £000s**	**Other Comprehensive Income & Expenditure £000s**	**Total £000s**

Net gains / losses on:						
Financial Assets measured at fair value through other comprehensive income	0	8,200	8,200	0	800	800
Total net gains / (losses)	**0**	**8,200**	8,200	**0**	**800**	800
Interest income:						
Financial Assets measured at amortised cost	7,212	0	7,212	8,136	0	8,136
Other Financial Assets measured at fair value through other comprehensive income	0	0		0	0	0
Total interest income	**7,212**	**0**		**8,136**	**0**	**8,136**
Interest expense	**(7,813)**	**0**	**(7,813)**	**(7,919)**	**0**	**(7,919)**

Fair Value of Financial Assets

Some of the authority's financial assets are measured in the balance sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	**As at 31/3/2018 Fair Value £000s**	**As at 31/3/2019 Fair Value £000s**
Fair Value through other Comprehensive Income				
Manchester Airport	Level 3	Earnings Based	51,900	52,700
Total			**51,900**	**52,700**

The Council owns a 3.22% share in Manchester Airport Holdings Limited. The shares in this company are not traded in an active market and fair value of £52,700,000 has been based on valuation techniques that are observable for the asset on an open market value basis. The valuation has been made using annual audited accounts for 2015/16, 2016/17 and 2017/18 along with interim 6 month reports for the period ending 30 September 2019.

The earnings based method (EBITA) has been used based on data for comparable quoted companies operating in the same sector. These shares are subject to an annual valuation. In 2018/19 this has seen an increase in value of £0.8m.

There were no transfers between input levels during the financial year 2018/18.

There has been no change in valuation technique used during the year for the financial instruments.

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the PWLB payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

The fair values are calculated as follows:

	31st March 2018		**31st March 2019**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000s	**£000s**	**£000s**	**£000s**
PWLB Loans	132,855	173,185	151,971	196,423
LOBO/Market Loans	61,327	85,692	44,691	69,869
Temporary Loans	2,000	2,011	7,545	7,549
Local Bonds	3	3	3	3
Financial liabilities	**196,185**	**260,891**	**204,209**	**273,844**

The fair value of the liabilities is **greater** than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is **higher** than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £196,423m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

	31st March 2018		**31st March 2019**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000s	**£000s**	**£000s**	**£000s**
Cash & cash equivalents	10,383	11,374	6,827	6,847
Short Term Investments	8,504	8,504	7,353	7,354
Short Term Debtors	352	352	350	350
Long Term Debtors	19,845	19,845	30,946	30,946
Financial assets	**39,084**	**40,075**	**45,476**	**45,497**

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

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

31st March 2019 Recurring fair value measurements using:	Other significant observable inputs (Level 2) £000
Financial liabilities Financial liabilities held at amortised cost:	
PWLB Non- PWLB Short term debt	140,900 44,275 19,034
PFI and finance lease liability	2,790
Total	**206,999**
Financial assets Financial assets held at amortised cost	14,180
Total	**14,180**

31st March 2018 Recurring fair value measurements using:	Other significant observable inputs (Level 2) £000
Financial liabilities Financial liabilities held at amortised cost:	
PWLB Non- PWLB Short term debt	132,003 44,277 19,913
PFI and finance lease liability	3,790
Total	**199,983**
Financial assets Financial assets held at amortised cost	18,858
Total	**18,858**

Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk** the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Re-financing risk** the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall procedures for managing risk

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution.

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies, forming the core element. However it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap spreads to give early warning of likely changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2018/19 was approved by Council on 21/02/19 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with individual credit limits being set in accordance with parameters set by the Council.

The council has a total of £14.760m deposited with a number of financial institutions as 31 March 2019. The Council's maximum exposure to credit risk in relation to this amount cannot be assed general as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses

We have assessed the Council's investments (all short term) and concluded that the expected credit loss is not material therefore no allowances have been made.

	Amounts at 31 March 2019	**Historical experience of default**	**Historical experience adjusted for market conditions as at 31 March 2019**	**Estimated maximum exposure to default and uncollectability**
	£000s	**%**	**%**	**£000s**
Deposits with banks and other financial institutions	14,530	0.00%	0.00%	0
Bonds and other securities	0	0.00%	0.00%	0
Sundry Debtors	45,861	0.65%	0.65%	300
Total	**60,391**			**300**

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Debtors

Of the total Sundry Debtors of £45.861m a main risk of losses relates to system debtors of £12.000m. The Council does not generally allow credit for customers, such that **£11.485m** of the **£12.243m**

balance on the debtors system is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2019
	£000s
Less than three months	5,297
Three to four months	393
Four months to one year	1,794
More than one year	4,001
Total	**11,485**

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31st March 2018 £000s	31st March 2019 £000s
Less than 1 year	63,381	60,040
Between 2 and 3 years	0	0
Between 1 and 2 years	0	0
More than 3 years	71,745	83,646
Total	**135,126**	**143,686**

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:-

	31st March 2018 £000s	31st March 2019 £000s
Less than 1 year	19,913	19,034

1 -2 years	10,000	1,000
2 - 5 years	9,000	8,000
5 - 10 years	550	550
More than 10 years	156,730	175,626
Total	**196,193**	**204,209**

Of the £39m of Lender Option Borrower Option (LOBO) loans, £1m matures in less than 5 years time, whilst the remaining loans mature in more than 10 years (the average maturity time being 47 years).

The LOBO loans could potentially be called by the lender in the next financial year, however it is not anticipated that any of these will be called and require payment.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2019, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	69
Increase in interest receivable on variable rate investments	(178)
Impact on Surplus or Deficit on the Provision of Services	**(109)**
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	**0**
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	42,071

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £52.7m in local industry. Whilst these holding are generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

The shares have all been designated as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £2.635m gain or loss being recognised in the Financial Instruments Revaluation Reserve.

Foreign Exchange Risk

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

DISCLOSURE NOTES RELATING TO MOVEMENT IN RESERVES STATEMENT:

29. GENERAL FUND BALANCE

	General Fund £000's
Balance at 31st March 2018	**(7,549)**
(Surplus)/Deficit for the Year	2,657
Planned Contribution to General Fund	(2,811)
Balance at 31st March 2019	**(7,703)**

30. SCHOOLS BALANCES (included within Earmarked Reserves – see below)

	DSG Schools Budget £000's
Balance at 31st March 2018	**6,310**
(Surplus)/Deficit for the Year	3,367
Balance at 31st March 2019	**9,677**

31. EARMARKED RESERVES

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

	Balance at 31st March 2018 £000's	Transfers out 2018/19 £000's	Transfers in 2018/19 £000's	Balance at 31st March 2019 £000's

ABG Top Slice	**454**	0	0	**454**
Airport Shares	**949**	0	0	**949**
Arts & Libraries	**0**	(4)	66	**62**
BCCI Reserve	**127**	0	0	**127**
Business Growth & Infrastructure	**650**	(55)	246	**841**
Children, Young People and Culture	**421**	(332)	275	**364**
Communities and Wellbeing	**8,992**	(4,106)	1,191	**6,077**
Education (Schools) Fire	**131**	0	0	**131**
GM Connexions Partnership	**1,408**	0	0	**1,408**
GMWDA Levy Equalisation	**968**	0	6	**974**
Leisure	**236**	(43)	6	**199**
NNDR Appeals	**4,331**	(83)	1,570	**5,818**
Operations	**325**	0	66	**391**
Performance Reward	**3,931**	0	0	**3,931**
Resources and Regulation	**3,808**	(573)	574	**3,809**
School Catering Reserve	**558**	(193)	54	**419**
Transformation Reserve	**1,973**	(1,309)	105	**769**
Workforce Modernisation Reserve	**1,743**	(430)	0	**1,313**
	31,005	**(7,128)**	**4,159**	**28,036**
Schools Balances	**(6,310)**	(3,367)	0	**(9,677)**
	24,695	**(10,495)**	**4,159**	**18,359**
Section 106 Commuted Sums	**2,314**	(235)	462	**2,541**
Other Balances / Airport	**11,651**	0	0	**11,651**
TOTALS	**38,660**	**(10,730)**	**4,621**	**32,551**

The reserves are held for the following purposes:

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

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

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

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

Business Growth & Infrastructure
These reserves relate to property and planning and include the Energy Conservation Reserve of £295,000 which operates on a payback process where initial investment in energy conservation is funded from the reserve, while contributions are made to the reserve by services over an agreed payback period

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

Communities and Wellbeing
The main Communities and Wellbeing Reserves relate to adult care grants and other external funds received that have not yet been spent. These include Public Health Reserve of £723,000, Supporting People Reserve of £1,321,000 and Troubled Families Reserve of £1,006,000.

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

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

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

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

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

Operations
These reserves relate to engineering and traffic and include a Flood Defence Reserve of £186,000.

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

Resources and Regulation
These reserves mainly relate to grants received that have not yet been spent.

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

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

Workforce Modernisation Reserve
This reserve is to fund future costs associated with workforce modernisation.

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

Other Balances / Airport
Other balances used to finance our assets include our 3.22% shareholding in Manchester Airport (£10m).

32. REVALUATION RESERVE

The reserve will be credited with amounts resulting from acquisition and enhancement and upward revaluation in the year and written down with downward revaluations, depreciation and impairment losses and disposals or decommissioning of Property, Plant & Equipment.

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

2017/2018 £000's	2018/2019 £000's

108,100	**Balance at 1st April**	**107,257**
8,693	Upward revaluations in year	10,879
(7,952)	Downward revaluations in the year not charged to (Surplus) / deficit on the Provision of Services	(2,238)
741	**(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**8,641**
(502)	Difference between Fair value depreciation and historical cost depreciation	(576)
(0)	Impairment Losses	(497)
(1,082)	Disposal of Property, Plant & Equipment	(94)
(1,584)	**Amount written off to Capital Adjustment Account**	**(1,167)**
107,257	**Balance at 31st March**	**114,731**

33. FINANCIAL INSTRUMENTS REVALUATION RESERVE

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:-

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

2017/18 £000s		2018/19 £000s
-	**Balance at 1st April**	-
-	Transfer from Available for Sale Financial Instrument Account	41,686
-	Revaluation of Shareholding in Manchester Airport	800
-	**Balance at 31st March**	**42,486**

34. CAPITAL ADJUSTMENT ACCOUNT

The balance will be increased by the future capital resources set-aside and written down with amounts representing the consumption of Property, Plant & Equipment and the disposal or de-commissioning of assets that held revaluation gains up to 31st March 2007. The balance on this account does not represent cash and is not available to spend.

2017/18 £000's		2018/19 £000's
245,815	**Balance at 1st April**	**237,995**
(27,307)	Depreciation and Impairment Losses	(40,039)
(4,703)	Revaluation losses on Property, Plant and Equipment	(3,350)
(300)	Amortisation of Intangible Assets	(405)

(1,146)	Revenue expenditure funded from capital under statute	(2,511)
0	Housing Revenue expenditure funded from capital under statute	0
(554)	Disposal of Property, Plant & Equipment	(2,830)
104	Restatement of Value	13,455
(1)	Other	(1)
211,908	**Net written out amount of the cost of non-current assets consumed in the year**	**202,314**
3,035	Capital receipts applied to capital investment	1,749
6,945	Movement on MRR	9,091
0	Grants applied to capital investment credited to I&E	0
11,860	Grants applied to capital investment from the Capital Grants Unapplied Account	15,949
3,749	Statutory provision for the financing of capital investment charged against General Fund and HRA balances	3,566
498	Revenue resources applied to capital investment	2,042
26,087		**32,397**
237,995	**Balance at 31st March**	**234,711**

35. COLLECTION FUND ADJUSTMENT ACCOUNT

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

2017/18 £000's		2018/19 £000's
(3,140)	**Balance at 1st April**	**(1,913)**
1,227	Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory regulations.	(8,341)
(1,913)	**TOTAL**	**(10,254)**

36. DEFERRED CAPITAL RECEIPTS

The figures shown in the balance sheet (page 27) represent receipts due from the sale of council houses and other dwellings where the Council has entered into a mortgage agreement and the receipt will therefore be realised over a number of years.

37 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustment to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
• Pension costs (transferred to (or from) the Pensions Reserve)	(19,036)				
• Financial Instruments (transferred to the Financial Instruments Adjustment Account)	1	(7)			
• Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)	8,341				
• Holiday pay (transferred to the Accumulated Absences Reserve)	(531)				
• Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	1,971				
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	8,513	(14,150)			(17,029)
Total Adjustments to Revenue Resources	**(741)**	**(14,157)**	**0**	**0**	**(17,029)**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	627		(3,551)		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)					
Payments to the Government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,305)		1,305		
Posting of HRA resources from revenue to the Major Repairs Reserve		7,933		(7,933)	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	3,566				
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	124				
Total Adjustments between Revenue and Capital Resources	**3,012**	**7,933**	**(2,246)**	**(7,933)**	**0**

Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure			1,749		
Use of the Major Repairs Reserve to finance capital expenditure				9,091	
Application of capital grants to finance capital expenditure					17,990
Cash payments in relation to deferred capital receipts					
Total Adjustments to Capital Resources	**0**	**0**	**1,749**	**9,091**	**17,990**
Total Adjustments	**2,271**	**(6,224)**	**(497)**	**1,158**	**961**

DISCLOSURE NOTES RELATING TO CASH FLOW STATEMENT:

38. RECONCILIATION OF CASHFLOW TO COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2017/18			**2018/19**
£000's		**£000's**	**£000's**
24,418	**(SURPLUS) /DEFICIT FOR THE YEAR ON PROVISION OF SERVICES**		**9,476**
	Non Cash Movements in I & E Statement:		
(24,258)	Provision for Depreciation & Impairment of Property, Plant & Equipment	(30,452)	
(9,628)	Other Provisions	(3,507)	
3,749	Minimum Revenue Provision	3,566	
(3,320)	Contributions from / (to) Revenue Reserves	7,145	
(6,867)	Other General Fund Items	977	
5,632	Other non-cash Movements	(6,987)	
(34,692)			**(29,258)**
	Movements in Current Assets and Liabilities:		
136	Increase / (Decrease) in Stock	(199)	
(2,176)	Increase / (Decrease) in Revenue Debtors	1,366	
93	(Increase) / Decrease in Revenue Grants Received in Advance	0	
6,867	(Increase) / Decrease in Revenue Creditors & Advance Receipts	(3,571)	
4,920			**(2,404)**
	Items shown elsewhere in the Cash Flow Statement:		
(3,582)	Interest Paid	(6,528)	
2,435	Interest Received	2,495	
4,813	Dividend Income	5,641	
3,666			**1,608**
(1,688)	**NET CASH INFLOW FROM REVENUE ACTIVITIES**		**(20,578)**

39. ANALYSIS OF NET DEBT

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

	31st March 2018 £000's	Receipts £000's	Payments £000's	Other Movements £000's	31st March 2019 £000's
Cash & Cash Equivalents	**10,383**	0	(3,556)	0	**6,827**
Debt Due Beyond One Year	**(176,280)**	(19,078)	4	10,178	**(185,176)**
Debt Due Within One Year	**(19,913)**	(11,100)	22,100	(10,121)	**(19,034)**
Long Term Debtors	**19,845**	0	11,102	0	**30,947**
Current Asset Investments	**8,504**	0	(1,151)	0	**7,353**
TOTALS	**(157,461)**	**(30,178)**	**28,499**	**57**	**(159,083)**

40. RECONCILIATION OF NET DEBT

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

2017/2018 £000's		2018/2019 £000's
(6,828)	**(Increase)/ Decrease in Cash Overdrawn in the Year to 31st March**	(3,556)
1,048	(Increase)/Decrease in Debt	3,085
5,502	Increase/(Decrease) in Investments	(1,151)
(278)	**Change in Net Debt**	**(1,622)**
(164,440)	Net Debt at 1st April	(157,461)
(164,718)	Net Debt at 31st March	(159,083)
(278)	**Movement in Net Debt**	**(1,622)**

41. ANALYSIS OF GOVERNMENT GRANTS

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

2017/2018 £000's		2018/2019 £000's
30,260	Housing Benefits	28,792
1,025	Children's Social Care	874
155,213	Education Grants	157,487
6,879	Adult Care Services	8,932
19	Probation	18
4,993	Other Grants	5,142
198,389	**TOTAL**	**201,245**

42. MOVEMENT IN CASH

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

	31st March 2018 £000's	31st March 2019 £000's	Movement £000's
Cash and Cash Equivalents	10,383	6,827	3,556
TOTALS	**10,383**	**6,827**	**3,556**

43. RECONCILIATION OF LIABILITES ARISING FROM FINANCING ACTIVITIES

	31st March 2018	Financing Cash Flows	Non Cash Changes		31st March 2019
			Acquisition	Other	
	£000's	£000's	£000's	£000's	£000's
Long Term Borrowings	**(176,280)**	(19,074)	0	10,178	**(185,176)**
Short Term Borrowings	**(19,913)**	(11,100)	0	11,979	**(19,034)**
Lease Liabilities	**(257)**	23	0	0	**(71)**
On balance sheet PFI Liabilities	**0**	0	0	0	**0**
TOTALS	**(196,450)**	**(30,151)**	**0**	**22,320**	**(204,281)**

	31st March 2017	Financing Cash Flows	Non Cash Changes		31st March 2018
			Acquisition	Other	
	£000's	£000's	£000's	£000's	£000's
Long Term Borrowings	**(192,785)**	1,172	0	15,333	**(176,280)**
Short Term Borrowings	**(4,603)**	0	0	(15,310)	**(19,913)**
Lease Liabilities	**(685)**	443	0	(15)	**(257)**
On balance sheet PFI Liabilities	**0**	0	0	0	**0**
TOTALS	**(198,073)**	**1,615**	**0**	**8**	**(196,450)**

44. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Interim Director of Resources and Regulation on 31 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

HOUSING REVENUE ACCOUNT

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT

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

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

2017/2018 £000's		2018/2019 £000's	Note
	Income		
(29,491)	Dwelling Rents (gross)	(29,107)	
(198)	Non-Dwelling Rents	(198)	
(993)	Charges for Services and Facilities	(1,016)	
(44)	Contributions towards expenditure	(75)	
(30,726)	**Total Income**	**(30,396)**	
	Expenditure		
6,405	Repairs and Maintenance	6,866	
8,104	Supervision and Management	8,116	
77	Rents, Rates, taxes & other charges	(77)	
15,264	Depreciation and Impairment of Property, Plant & Equipment	18,941	**5,6**
(17,573)	Revaluation (gains) / losses on non-current assets	(2,873)	
38	Debt management costs	39	
304	Increased Provision for Bad & Doubtful Debts	358	**8**
12,619	**Total Expenditure**	**31,370**	
(18,107)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**	**974**	
0	HRA services share of Corporate and Democratic Core	400	
(18,107)	**Net Cost of HRA Services**	**1,374**	
	HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:		
(628)	(Gain) or loss on sale of HRA non-current assets	0	
4,436	Interest payable and other similar charges	4,481	
(26)	Interest and investment income	(63)	
(14,325)	**(Surplus) or Deficit for the year on HRA Services**	**5,792**	

Movement on the HRA Statement

2017/2018 £000's		2018/2019 £000's
(3,569)	**Balance on the HRA at the end of the previous year**	**(6,538)**
(14,325)	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	5,792
11,356	Adjustments between accounting basis and funding basis under regulations	(6,224)
(2,969)	**Net (increase) or decrease before transfers to or from reserves**	**(432)**
0	Transfers (to) or from reserves	0
(2,969)	**(Increase) or decrease in year on the HRA**	**(432)**
(6,538)	**Balance on the HRA at the end of the current year**	**(6,970)**

Note to the Movement on the HRA Statement

2017/2018 £000's		2018/2019 £000's	Note
	Adjustments between accounting basis and funding basis under regulations		
	Items Included in the HRA I&E Account but Excluded from the Movement on the HRA Balance		
(11)	Difference between amounts charged to the Income and Expenditure Statement for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	(7)	
628	Gain or loss on sale of HRA Property, Plant & Equipment	0	
(7,414)	Depreciation of non-current HRA assets	(7,933)	
17,573	Revaluation gains /losses on HRA assets	2,873	
(7,371)	Impairment Adjustment	(11,008)	
3,405		**(16,075)**	
	Items Not Included in the HRS I&E Account but Included in the Movement on the HRA Balance		
7,414	Transfer to / (from) Major Repairs Reserve	7,933	
537	Capital Expenditure Funded by the HRA	1,918	
7,951		**9,851**	
11,356	**Net Additional Amount Required by Statute to be Debited / (Credited) to the HRA Balance for the Year**	**6,224**	

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

In preparing the HRA budget, the Council needs to estimate the total level of income it can raise from rents. In doing so it takes account of current rental income, any likely changes in the size and composition of the Housing Stock and the estimated loss of income from unoccupied dwellings.

The numbers of each type of property at 31st March were: -

2017/2018		2018/2019
	Flats and Maisonettes	
2,277	1 Bedroom	2,286
800	2 Bedrooms	842
54	3 Bedrooms	54
156	Bedsitters	156
	Houses & Bungalows	
805	1 Bedroom	803
1,767	2 Bedrooms	1,746
2,075	3 Bedrooms or more	2,052
7,934	**TOTAL**	**7,939**

55 Council house sales and 60 additions account for the change in the Housing stock during the financial year.

The total capital receipts realised from the disposal of Council houses during the year was **£2.403m.** This figure represents a decrease in the region of 23% compared to the 2017/18 figure of £3.119m. The figure represents the total selling price of Council houses (net of Right to Buy discount) and other repaid discounts relating to previous sales.

The value of the housing stock was:-

2017/2018 £000's	Total Balance Sheet value as at 1st April	2018/2019 £000's
224,480	Dwellings	231,704
1,513	Shops, Offices and Garage Colonies	1,493
225,993	**Total Operational Assets**	**233,197**
7,371	Additions	11,008
0	Reclassification of new assets	9,502
0	Certificated Revaluation – Shops and Offices	(34)
17,568	Housing Stock Revaluations	3,746
(7,894)	Depreciation	(7,824)
(7,371)	Impairments	(11,008)
(2,470)	Sale of Council Houses	(2,403)
0	Sale of other Council Housing assets	0
233,197	**Balance Sheet Value as at 31st March**	**236,228**
231,704	Dwellings	234,737
1,493	Shops, Offices and Garage Colonies	1,491
233,197	**Total Operational Assets**	**236,228**

2. VACANT POSSESSION

(i) The Vacant Possession Value (VPV) of dwellings within the Council's HRA as at 1st April 2018 was £588.4m representing a small increase of approximately 0.5% over the 1st April 2017

figure of £585.4m. The new value was established as a result of the revaluation of the Housing Stock completed in the year.

(ii) The VPV is an opinion of the best sale price that could have been obtained for the properties on the date of the valuation. The Balance Sheet value of dwellings within the HRA contains an adjustment factor advised by Government to reflect the fact that the properties have sitting tenants enjoying sub-market rents and rights, including 'right-to-buy'. This reflects the economic cost to the Government of providing council housing at less than open market rents.

(iii) The current adjustment factor for the North West and Merseyside Region originally set from April 2016 at 40% by DCLG remains, resulting in an adjusted figure for 1st April 2018 of £235.4m.

3. MAJOR REPAIRS RESERVE (MRR)

The Major Repairs Allowance (MRA), that used to be paid in past years as part of the HRA subsidy provided authorities with the resources needed to maintain the value of their housing stock over time. Under the new self-financing model Authorities can use, based on a componentised calculation for depreciation, an element that is transferred during the year into the Major Repairs Reserve and equates to an amount not less than the previous MRA amount.

£000's 2017/2018		£000's 2018/2019
209	**Balance as at 1st April**	**1,158**
7,894	Transferred to MRR during the year	7,933
0	Credit in respect of General Fund depreciation	0
0	Transferred from MRR to HRA during the year	0
(6,945)	Debits in respect of capital expenditure within HRA	(9,091)
1,158	**Balance as at 31st March**	**0**

4. CAPITAL EXPENDITURE WITHIN HRA

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

£000'S 2017/2018		£000's 2018/2019
7,371	**Total Capital expenditure within the HRA**	**11,008**
	Financed By:	
26	External Contributions	0
400	Revenue Contributions	1,917
0	Capital receipts	0
6,945	Major Repairs Reserve	9,091
7,371	**Total**	**11,008**

5. DEPRECIATION

Authorities are required to charge depreciation on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. In 2018/19, the total charge for depreciation for council houses was £7,890,000 (£7,850,000 in 2017/18) and for other property was £43,379 (£43,602 in 2017/18). The depreciation charge for the year (Major Repair Allowance was previously used as a proxy for depreciation calculation for the council houses stock) corresponds to a straight-line charge based on the component average useful life of the Housing stock.

6. IMPAIRMENT CHARGES

Impairment charges of £11.008m for the financial year have been made in respect of capital expenditure not adding value to the housing stock and other property within the HRA.

7. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

8. RENT ARREARS / BAD DEBT PROVISION

RENT ARREARS

The rent arrears as at 1 April, 2018 totalled £1,440,984.60 and at 31 March, 2019 they totalled £1,656,100.60. 58.62% of the arrears at 31 March 2019 related to current tenants (60.91% at 31st March 2018) and 41.38% related to former tenants (39.09% at 31st March 2018). The figures stated represent gross arrears and are not shown net of advances as in previous years.

BAD DEBT PROVISION

£000's 2017/2018		£000's 2018/2019	£000's 2018/2019
951	**Opening Bad Debt Provision**		**1,135**
304	Charged to HRA	358	
(136)	Written off	(96)	
16	Reinstated previously written off amount	19	
184	**Net increase / (decrease)**		**281**
1,135	**Closing Bad Debt Provision**		**1,416**

COLLECTION FUND

THE COLLECTION FUND

2017/18 Council Tax £000's	2017/18 NNDR £000's	2017/18 TOTAL £000's	Income & Expenditure Account	2018/19 Council Tax £000's	2018/19 NNDR £000's	2018/19 TOTAL £000's	Note
			INCOME				
(92,091)	0	(92,091)	Council Tax	(98,706)	0	(98,706)	
(0)	0	(0)	Council Tax Annexe grant	(0)	0	(0)	
0	0	0	Transitional Relief	0	0	0	
0	(49,565)	(49,565)	Business Rates Receivable	0	(51,114)	(51,114)	
0	1,902	1,902	Business Rates Transitional Protection Payments	0	1,079	1,079	
			Contributions towards previous year's deficit				
0	(1,882)	(1,882)	Bury MBC	0	(2,386)	(2,386)	
0	(1,920)	(1,920)	Central Government	0	426	426	
0	(38)	(38)	Greater Manchester Combined Authority (Fire)	0	(20)	(20)	
(92,091)	**(51,503)**	**(143,594)**	**TOTAL INCOME**	**(98,706)**	**(52,015)**	**(150,721)**	
			EXPENDITURE				
			Precepts and Demands on Collection Fund				
74,450	46,204	120,654	Bury	79,626	46,485	126,111	
8,496	0	8,496	Greater Manchester Combined Authority (Police)	9,212	0	9,212	
3,138	467	3,605	Greater Manchester Combined Authority (Fire)	3,591	469	4,060	
0	0	0	Central Government	0	0	0	
0	238	238	Cost of Collection	0	240	240	
			Bad Debts				
522	196	718	Change in Bad Debt provision	648	248	896	
212	312	524	Write Offs	267	267	534	
0	5,479	5,479	Contribution to appeals provision	0	(3,039)	(3,039)	
			Transfer of Surplus				
337	0	337	Greater Manchester Combined Authority (Police)	344	0	344	
126	0	126	Greater Manchester Combined Authority (Fire)	127	0	127	
2,899	0	2,899	Bury	3,015	0	3,015	
90,180	**52,896**	**143,076**	**TOTAL EXPENDITURE**	**96,830**	**44,670**	**141,500**	
(1,911)	1,393	(518)	Movement in collection fund Balance during year	(1,876)	(7,345)	(9,221)	
(5,731)	3,692	(2,039)	Fund Balance brought forward	(7,642)	5,085	(2,557)	
(7,642)	**5,085**	**(2,557)**	**Closing Cumulative (Surplus) / Deficit Carried Forward**	**(9,518)**	**(2,260)**	**(11,778)**	

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

Band	Valuation	Total Number of Dwellings	Specified Ratio	Band D Equivalent
A	Less than £40,000	25,467	6/9	16,978
B	£40,000 to £52,000	16,280	7/9	12,662
C	£52,000 to £68,000	15,664	8/9	13,924
D	£68,000 to £88,000	8,380	1	8,380
E	£88,000 to £120,000	5,043	11/9	6,164
F	£120,000 to £160,000	1,719	13/9	2,483
G	£160,000 to £320,000	1,173	15/9	1,955
H	More than £320,000	154	18/9	308
		73,880		**62,853**
	Less allowance for losses on collection			(3,209)
	Impact of Council Tax Support Scheme			(6,795)
	COUNCIL TAX BASE 2018/2019			**52,850**

i) The actual number of properties was 83,959 but after adjusting for single person discounts, empty properties etc, the notional number of dwellings is 74,204.

ii) The Band D Council Tax levied for the year was **£1,748.89** (£1,644.41 in 2017/2018):

	2017/2018	2018/2019
	£000's	£000's
Bury Council	1,422.16	1,506.64
Greater Manchester Combined Authority (Police)	162.30	174.30
Greater Manchester Combined Authority (Fire)	59.95	67.95
TOTAL	**1,644.41**	**1,748.89**

2. NATIONAL NON-DOMESTIC RATES (NNDR)

The Authority collects NNDR in respect of business premises by applying a rate poundage set by central Government to the rateable value of the premises. The rate set for 2018/2019 was **49.3p** in the pound (47.9p in 2017/2018) and at 31st March 2019 the estimated non-domestic rateable value of the Borough was **£130.70m** (£130.11m at 31st March 2018). In addition in 2018/19 the Small Business Rate was set at **48.0p** in the pound (46.6p for 2017/18).

GROUP ACCOUNTS

THE GROUP ACCOUNTS

1. Introduction

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

2. Inclusion of Organisations within the Group Accounts

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

Six Town Housing and Bury MBC Townside Fields Limited have been included in the Group Accounts and details of the Authority's shareholdings, degree of commitment to the organisations and other financial transaction details are given in the notes to the Group Statements on pages 120 to 122.

Also included in the Group Accounts is Persona Group Limited. The company was incorporated on the 10th August 2015 and is a wholly owned subsidiary of Bury Council.

3. Basis of Consolidation

Six Town Housing, Bury MBC Townside Fields Ltd and Persona Group Ltd have been identified as subsidiaries of Bury Council and as such their financial statements have been consolidated on a line by line basis to comply with IFRS 3 – business combinations.

The accounting for business combinations basis for consolidation has been used for the 3 subsidiaries as Bury Council, the parent company, has taken 100% control of the companies.

In order to create Six Town Housing and Persona Group, part of the Authority has been externalised and therefore at the formation of the company the assets and liabilities were transferred at fair value which did not give rise to good will.

Six Town Housing was incorporated on 30 October 2003 and trading began on 1 April 2005. Bury MBC Townside Fields Limited was incorporated on the 14th October 2009. Both are wholly owned subsidiaries of Bury Council.

The financial year of all 3 subsidiaries is the same as that of Bury Council, from 1 April 2018 to 31 March 2019, therefore no adjustments are required regarding the accounting year.

4. Accounts

Six Town Housing's Statement of Accounts 2018/2019 are audited by RSM and will be submitted to their Audit, Standards, Risk and Performance Committee on 5th September 2019, followed by the Board meeting on 12st September 2019.

Copies of Six Town Housing Ltd 2018/19 Statement of Accounts can be obtained from Six Town Housing Finance Department, 6, Knowsley Place, Angouleme Way, Bury BL9 0EL.

For both Bury MBC Townside Fields Limited and Persona Care & Support Limited pre-audit accounts for the year ended 31st March 2019 have been used to prepare the group accounts. Both companies audited are Horsfield and Smith.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/2018 (restated)*				2018/19		
Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's		Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
			Continuing Services			
148,260	(52,780)	95,480	Communities & Wellbeing	130,277	(56,074)	74,203
231,623	(171,302)	60,321	Children, Young People & Culture	226,757	(172,625)	54,132
40,228	(28,322)	11,906	Resources & Regulation	30,042	(17,877)	12,165
54,394	(51,316)	3,078	Non Service Specific	71,319	(72,271)	(952)
0	0	0	Business, Growth & Infrastructure	8,089	(5,509)	2,580
0	0	0	Art Gallery & Museums	651	(138)	513
0	0	0	Operations	23,473	(7,576)	15,897
13,241	(31,348)	(18,107)	Local Authority Housing (HRA)	5,969	(9,941)	(3,972)
487,746	**(335,068)**	**152,678**	**Cost Of Services**	**496,577**	**(342,011)**	**154,566**
			Other Operating Expenditure			
-	(628)	(628)	(Gain)/Loss on Disposal of Non-Current Assets	0	0	0
32,495	(36,864)	(4,369)	(Surplus)/Deficits on Trading Operations	30,284	(32,289)	(2,005)
1,532	0	1,532	Contribution of Housing Capital Receipts to Government Pool	1,305	0	1,305
26,890	0	26,890	Levies	26,497	0	26,497
60,917	**(37,492)**	**23,425**		**58,086**	**(32,289)**	**25,797**
			Financing and Investment Income and Expenditure			
7,813	0	7,813	Interest Payable & other Similar Charges	7,719	0	7,719
0	(6,824)	(6,824)	Interest and Investment Income	0	(7,732)	(7,732)
24,072	(17,410)	6,662	Pensions Interest Cost and Expected Return on Pensions Assets (IAS19)	25,462	(18,787)	6,675
239	0	239	Taxation of Group Entities	238	0	238
32,124	**(24,234)**	**7,890**		**33,419**	**(26,519)**	**6,900**
			Taxation and Non-Specific Grant Income			
			Demand On Collection Fund:			
0	(79,719)	(79,719)	Council Tax	0	(84,719)	(84,719)
0	(23)	(23)	Government Grants (not attributable to specific services)	0	(28)	(28)
1,882	(63,398)	(61,516)	Non-Domestic Rate distribution	2,248	(67,634)	(65,386)
0	(18,484)	(18,484)	Capital grants and contributions	0	(27,337)	(27,337)
1,882	**(161,624)**	**(159,742)**		**2,248**	**(179,718)**	**(177,470)**
582,669	**(558,418)**	**24,251**	**(Surplus) or Deficit On Provision of Services**	**590,330**	**(580,537)**	**9,793**
		(8,693)	(Surplus) / Deficit on revaluation of property, plant and equipment			(11,884)
		0	Impairment Losses on Non-Current Assets charged to Revaluation Reserve			497
		(8,200)	(Surplus) / Deficit on revaluation of available for sale financial assets			(800)
		(24,872)	Actuarial (gains) / losses			29,008
		16,091	Any other (gains)/ losses for the year			13,122
		(25,674)	**Other Comprehensive Income and Expenditure**			**29,943**
		(1,423)	**Total Comprehensive Income and Expenditure**			**39,736**

- Restated due to reclassification of Levies from Non Service Specific and Communities and Wellbeing (Operations) to Other Operating Income and Expenditure.

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

2017/18 £000's		**2018/19 £000's**
24,418	(Surplus) / deficit for the year on the Authority Comprehensive Income and Expenditure Statement	9,476
0	Adjustments for transactions with other group entities	0
24,418	Surplus / Deficit on provision of services in the Group Comprehensive Income and Expenditure Statement attributable to the Authority	9,476
	(Surplus) / deficit on provision of services in the Group Comprehensive Income and Expenditure Statement attributable to group entities (adjusted for intra-group transactions):	
(167)	Subsidiaries	317
	Associates	
	Joint Venture	
24,251	(Surplus) / Deficit on provision of services for the year on Group Comprehensive Income and Expenditure Statement	**9,793**

GROUP BALANCE SHEET AT 31ST MARCH 2019

01/04/2017 £'000 RESTATED	31/03/2018 £'000		£'000	31/03/2019 £'000	£'000
		PROPERTY, PLANT & EQUIPMENT			
		Tangible Property, Plant & Equipment			
		Operational Assets:			
234,995	242,105	Council Dwellings	245,951		
261,096	240,442	Other Land & Buildings	243,680		
27,110	27,754	Infrastructure Assets	31,474		
4,266	3,597	Vehicles & Plant	2,813		
2,523	2,523	Community Assets	2,983		
35,048	30,613	Surplus Assets	29,914		
1,407	11,040	Assets under construction	6,171	**562,986**	
2,357	2,361	Intangible Assets		2,861	
25,142	24,110	Investment Property		26,652	
24,577	24,577	Heritage Assets		24,592	
618,521	**609,122**	**TOTAL PROPERTY, PLANT & EQUIPMENT**			**617,091**
		LONG TERM INVESTMENTS			
43,700	51,900	Manchester Airport PLC		52,700	
43,700	**51,900**				**52,700**
9,136	**9,085**	**LONG TERM DEBTORS**		**20,288**	
		CURRENT ASSETS			
1,564	1,709	Stocks & Work in Progress	1,509		
39,849	38,204	Sundry Debtors & Advance Payments	39,616		
570	3,044	Assets Held for Sale	3,010		
4,002	8,504	Short Term Investments	7,353		
22,215	17,602	Cash And Cash Equivalents	15,409		
68,200	**69,063**			**66,897**	
		LESS : CURRENT LIABILITIES			
(4,603)	(19,913)	Short Term Loans Outstanding	(19,034)		
(177)	(140)	Deposits & Clients' Funds	(177)		
(3,618)	(10,537)	Short Term Provisions	(7,959)		
(38,065)	(31,819)	Sundry Creditors & Advance Receipts	(35,821)		
(98)	(5)	Revenue Grant Receipts in Advance	(5)		
(46,561)	**(62,414)**			**(62,996)**	
21,639	**6,649**	**NET CURRENT ASSETS**			**3,901**
692,996	**676,756**	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**693,980**
		LESS: LONG TERM LIABILITIES			
(192,785)	(176,280)	External Loans Outstanding		(185,176)	
(337)	(372)	Capital Grants Receipts in Advance		(1,171)	
(685)	(257)	Finance Lease Liabilities		(71)	
(5,287)	(4,703)	Deferred Liabilities		(3,875)	
(258,911)	(255,812)	Pension Liability		(305,158)	
(30,605)	(33,523)	Long Term Provisions		(32,456)	
(488,610)	**(470,947)**				**(527,907)**
204,386	**205,809**	**TOTAL NET ASSETS**			**166,073**

GROUP BALANCE SHEET AT 31ST MARCH 2019

01/04/2017	31/03/2018		31/03/2019	
			£'000	£'000
		FINANCED BY :		
		USABLE RESERVES		
(27,206)	(24,695)	Earmarked Reserves inc. schools balances	(18,359)	
(4,205)	(4,918)	Capital Receipts Unapplied	(5,415)	
(14,247)	(11,865)	Capital Grants Unapplied	(10,904)	
(8,393)	(7,549)	General Fund	(7,703)	
(3,569)	(6,538)	Housing Revenue Account	(6,970)	
(209)	(1,158)	Major Repairs Reserve	0	
(2,598)	(2,314)	Section 106 Commuted Sums	(2,541)	
(11,705)	(11,651)	Other Balances	(11,651)	
(72,132	**(70,688)**			**(63,543)**
		UNUSABLE RESERVES		
(108,100)	(107,257)	Revaluation Reserve	(114,731)	
(245,815)	(237,995)	Capital Adjustment Account	(234,711)	
221	268	Financial Instruments Adjustment Account	274	
(33,486)	(41,686)	Available for Sale Financial Instruments Reserve	0	
0	0	Financial Instruments Revaluation Reserve	(42,486)	
(3,484)	(1,913)	Collection Fund Adjustment Account	(10,254)	
5,130	4,720	Accumulated Absences	5,251	
252,910	243,707	Pension Reserve	285,497	
1,971	1,971	Workforce Transformation Reserve	0	
(1)	1	Deferred Capital Receipts	1	
(130,654)	**(138,184)**			**(111,159)**
(1,600)	**3,063**	**RESERVES OF GROUP ENTITIES**		**8,629**
(204,386)	**(205,809)**	**TOTAL RESERVES AND BALANCES**		**(166,073)**

GROUP MOVEMENT IN RESERVES STATEMENT

2018/19	Earmarked Reserves / General Fund Balances	Housing Revenue Account	Capital Receipts Unapplied	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Reserves of Group Entities	Total Authority Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1st April 2018	**46,209**	**6,538**	**4,918**	**1,158**	**11,865**	**70,688**	**138,184**	**(3,063)**	**205,809**
Movement in reserves during 2018/19									
Total Comprehensive Income and Expenditure	(3,684)	(5,792)	0	0	0	**(9,476)**	**(24,694)**	**(5,566)**	**(39,736)**
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(2,271)	6,224	497	(1,158)	(961)	**2,331**	**(2,331)**	**0**	**0**
Increase or (decrease) in 2018/19	(5,955)	432	497	(1,158)	(961)	**(7,145)**	**(27,025)**	**(5.566)**	**(39,736)**
Balance at 31 March 2019 carried forward	**40,254**	**6,970**	**5,415**	**0**	**10,904**	**63,543**	**111,159**	**(8.629)**	**166,073**

2017/18	Earmarked Reserves / General Fund Balances	Housing Revenue Account	Capital Receipts Unapplied	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Reserves of Group Entities	Total Authority Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1st April 2017	**49,902**	**3,569**	**4,205**	**209**	**14,247**	**72,132**	**130,654**	**1,600**	**204,386**
Movement in reserves during 2017/18									
Total Comprehensive Income and Expenditure	(38,743)	14,325	0	0	0	**(24,418)**	**30,504**	**(4,663)**	**1,423**
Adjustments from income & expenditure charged under the accounting basis to the funding basis	35,050	(11,356)	713	949	(2,382)	**22,974**	**(22,974)**	**0**	**0**
Increase or (decrease) in 2017/18	(3,693)	2,969	713	949	(2,382)	**(1,444)**	**7,530**	**(4,663)**	**1,423**
Balance at 31 March 2018 carried forward	**46,209**	**6,538**	**4,918**	**1,158**	**11,865**	**70,688**	**138,184**	**(3,063)**	**205,809**

GROUP CASH FLOW STATEMENT

2017/18 £000's		£000's	2018/19 £000's	£000's
	OPERATING ACTIVITIES			
	Cash Outflows:			
196,969	Cash Paid to and on behalf of Employees	197,073		
243,676	Cash Paid for Goods and Services	239,194		
30,654	Housing Benefit paid out	29,143		
960	VAT payments (BMBCTF & Persona)	2,282		
4,018	Interest Paid	6,959		
103	Corporation tax (STH)	202		
1,532	Payments to Housing Capital Receipts Pool	1,305		
477,912	**Cash Outflows Generated from Operating Activities**		**476,158**	
	Cash Inflows:			
(29,689)	Rents (after Rebates)	(29,305)		
(80,457)	Council Tax Receipts (excl major preceptors share of receipts)	(85,903)		
(46,204)	NNDR Receipts (excl government and major preceptors)	(46,485)		
(30,260)	DWP Grants for Benefits	(28,792)		
(168,154)	Other Government Grants	(172,453)		
(2,447)	Interest Received	(2,522)		
(4,813)	Airport Dividend Received	(5,641)		
(120,120)	Cash Received for Goods and Services	(127,195)		
(482,144)	**Cash Inflows Generated from Operating Activities**		**(498,296)**	
(4,232)	**NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES**			**(22,138)**
	INVESTING ACTIVITIES			
16,125	Purchase of Property, Plant & Equipment		26,265	
(8,200)	Purchase / (Sale) of Long Term Investments		800	
5,502	Net Increase / (Decrease) in Short Term Deposits		(1,151)	
(5,402)	Proceeds of Sale of Property, Plant & Equipment		(3,566)	
(372)	Capital Grants received		(1,171)	
7,653	**NET CASH FLOWS FROM INVESTING ACTIVITIES**			**21,177**
	FINANCING ACTIVITIES			
	Repayments of amounts borrowed:			
1,266	Long Term loans repaid		128	
2,000	Short Term loans repaid		22,100	
(147)	Net Receipts from Long Term Debtors		11,102	
0	New Long Term Loans		(19,078)	
(2,000)	New Short Term Loans		(11,100)	
75	Billing Authorities – NNDR and Council Tax Adjustments		2	
1,194	**NET CASH FLOWS FROM FINANCING ACTIVITIES**			**3,154**
4,615	**NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS**			**2,193**

Insert signature

M Woodhead,
Chief Finance Officer

30 July, 2019

Notes to the Group Statements

1. Subsidiary Income and Expenditure

The operating expenditure and income of Six Town Housing has been included within "Non Service Specific". The operating expenditure and income of Bury MBC Townside Fields Limited has been included within "Resources & Regulation" whilst that of Persona Care & Support Limited has been included within "Communities & Wellbeing".

2. Amount to be met from Government Grant and Local Taxes

This is the same amount as that disclosed in the Comprehensive Income and Expenditure Statement of Bury Council.

3. Goodwill

No goodwill arose in respect of any subsidiaries.

4. Plant, Property and Equipment

Six Town Housing's Property, Plant & Equipment are included as tangible assets; they are valued at either historical cost or fair value determined by DRC, the same as the equivalent class for Bury Council assets. Bury MBC Townside Fields Limited's Property, Plant & Equipment are also valued at historic cost in line with Bury Council's policy. Persona Care & Support Ltd accounts show no Property, Plant & Equipment.

5. Six Town Housing - wholly owned subsidiary

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

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

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

The related party transactions between Council Members on the board of Six Town Housing and Bury Council are detailed in Bury Council Statement of Accounts Note 6 (page 61).

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

Financial Transactions and Operations: In 2017/2018 Six Town Housing made a deficit of £1.115m compared to a deficit of £1.030m in 2017/2018. Bury Council paid management fees of £13.059m in 2018/2019 (£13.059 in 2017/2018) to Six Town Housing for the management of its housing stock.

Bury Council has made a number of loans to Six Town Housing at commercial rates of interest. No new additional loans were during 2018/19:-

Loans by Bury Council to Six Town Housing						
	No of years of loan	2011/12 £m	2013/14 £m	2014/15 £m	2015/16 £m	Total £m
Redbank Housing Project	35.5	1.140	0	0	0	1.140
Mortgage Rescue	18	0	0.410	0.166	0	0.576
AGMA Loans	25	0	0	1.869	0.250	2.119
TOTAL		1.140	0.410	2.035	0.250	3.835

6. Bury MBC Townside Fields Limited – wholly owned subsidiary

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

Bury MBC Townside Fields Limited made a profit after tax of £0.114m for the year ended 31st March 2019 compared to a profit of £0.378m for the period to 31st March 2018. As at 31st March 2019, Bury Council has £7.1m invested in Bury MBC Townside Fields Ltd.

7. Persona Care & Support Limited – wholly owned subsidiary

Nature of Business: Persona Group was formed to provide social care services to older people and people with disabilities. The company's share capital (Called up Share Capital £3) is wholly owned by Bury Council.

Persona Care & Support Limited made a profit before tax of £0.539m for the year ended 31st March 2019, compared to a profit of £0.482m for the period to 31st March 2018. Bury Council paid management fees of £11.155m in 2018/19(£10.815m in 2017/2018).

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

2017/18 £000's	GROUP RECONCILIATION OF REVENUE CASH FLOW	2018/19 £000's	2018/19 £000's
24,418	**(SURPLUS) / DEFICIT FOR THE YEAR ON REVENUE ACCOUNT**		**9,476**
1,030	Six Town Housing (Surplus) / Deficit		**2,794**
(233)	BMBC Townside Fields (Surplus) / Deficit		**(259)**
(481)	Persona (Surplus) / Deficit		**3,031**
	Non Cash Movements in Revenue Account:		
(23,903)	Provision for Depreciation & Impairment	(30,821)	
(9,432)	Other Provisions	(3,369)	
3,749	Minimum Revenue Provision	3,566	
(3,320)	Contributions from / (to) Revenue Reserves	7,145	
(6,867)	I & E Statement Items Shown Elsewhere	977	
2,765	Other non-cash Movements	(13,094)	
(37,008)			**(35,596)**
	Movements in Current Assets and Liabilities:		
145	Increase / (Decrease) in Stock	(200)	
(845)	Increase / (Decrease) in Revenue Debtors	1,527	
93	(Increase) / Decrease in Revenue Grants received in advance	0	
5,407	(Increase) / Decrease in Revenue Creditors & Advance Receipts	(4,115)	
4,800			**(2,788)**
	Items shown elsewhere in the Cash Flow Statement:		
(4,018)	Interest Paid	(6,959)	
2,447	Interest Received	2,522	
4,813	Dividend Income	5,641	
3,242			**1,204**
(4,232)	**NET CASH (INFLOW)/OUTFLOW FROM REVENUE ACTIVITIES**		**(22,138)**

GLOSSARY OF TERMS

GLOSSARY OF TERMS

ACCOUNTING POLICIES

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

i. Recognising
ii. Selecting measurement bases for, and
iii. Presenting

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

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

ACCRUALS BASIS

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

ACTUARIAL GAINS AND LOSSES

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

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

AMORTISATION

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

ASSETS

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

INTANGIBLE ASSETS

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

CURRENT ASSETS

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

PROPERTY, PLANT AND EQUIPMENT

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

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

Community Assets
Assets that the Authority intends to hold in perpetuity, that have no determinable useful

life, and which may in addition have restrictions on their disposal e.g. parks, cemeteries and crematoria and allotments.

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

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

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

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

BALANCE SHEET

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

CAPITAL

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

CAPITAL CHARGES

Charges made to services for the use of **Property, Plant & Equipment**.

The charge in 2018/19 represents **Depreciation** which is**:**

the measure of the wearing out, consumption or other reduction in the useful life of a fixed asset. This is calculated based on the remaining life of an asset. It is charged to revenue on a straight-line basis on all depreciable assets based on an assessment of the remaining useful life of the asset.

CAPITAL RECEIPTS

Income from the sale of tangible or intangible assets. Such receipts may be used to finance new capital expenditure or credit arrangement liabilities of a capital nature or set aside to repay debt related to capital expenditure already incurred.

CARBON REDUCTION COMMITMENT ENERGY EFFICIENCY SCHEME

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

CASH AND CASH EQUIVALENTS

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

CHARGING AUTHORITY

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

CREDITORS

Financial liabilities arising from the contractual obligations to pay cash in the future for goods and services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.

CURTAILMENT

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

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

DEBTORS

Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents (money owed **BY** individuals or organisations **TO** the Authority in respect of work done or services rendered within the financial year but for which payment has not yet been received).

DEFINED BENEFIT SCHEME

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

DEPRECIATION

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

EMPLOYEE BENEFITS

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPENDITURE

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

EXIT PACKAGES

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

FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction (not a forced sale) between market participants (market-based view) at the measurement date (current price).

GROUP ACCOUNTS

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

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

IMPAIRMENT OF PROPERTY, PLANT & EQUIPMENT

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

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

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

INCOME

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

LEASING

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

LIABILITIES

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

LOBO ("Lender Option, Borrower Option")

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

NON DISTRIBUTED COSTS

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

OUTTURN

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

PRECEPTS

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

PROJECTED UNIT METHOD

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

i. the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants allowing, where appropriate, for future increases; and
ii. the accrued benefits for members in service on the valuation date.
The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

PROVISIONS

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

RELATED PARTIES

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

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

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

RELATED PARTY TRANSACTIONS

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

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

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

RESERVES

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

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employers decision to terminate an

employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE

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

REVENUE SUPPORT GRANT

This is an annual grant paid by central Government as its contribution towards the cost of the Authority's services in general. The amount of Revenue Support Grant that is provided to authorities is established through the local government finance settlement. Each Council's Settlement Funding Assessment consists of the revenue support grant and the local share of business rates.

SHORT TERM EMPLOYEE BENEFITS

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

VALUE ADDED TAX

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

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BURY COUNCIL

Annual Governance Statement 2018/19

1. SCOPE OF RESPONSIBILITY

Bury Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of the above.

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

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

Town Hall,
Knowsley Street,
Bury Council,
BL9 0SP.

This statement explains how Bury Council has complied with the code and also meets the requirements of regulations 6(1) (b) and 15 (2) (a (ii) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bury Council throughout the year ended 31 March 2019, and up to the date of approval of the statement of accounts.

3. GOVERNANCE FRAMEWORK

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

Members and Officers are governed by Codes of Conduct and bound by various protocols including on Member/Officer relations. The Council is committed to maintaining the highest standards of behaviour and had checks and balances documented to eliminate corruption and fraud through the Contract Procedure Rules, and protocols for members and Officers on declaring interests and to record any gifts and hospitality received. The Constitution is supplemented by a number of codes and protocols, including a Whistleblowing Policy.

Additionally, the Council's financial management arrangements conform to the governance requirements of CIPFA's 'Statement on the Role of the Chief Financial Officer in Local Government' (2016).

The Council has adopted the 2016 Delivering Good Governance in Local Government Framework and recognises that effective governance is achieved through the following seven core principles:

I. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;

II. Ensuring openness and comprehensive stakeholder engagement;

III. Defining outcomes in terms of sustainable economic, social and environmental benefits;

IV. Determining the interventions necessary to optimise the achievement of the intended outcomes;

V. Developing the entity's capacity including the capability of its leadership and the individuals within it;

VI. Managing the risks and performance through robust internal control and string public financial management;

VII. Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

VIII. The table overleaf demonstrates how these core principles have been upheld during the year 2018/19.

Core Principle	Sub Principles	We Do This By:
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law	Ensuring Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation. Ensuring Members take the lead in establishing specific operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the *Seven Principles of Public Life* (the Nolan Principles). Leading by example and using the above standard operating principles or values as a framework for decision making and other actions. Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively. Seeking to establish, monitor and maintain the Council's ethical standards and performance. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the Council's culture and operation. Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values. Ensuring that external providers of service on behalf of the Council are required to act with integrity and in compliance with ethical standards expected by the Council. Ensuring Members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations. Creating the conditions to ensure that the statutory officers, other key post holders, and Members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. Striving to optimise the use of the full powers available for the benefit of its citizens, communities and other stakeholders. Dealing with breaches of legal and regulatory provisions effectively. Ensuring corruption and misuse of power are dealt with effectively.
Ensuring openness and comprehensive stakeholder engagement	Local government is run for the public good; organisations therefore should ensure openness in their activities.	Ensuring an open culture through demonstrating, documenting and communicating the Council's commitment to openness. Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes.

Core Principle	Sub Principles	We Do This By:
	Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.	The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided. Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action. Establishing a clear policy on the type of issues that the Council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. Ensuring that communication methods are effective and that Members and officers are clear about their roles with regard to community engagement. Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future use. Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account. Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity. Taking account of the impact on future generations of tax payers and service users. Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. Ensuring that partnerships are based on: Trust; A Shared Commitment to Change; A Culture that Promotes and Accepts Challenge Among Partners; and that the added value of partnership working is explicit.
Defining outcomes in terms of sustainable economic, social, and	The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes	Having a clear vision, which is in an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the Council's overall strategy, planning and other decisions.

Core Principle	Sub Principles	We Do This By:
environmental benefits	and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.	Specifying the intended impact on, or changes for, stakeholders including individual citizens and service users. It could be immediately or over the course of a year or longer. Delivering defined outcomes on a sustainable basis within the resources that will be available. Identifying and managing risks to the achievement of outcomes. Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available. Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints. Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs. Ensuring fair access to services.
Determining the interventions necessary to optimise the achievement of the intended outcomes	Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that the Council has to make to ensure intended outcomes are achieved. The Council needs robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to	Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided. Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands with limited resources available including people, skills, land and assets and bearing in mind future impacts. Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets. Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. Considering and monitoring risks facing each partner when working collaboratively, including shared risks. Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances.

Core Principle	Sub Principles	We Do This By:
	ensure that achievement of outcomes is optimised.	Establishing appropriate key performance indicators as part of the planning process in order to identify how the performance of services and projects is to be measured. Ensuring capacity exists to generate the information required to review service quality regularly. Preparing budgets in accordance with objectives, strategies and the medium term financial plan. Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding. Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints. Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage. Ensuring the achievement of 'social value' through service planning and commissioning.
Developing the entity's capacity, including the capability of its leadership and the individuals within it	Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a	Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness. Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently. Recognising the benefits of partnerships and collaborative working where added value can be achieved. Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources. Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body. Ensuring the Leader and the Head of Paid Service have clearly defined and distinctive leadership roles within a structure whereby the Head of Paid Service leads in implementing strategy and managing the

Core Principle	Sub Principles	We Do This By:
	continuous need to develop its capacity as well as providing training to develop the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.	delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority. Developing the capabilities of Members and Senior Management to achieve effective leadership and to enable the Council to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: • Ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged; • Identifying training needs to ensure Members and Senior Officers have the appropriate skills, knowledge resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis; • Ensuring personal, organisational and system-wide development through shared learning, including lessons learned from governance weaknesses both internal and external. Ensuring that there are structures in place to encourage public participation. Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections. Holding staff to account through regular performance reviews which take account of training or development needs. Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.
Managing risks and performance through robust internal control and strong public financial management	Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively. Ensuring that responsibilities for managing individual risks are clearly allocated. Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance. Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.

Core Principle	Sub Principles	We Do This By:
	is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.	Making decision based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the Council's financial, social and environmental position and outlook. Ensuring an effective scrutiny or oversight function is in place which encourages effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making. Providing Members and Senior Management with regular reports on service delivery plans and on progress towards outcome achievement. Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements). Aligning the risk management strategy and policies on internal control with achieving objectives. Evaluating and monitoring risk management and internal control on a regular basis. Ensuring effective counter fraud and anti-corruption arrangements are in place. Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. Ensuring an audit committee which is independent of the executive and accountable to the governing body: • Provides a further source of assurance regarding the authority's arrangements for managing risk and maintaining an effective control environment • And its recommendations are listened to and acted upon. Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies. Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.
Implementing good practices in transparency, reporting, and audit	Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not	Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.

Core Principle	Sub Principles	We Do This By:
to deliver effective accountability	only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.	Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny whilst not being too onerous to provide and for users to understand. Reporting at least annually on performance, value for money and stewardship of resources. Ensuring Members and Senior Management own the results. Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the Annual Governance Statement). Ensuring that this framework is applied to jointly managed or shared service organisations as appropriate. Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations. Ensuring that recommendations for corrective action made by internal and external audit are acted upon. Ensuring an effective internal audit service with direct access to Members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon. Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. Gaining assurance on risks associated with delivering services through third parties and this is evidenced in the annual governance statement. Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.

4. RISK MANAGEMENT

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

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

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

The Council approved cuts of £31.876m for the three year period 2017/18 to 2019/20, of which £6.643m relates to 2018/19; this followed extensive consultation with residents, service users and other stakeholders.

A summary of the key risks the Council faced in 2018/19 is outlined on the table overleaf; these will continue to be monitored on an ongoing basis and reported to members quarterly.

BURY COUNCIL

Corporate Risk Register 2018/19 – As at 31st March 2019

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. 2018/19 saw no reliance upon reserve. 2019/20 from Feb 19 budget setting	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	External Audit Opinion on VFM / Financial Standing. LGA review undertaken.	Manage	2	4	8	No change to risk score

						process will take account of reserve.	approaches to budget setting.						
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; Q2 Overspend of £2.6m; Q3 £2.608m; Final outturn is £2.657m overspend.	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 active with work being carried out to address budget overspends. Themed budget boards established in 2019/20 as well as £1,000 spending limits and restrictions on external advertising of vacant posts. Corporate Budget Control Group set up.	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.	Business continuity plans exist for all services The Council has access to transformation funding under GM	External Audit Opinion on VFM / Financial Standing External reviews, e.g.	Manage	4	4	16	No change to risk score

						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 with CE in place, interim posts being addressed. New Exec Director for Transformation in place – Neutral Cost benefits, Director of Ops and Business Growth in place.	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.	OFSTED / CQC, LGA Resident satisfaction levels					
Changes to the Business Rates Retention scheme (75%) impact adversely on	Cabinet Member for Finance & HR / Interim Executive Director of	4	4	16	LOW	The Council makes "in year" provision for the impact of appeals when estimating yield (NNDR1), and also makes provision	The Council maintains an active dialogue with the Valuation Office Agency to ensure that appeals are	The Council's External Auditors review the Council's Collection Fund, and	Manage	3	4	12	No change to risk score

the Council – e.g. appeals	Resources & Regulation					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.	dealt with in a timely manner. The Council participates in the GM Collection Fund Accounting Group. Pilot exercise underway to tackle aged debt. Fair funding with focus on 75% retention. Returns from GM. Appeals risk reduced.	Appeals Provisions as part of the annual audit process. New check, challenge and appeal procedures in place					
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 e.g. Brexit. Full universal credit rolled out in	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. Community Laptop Scheme being rolled out.	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

						July 2018 – delayed.							
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. Regular reports to JCC.	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. GM and Local Brexit Groups in place. £100k available to support Brexit preparations.	Other professional networks are utilised, e.g. GM Treasurers Group Regular "Brexit Monitors" are received from the GMCA SME's and impact to be assessed and where required supported	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. LCO Newsletter. Consultation with residents to be planned.	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). 2 permanent positions recruited to oversee delivery of plan. Budget focus on growth strategy.	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. Built demand into budget. Reduction in agency rates through over-recruiting being considered.	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. Additional resources now available for Adult Social Care. Narrative revised to reflect that both statutory and discretionary functions are now at risk. Cabinet and SLT move forward on plan to prioritise functions.	Directors prioritise spend to ensure statutory obligations are fulfilled – this is done through the Cash ceiling / virement scheme. Council Tax increase to assist in core service provision.	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 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. Co-located and shared CE between CCG/Bury Council. Combined financial planning. Joint Executive Team in place.	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. Care Act. Green Paper.	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
Review – Six Town Housing	Leader / Chief Executive	3	2	6	LOW	New management agreement – TUPE. Housing Services Reform – Growing of stock.			Manage	2	3	6	Risk Reduced
Inability to ensure a compliance with the General Data Protection Regulations (GDPR).	Deputy Chief Executive	3	3	9	LOW	Awareness of GDPR raised by briefings to Departmental Management teams.	Governance Structure in place for GDPR project including work stream meetings.		Manage	2	3	6	Risk Reduced

The ICT infrastructure and capacity is fit for purpose.	Deputy Chief Executive	3	3	9	LOW	Capital funding available in 2019/20 budget for replacement /enhancements to core systems.			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**

5. REVIEW OF EFFECTIVENESS

The Council is required to conduct a continuous review of the effectiveness of its governance framework including the system of internal control. We have been advised on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

This is achieved through the following;

- Quarterly meeting of "Governance Panel" comprising; s151 Officer, Monitoring Officer and Head of Financial Management.

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

- Fortnightly meetings of the Budget Recovery Group supported by the establishment of the Budget Savings Delivery Group supplemented by continuous monitoring, reporting and scrutiny of the budget through Joint Executive Team, Cabinet, Overview and Scrutiny Committee and Audit Committee. Further budgetary control measures are being implemented in 2019/20 (see page 28)

- The Council has adopted a Planning and Performance Framework and carries out a programme of performance monitoring which runs throughout its annual cycle. This includes quarterly monitoring and reporting of Performance Indicators plus 6 monthly performance reports to Overview and Scrutiny Committee.

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

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

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

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

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

- The Executive Directors and Chief Executives of Six Town Housing and Persona have each reviewed the operation of key controls throughout the Council, from the perspective of their own departments, using a detailed checklist. They have provided a signed assurance

statement and identified any weaknesses or reservations for inclusion in an improvement programme.

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

- The S151 officer prepares quarterly Risk Management reports reviewing activities and progress, and has reviewed the Local Code of Corporate Governance and Anti-Fraud and Corruption Strategy.

- The Standards Committee is responsible for standards and probity, and receives regular reports from the Monitoring Officer.

- The Audit Committee carries out an overview of the activities of the Council's internal and external audit functions. Members are provided with copies of all reports produced by Internal Audit and by the Council's external auditors. They approve the annual plans for each, and receive regular progress reports throughout the year. The Head of Financial Management (in the role of Head of Internal Audit) submits to them an Annual Report and Opinion, and the external auditor submits an Audit and Inspection Annual Letter.

- The Internal Audit service is a directly employed in-house service, providing a continuous review in accordance with the Council's obligations under the Local Government Act 1972 and the Accounts and Audit Regulations 2015. It operates under the Audit and Assurance Council, as part of the Financial Reporting Council, and the CIPFA (Chartered Institute of Public Finance and Accountancy) UK Public Sector Internal Audit Standards, as approved by Audit Committee in December 2013.

- The Internal Audit Section is assessed every year against the UK Public Sector Internal Audit Standards (PSIAS) and previously against the 2006 CIPFA Code of Practice for Internal Audit in Local Government. The service was externally assessed by a peer review in October 2016 against the PSIAS and an action plan was put in place to address the gaps found.

- The Council's external auditors review the activities of the Council and approve the annual accounts. Conclusions and significant issues arising are reported in their Report to those charged with governance.

- The Audit Committee has been advised on the outcome of the review of the effectiveness of the system of internal control, and an action plan to address weaknesses and ensure continuous improvement of the system is in place.

6. EFFICIENCY / VALUE FOR MONEY

The Council prides itself on delivering quality services at an affordable price, and is recognised as being efficient.

VFM Profiles:

Public Sector Audit Appointments (previously the Audit Commission) has published profiles comparing the cost per head of population of services in Bury with those of other Metropolitan Councils; these assist us in determining that the Council is offering Value for Money.

Any benchmarking data should be used with caution given differences in interpretation between organisations. It should also be noted that some of the data used refers back to 2017/18 and most services have undergone significant transformation since then.


Bury
Total net current expenditure per head(Adjusted to 17/18) (from 2012/13 to 2017/18)
-9 % change
Total expenditure on adult social care per adult(Adjusted to 17/18) (from 2012/13 to 2017/18)
0 % change
Total expenditure on council tax benefits and housing benefits administration per head(Adjusted to 17/18) (from 2012/13 to 2017/18)
-31 % change
Total gross expenditure on all children and young people services per head 0-17 yrs(Adjusted to 17/18) (from 2013/14 to 2017/18)
-4 % change
Total expenditure on culture and sport per head(Adjusted to 17/18) (from 2012/13 to 2017/18)
-32 % change
Total expenditure on environmental services per head(Adjusted to 17/18) (from 2012/13 to 2017/18)
-16 % change
Total expenditure on housing services per head(Adjusted to 17/18) (from 2012/13 to 2017/18)
63 % change
Total expenditure on sustainable economy per head(Adjusted to 17/18) (from 2012/13 to 2017/18)
-7 % change
Total expenditure on public health services per head(Adjusted to 17/18) (from 2013/14 to 2017/18)
58 % change
Planned net current expenditure per head of population(Adjusted to 18/19) (from 2013/14 to 2018/19)
-6 % change
Bury
Mean for All English metropolitan boroughs
Powered by LG Inform VfM

In their ISA260 statement (July 2018), the Council's External Auditors at the time (KPMG) stated;

"Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to ensure economy, efficiency and effectiveness in its use of resources."

7. GROUP ACTIVITIES

The Council has "Group" relationships with three organisations as follows;

- Bury MBC Townside Fields Limited
- Six Town Housing
- Persona

From an internal control / governance perspective;

- All transactions relating to these organisations utilise the Council's corporate systems and are safeguarded by the controls therein.
- All transactions are open to examination by the Council's own Internal Audit team.
- Guidance is sought from External Auditors on significant issues, e.g. Knowsley Place development.
- All decisions are subject to the Council's reporting / approval requirements.
- There are regular performance / financial monitoring meetings between senior officers of Six Town Housing, Persona and the Council.

8. SIGNIFICANT GOVERNANCE ISSUES

The Effectiveness statement set out in section 5 above demonstrates that the Control Environment described in section 3 is operating effectively. Further evidence to support this conclusion comes from:

1 Work of Internal Audit

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

The Chief Internal Auditor in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:	Championing best practice in governance and management, objectively and independently assessing the adequacy of governance and management of existing risks, commenting

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

The Internal Audit section reviews the core functional activities of the Council in accordance with professional standards and in line with a risk based plan. During 2018/19, 48 Internal Audit reports were produced resulting in 200 recommendations (97% accepted).

The Schools Financial Value Standard (SFVS), which began operating in 2012/13, is a self-assessment that should be undertaken by maintained schools to ensure the effective financial management of their resources. It is a mandatory requirement that all LA maintained schools complete and submit a signed SFVS template to their Local Authority on an annual basis. All Bury's schools that are required to undertake the assessment did so successfully. Locally, this will be viewed as a minimum standard, and the Internal Audit section will undertake whatever work it deems necessary based upon its own risk assessments.

The Annual Report and Opinion by the Head of Financial Management states:

"The effectiveness and security of local authority systems and controls are underpinned by the overall governance and control framework. At Bury this is considered to be sound".

2 View of External Audit

The Auditors' ISA 260 report (July 2018) concluded that;

"We have reviewed the Authority's 2017/18 Annual Governance Statement and confirm that it is not misleading and is consistent with other information we are aware of from our audit of the financial statements".

9. LOOKING AHEAD - 2019/20

- Looking forward to 2019/20, the Council is proactively responding to a number of challenges;

- The Council incurred an overspend of £2.657m in 2018/19.

- In February 2019, the Council agreed the final year of a three year budget for 2017/18 to 2019/20 in compliance with its "Golden Rules". Total of £24m is required to be saved by both Bury Council and the CCG. It is essential that the budget continues to be monitored closely during the year to ensure that departmental savings plans are being achieved, and also that appropriate preparations are made for future years including the refresh of the Council's Medium Term Financial Strategy. Further measures to keep the budget in check that have been implemented in 2019/20 include a £1,000 per transaction procurement limit, a Budget Control Group, a review of external staff resources such as consultants and contractors and a recruitment review for vacant posts - internal recruitment only with external recruitment by exception and by corporate agreement. Themed budget boards will be established to make sure that collectively the Council and CCG meets the £24m savings that are required.

- Economic conditions continue to have an adverse impact on income levels in Departments, notably Operations (parking fees) and Business, Growth and Infrastructure (property income). The risk is recognised in the assessment of the minimum level of balances and will continue to be closely monitored throughout 2019/20.

- Budgets in respect of Children's Social Care remain under pressure in the light of the increased emphasis on child protection nationally. Likewise, pressures remain in Adult Care Services in respect of an increasing elderly population and Learning Disability care packages. Controls are in place to ensure appropriate care packages are provided, and improved procurement activity ensures these are obtained at competitive rates. This situation will continue to be closely monitored during 2019/20.

- The Council faced two significant changes to the structure of Local Government Finance that took effect from April 2013 - the localisation of Council Tax Benefit and changes to the system for Business Rates. These challenges were once again addressed in setting the 2019/20 budget and monitoring / reporting arrangements were put in place to track progress through the year.

- The cost of exit packages is a concern for the Council and workforce planning is essential Details of the exit schemes that are available for application, with immediate effect, and until 31 May, 2019, was launched on 30 April, 2019. Decisions about applications will be made by 30 June, 2019. Business cases need to be provided that demonstrate the costs of departure can be met by available salary budget.

- It is considered that due to the commencement of General Data Protection Regulations (GDPR) in early 2018/19, the level of public interest and the significant level of data breach fines that information governance should remain as a significant governance issue for 2018/19. This will also facilitate the on-going review of arrangements in the first year after the implementation of GDPR. The work undertaken in 2018/19 has enabled the council to meet the GDPR requirements and an audit of the council's arrangements for GDPR is scheduled to be undertaken in 2019/20 to provide a significant level of assurance.

- The Council continues to work closely with Six Town Housing, and a joint Housing Strategic Priorities Board now oversees priorities, and ensures that effective governance arrangements are in place. In addition, regular finance meetings continue to take place between finance staff from Six Town Housing and the Council's s151 Officer.

- The Council set up a Local Authority Trading Company (LATCo) in October 2015 (Persona) to provide a number of adult social care services to the community of Bury. The services include Short Stay (Elmhurst and Spurr House), Shared Lives, Supported Accommodation (Community based), Day Services for Older People (Grundy, Pinfold), Day Services for Physical Disability (ReStart at Castle Leisure), and Day Services for Learning Disabilities (various community bases). Shareholder governance is essential in order to ensure that the Council, who is the 100% shareholder, is strategically in control of the LATCo and thereby meets the requirements of the TECKAL exemption (i.e. the need for the Council to exert control and influence over the company). However, this needs to be balanced with the need to enable the LATCo to develop as an organisation and a business. The governance arrangements include:

    - Shareholder Panel;
    - LaTCo Board;
    - Executive Management Team;
    - Stakeholder Forum;
    - Committees

  They have been designed with the intention of making a clear distinction between the role of the Shareholder and that of the LATCo who is entrusted to deliver services on their behalf.

  The Shareholder will hold the LATCo accountable through the Council Shareholder Panel. This Panel is made up of the Cabinet Member for Health and Wellbeing, three Elected Members, the Director for Adult Social Services (DASS) (currently the Executive Director Communities and Wellbeing), and the S151 officer (currently the Assistant Director Resources and Regulation, Finance). The role of the panel is to act on behalf of the shareholder to scrutinise the LATCo in respect of performance against the business plan and financial plan. The Shareholder Panel has certain retained decisions, for example appointments to the LATCo Board. The LATCo Board is responsible for the strategic direction of the LATCo and reports back to the Shareholder Panel in respect of performance. This Board comprises Executive Directors of the company; Managing Director, Finance Director and Operations Director. There are also two Non-Executive Directors. The Non-Executive Directors have been appointed based on their commercial expertise and ability to complement the skills, experience and knowledge of other Board members and fill any expertise gaps. One of the Non-Executive Directors is an Elected Member of the Council. The final Board position is that of staff representative. This position ensures that the workforce have a key role in the operation of the organisation, recognising that this is a people business. The Board is co-ordinated by an Independent Chairperson. The LATCo Board has put in place committees, management teams and stakeholder forums that it has deemed necessary to effectively manage its business. These include those necessary to establishing and maintaining effective relationships with trade unions. A Shareholder Agreement has been put in place between the Shareholder and the LATCo. This contains details of retained and delegated decision making powers.

  The LATCo also has relationships with the Council beyond the Shareholder as detailed below:

- Commissioners – The LATCo is commissioned by the Council for the services it provides to it. This relationship is governed by contracts for services and under pinned by service specifications. The initial contract is for 5 years with a review at the 3 year point (3 years plus 2 years).
- Support Services – The LATCo buys back certain support services such as IT. This buy back relationship where the LATCo is the recipient of a service provided by the Council, is governed by service level agreements.
- Traded Services – The LATCo buys back certain traded services such as transport, security, and grounds maintenance. This buy back relationship where the LATCo is the recipient of a service provided by the Council, is governed by service level agreements.
- Tenant – The LATCo is the tenant on 9 Council owned properties. This relationship is governed by separate leases.

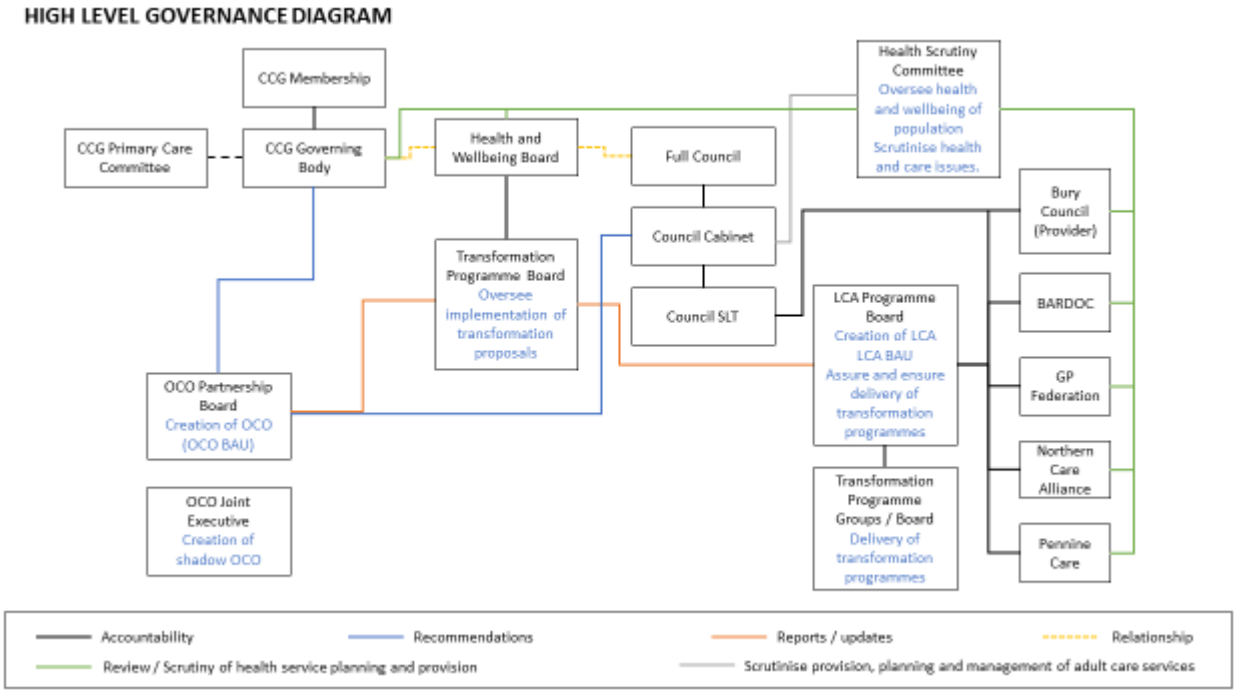
- Since 2015/16 the Council has been an active participant in the GM Devolution arrangements; these present both an opportunity and a challenge, and the Council must make sure effective governance arrangements are in place.

- Health and Social Care Integration – Bury Council and Bury Clinical Commissioning Group (CCG) are working together with their partners, Pennine Care NHS Foundation Trust, Northern Care Alliance, the GP Federation, BARDOC and the Voluntary, Community and Faith Alliance (VCFA), to help people stay well for longer than is currently the case, as well as reduce variation in the quality of standards across the borough.

  How the Council plan to do this is explained in the borough's Locality Plan. This document sets out a vision to enable people to be active participants in their own wellbeing, to build thriving communities and reduce demand for statutory services. If the Council and CCG do nothing, it is forecast there will be a financial gap of £75.6m.

  The Bury One Commissioning Organisation is the joining up of Council and CCG services which plan, agree and ensure providers deliver effective health and wellbeing services for Bury. This involves teams from both the Council and CCG working together as one team on a shared vision and strategic plan for Bury. The new body will have single leadership, single staff and a single budget.

  The chart below provides details of how Bury Council, in partnership with Bury CCG, Pennine Care NHS Foundation Trust, Pennine Acute Hospital NHS Trust, GP Federation, GP Out of Hours and the Third Sector Development Agency is supporting the integration of health and social care by ensuring the effective governance of integrated teams and commissioning of services.



This statement, and progress on the actions set out above is reviewed and monitored by the Joint Executive Team and the Audit Committee on a regular basis.

Signed:

GP Little

Geoff Little
Chief Executive
June 2019

Signed:

Rishi Shori
Leader of the Council
June 2019

Agenda Item 8

REPORT FOR DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**AUDIT COMMITTEE**
DATE:	**30 JULY 2019**
SUBJECT:	**INTERNAL AUDIT ANNUAL REPORT AND REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROL AND GOVERNANCE 2018/19**
REPORT FROM:	**HEAD OF FINANCIAL MANAGEMENT**
CONTACT OFFICER:	**ANDREW BALDWIN**

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

SUMMARY:	This report summarises the work undertaken by the Internal Audit service in the financial year 2018/19 comparing it to the Audit Plan for the year. It contains an "Audit Opinion" which assesses the authority's control and governance framework, finding it to be robust. Members are also updated on some of the issues facing the Internal Audit service in the current year.
OPTIONS & RECOMMENDED OPTION	Members can accept or reject the conclusions reached in the report, or can ask for it to be revised. Based on the evidence provided Members are recommended to accept the report, and to endorse its suitability in support of the Governance Statement for 2018/19.

IMPLICATIONS:

Corporate Aims/Policy Framework:	Yes
Financial Implications and Risk Considerations:	See statement by Chief Finance Officer.
Statement by Chief Finance Officer:	There are no direct financial or risk implications arising from the report.

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

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

Equality/Diversity implications: No

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

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

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

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

Scrutiny Interest: None.

TRACKING/PROCESS **DIRECTOR:**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	✓Chair		
Overview & Scrutiny Committee	Cabinet	Committee	Council
		Audit 30/07/19	

1.0 BACKGROUND

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

2.0 ISSUES

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

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

2.3 It is intended that the report will form part of the assurance Members are now required to seek under the provisions of the Accounts and Audit Regulations 2015. They will draw upon assurances gathered from various sources in order to fulfil the Council's obligation to issue a Governance Statement.

3.0 CONCLUSION

3.1 The report concludes that the planned work for 2018/19 was completed to a satisfactory degree and to an acceptable standard.

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

Andrew Baldwin
Head of Financial Management

List of Background Papers:-
Internal Audit Annual Plan 2018/19

Contact Details:-

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BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
AUDIT COMMITTEE			
Compliant with CIPFA Toolkit and best practice	Audit Committees are a key component of corporate governance in that they provide assurances about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.	The effectiveness of the Audit Committee is reviewed annually by the Head of Financial Management in his role as Chief Internal Auditor using the CIPFA Toolkit as a model and ensures compliance with UK Public Sector Internal Audit Standards. The report is available for inspection in the Audit Committee agendas.	The Audit Committee now has a clear statement of purpose, a set of core functions, an awareness of the key features that constitute a good audit committee, and an awareness of good practice in the structure and administration of the Audit Committee. In addition, there is a self-assessment checklist.
CORPORATE GOVERNANCE			
Annual Governance Statement	With effect from 2007/08 it became a requirement to include an Annual Governance Statement within the Authority's published accounts. The purpose of the statement is to provide an assurance as to the effectiveness of internal control, and wider corporate governance within the organisation. The 2015 Accounts and Audit Regulations require an authority to conduct a review at least once a year of the	The Authority piloted a Governance Statement in its 2006/07 accounts, and has been produced and reviewed annually since then in accordance with CIPFA Code of Practice. The statement is refreshed each quarter and presented to the Audit Committee and the Governance Panel. The Statement is prepared using information from the Council's Internal and External Auditors, the views of the Monitoring Officer, S151 Officer, and other	The Statement summarises the effectiveness of the internal control / governance framework and compares this with the Authority's standard as outlined in the "Local Code of Corporate Governance". The Statement provides management, Members, Partners and Stakeholders with an assurance as to the effectiveness of the internal control / governance framework. The Statement highlights action points for improvement.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	effectiveness of its system of internal control and to include a statement reporting on the review with any published Statement of Accounts. For a local authority in England the statement is the Annual Governance Statement.	reviews. Critically, the Statement is based upon "Assurance Certificates" completed by Executive Directors and the Chief Executives of Six Town Housing and Persona. The Statement is approved by Strategic Leadership Team, the Governance Panel and the Audit Committee.	
Monitoring Officer	The Monitoring Officer carries out a continuous review of all legal and ethical matters.	The Monitoring Officer receives copies of all agendas, minutes, reports and associated papers, commenting where necessary, or taking appropriate action should it be required.	The Monitoring Officer is responsible for monitoring compliance with the Local Code of Corporate Governance, and ensuring that the highest standards are maintained.
S151 Officer	It is a requirement under the Local Government Act 1972 (s151), and the Local Government Finance Act 1988 (s114) that the Council appoints a responsible officer to oversee the proper administration of the financial affairs of the Council.	The Interim Executive Director of Resources & Regulation fulfilled this role for the Council during 2018/19. Equally there are effective arrangements for staff to deputise in the absence of the s151 officer. During 2018/19 the s151 officer was a qualified accountant.	The s151 officer has produced a comprehensive set of Financial Regulations to ensure high standards of financial management throughout the organisation.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
Financial Management	Effective financial management ensures the Council deploys its resources efficiently and effectively in pursuit of its objectives.	The Council has invested significantly in the development of its financial systems, and has a well-established budget monitoring and reporting framework – to officers and elected members.	The Council has agreed finance procedure rules, and manages its Medium Term Financial Strategy within its own "golden rules". This ensures the Council maintains a balanced budget, and a risk assessed level of balances. A Budget Recovery Group was established in 2018/19 as well as a Savings Delivery group. Following a LGA review of Finance all Finance staff now report to the S151 Officer.
Risk Management	The Authority has developed a comprehensive framework for effectively managing and reporting risk and opportunities; both within the Council, and when working in partnership.	On-line risk registers are maintained at operational, departmental, and strategic levels. Registers are reviewed at least quarterly, and reported to Management Board and members. An officer level "Operational Risk Management Group" continues to operate, along with a Member level "Corporate Risk Management Group" both groups meet on a regular basis. The Council's approach to Partnership Risk Management continues to be developed; the Project Risk Analysis and	The Council has adopted a priority led approach to risk, with all risks / opportunities being clearly identified and mapped to the Council's Strategic Objectives. Risk registers and the review process have been operating for nearly 4 years now, and are making a positive contribution to effective management of the Council's resources. This is achieved by allowing informed decision making, with a clear understanding of the risks / opportunities involved. The continued development of PRAM has contributed to the effectiveness and confidence of Partnership working.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
		Management (PRAM) Framework has now been populated with significant risks identified by Team Bury partner organisations.	
Performance Management	The Authority maintains a range of Performance Indicators; some are statutory requirements, others are maintained locally to monitor the effectiveness of services and overall 'health' of the Borough.	The Authority uses the Clear Impact software package to record performance and identify trends. Performance monitoring will tie into the new Corporate Plan to be developed during 2019/20	The system is available to key officers within the different departments of the Council. Quarterly reports are presented to Cabinet and Scrutiny meetings. Current LGA review of performance likely to produce recommendations for future. New Performance Management Framework to be developed.
Health & Safety	The Council has a number of obligations in respect of health & safety; employer, landlord; service provider etc.	There is a well-established Corporate Health & Safety Team, supported by representatives in service areas.	The Council has clearly defined Health & Safety standards which are communicated to staff through regular training sessions. The Health & Safety Section produce a comprehensive Annual Report outlining work undertaken, and proposing future action.
Business Continuity	Effective business continuity planning ensures that the Council is able to deliver critical services in the event of a disaster / significant disruption.	The Council following the re-structure will undertake a major review of all departmental service structures to ensure the corporate BC Planning Data Base is up to date with the necessary changes	An updated BC planning database that is accessible to all staff, providing essential emergency response information/plans that ensures service continuity following a disruption to service provision.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	This is now a statutory duty upon the Authority under the Civil Contingencies Act.	to current and new services, changes to heads of service and service managers. This will enable a review of all critical services and prioritisation of those services across the council. Critical services will need to be identified as part of the Council's Corporate Generic Response Plan in the event of an emergency. Services will be required to review and update their service business continuity plans which will be reviewed in July 2019. The Corporate BC Policy and Strategy and the Corporate BC Plan will be reviewed in line with the re-structuring and once updated will be available online via the Intranet for 2019/20 period. http://intranet/index.aspx?articleid=12895	
Gifts & Hospitality	A robust mechanism to record, approve and monitor offers of gifts and hospitality is fundamental to effective governance.	An online register has been developed where members and officers can declare offers of gifts / hospitality. The s151 Officer emails all staff on a regular basis reminding them of the need to make	The Council's "Local Code of Corporate Governance" reinforces this through its core principle of "promoting the values of the authority and demonstrating the values of good governance through behaviour". The online registration has recently been extended to include declarations of interests.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
		declarations.	
Internal Audit Annual Report and Opinion	The Annual Report provides an opportunity to look at the performance of Internal Audit over the whole financial year, and to take stock of the overall position with regard to systems and controls, having regard to the risks involved.	Copy of the Internal Audit Annual Report and Opinion is presented to the July Audit Committee for their approval and is part of this report.	The Annual Report provides some of the assurances Members and others have to seek, in order to satisfy the requirements under the provisions of the Accounts and Audit Regulations 2015. The report is particularly concerned with the authority's control framework, and its assessment, which forms the basis of the Audit Opinion.
Partnership Code of Practice	The Authority adopted a "Partnership Code of Practice" in 2007/08 and has entered into a "Memorandum of Understanding" with the PCT. The Council has also set-up Team Bury Protocols around areas such as asset management etc. and has data sharing agreements with all partners.	The Code is available to both officers and Partner organisations and sets out the principles of partnership working.	The Code outlines key considerations when entering into a Partnership, e.g. Finance, HR, Legal issues, Risk Management etc. The Code provides practical guidance in respect of these issues. The Memorandum of Understanding covers the aims and objectives, the partnership principles, roles and responsibilities, accountability, and evidence that the arrangements have led to benefits.
External Audit reliance on the opinions of Internal Audit	To have confidence that the Internal Audit Section plays a full part in the system of internal financial control.	Audit and Inspection letter.	As the external auditors opinion is that they do have confidence in the effectiveness of the Internal Audit service it allows them to concentrate on wider control issues and projects assured that the internal control environment is being properly and professionally audited.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
External Audit review of Internal Audit	To ensure that the Internal Audit service is independent and objective, can be relied upon to carry out their work to a high standard and in compliance with the CIPFA Code.	Findings reported to the Audit Committee.	This assurance is vital to the Audit Committee and the s151 Officer in giving them the assurance that the Internal Audit service carries out its responsibilities to the highest standard, performs its work with honesty, diligence and responsibility, in accordance with the Code and is continually striving to improve.
Established Scrutiny Committees	Review and scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions.	The Scrutiny Committees must report annually to the full Council on their workings.	Allows the Council to fulfil its obligations under the Local Government Act 2000.
Established Standards Committee	Promote and maintain high standards of conduct by Councillors.	Council Minutes.	Closely monitors compliance with the Members' Code of Conduct.
Governance Panel	Established in 2008/09 to provide a forum to discuss, challenge and improve all aspects of ethical governance within the Council. The Panel meets on a quarterly basis.	The Panel will receive details of current investigations, the quarterly Governance Statement, Freedom of Information requests, Risk Management reports, and updates from Internal Audit, the S151 Officer, and the Monitoring Officer.	The Council's approach to Governance is monitored to ensure compliance with the Local Code of Corporate Governance. Any improvements that are recommended as a result can be followed-up.
INTERNAL AUDIT INWARD LOOK			
Compliant with CIPFA Code of Practice	To ensure that the Internal Audit function takes full account of the Accounts &	Compliance with the Code reviewed in April 2018 and found a compliance of 97%.	Compliance with the Code fulfils the Accounts & Audit Regulations in that the relevant body must "maintain an adequate and effective

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	Audit Regulations 2015.	Copy available in Internal Audit.	system of Internal Audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".
Internal Audit is appropriately resourced	To ensure that the Audit Team possesses the qualifications, skills, competencies, experience and personal attributes required to meet its objectives and comply with CIPFA Standards.	Benchmarking results and personal files.	A highly respected Internal Audit Team that can be relied upon to deliver a quality service that adds value to the Authority. Staff hold appropriate qualifications, are suitably experienced, with up to date job descriptions
Audit Planning	To determine the priorities of the internal audit activity each year and to allocate staffing resources.	Audit universe produced annually that takes account of national and local risks, Members and Directors requests for audits to be carried out, availability of staff resources. It provides details of the audit work to be carried out and the total number of audit days and how these have been calculated. The plan is adjusted according to changing priorities.	The audit plan is developed each year that is risk based and is consistent with the Council goals plus departmental objectives and priorities. Progress against the plan is reported quarterly to Audit Committee.
Quality Assurance	To ensure that all audit work is of a high standard.	All audit reports and files are reviewed by the Audit Manager and/or the Head of Financial Management and evidenced in the file. Progress against the work plan is monitored and reported to	Audit work is allocated to staff with the appropriate skills, experience and competence. Auditors take due professional care at all times. Performance monitoring takes place though 1-2-1s, team meetings, against the approved plan and via a suite of

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
		Audit Committee each quarter. The suite of performance indicators is reported to Audit Committee each quarter. A review of the effectiveness of the internal audit service is conducted annually. Additionally, the auditors develop and document a plan for each engagement and results are communicated to the Audit Committee, Chief Executive and the relative Executive Director. Follow ups are also carried out to ensure agreed actions have been carried out to address recommendations.	performance indicators.
Public Sector Internal Audit Standards (PSIAS)	To ensure Internal Audit work complies with PSIAS that came into force in April 2013.	As a requirement of the PSIAS an external assessment of the service was carried out in October 2016.	The overall judgement was that the service partially conforms to the Standards and a number of recommendations were made to enable the service to fully conform. An action plan was put in place to address these and this was presented to Audit Committee on 27 April, 2017.
Internal Audit Charter	The internal audit charter is a formal document that defines internal audit's purpose,	The Charter is reviewed annually and complies with the requirements of the UK Public	The Charter provides details of the purpose of Internal Audit, its objectives, responsibilities, independence, scope of work, status, planning

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	authority, responsibility and position within the Council. It is therefore a reference point for measuring the effectiveness of internal audit.	Sector Internal Audit Standards.	approach, reporting lines, compliance with the Code of Ethics and how it is resourced and staffed.
Code of Ethics	The service complies with the Institute of Internal Auditors Code of Ethics.	Auditors perform their work with honesty, diligence, and responsibility. They observe the law and make disclosures expected by the law and the profession. They are not knowingly a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the Council. They respect and contribute to the legitimate and ethical objectives of the Council. They do not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the Council. They do not accept anything that may impair or be presumed to impair their professional judgment. They disclose all material facts known	Auditors carrying out their duties with integrity, being objective, confidential and competent at all times.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
		to them that, if not disclosed, may distort the reporting of activities under review. They are prudent in the use and protection of information acquired in the course of their duties. They do not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Council. They engage only in those services for which they have the necessary knowledge, skills, and experience and perform internal audit services in accordance with the UK Public Sector Internal Audit Standards. They continually improve their proficiency and the effectiveness and quality of their services.	
Client Satisfaction Questionnaires	To obtain feedback on the quality of the service from the user.	Results from the questionnaires are reported to the Audit Committee and retained in the Internal Audit office.	To ensure that Internal Audit is working effectively and that the whole experience of the user is a good one that will encourage them to seek further work and advice on the areas they see as at risk.
Benchmarking	Benchmarking provides the evidence of how we are performing.	We benchmark ourselves annually within the North West Chief Internal Auditors Group which	The benchmarking enables us to answer some fundamental performance questions; how does our performance compare with our

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
		consists now of 21 Authorities.	peers; can we learn anything from other organisations; and do we provide value for money.
Internal Audit Performance Indicators	To measure performance over time to ensure improvements are continuously being achieved.	A range of 27 performance measures are presented to the Audit Committee each quarter.	Ensuring a good and improving service and enable the Audit Committee to monitor the performance of Internal Audit.
Membership and regular attendance at the North West Chief Internal Auditor's Group.	This group primarily exists to allow Chief Auditors across AGMA and beyond to discuss the important issues of the day.	Minutes of the meetings.	The Group (reporting to Treasurers Group) is invaluable in maintaining the highest levels of competence by inviting speakers to address the Group on important issues and being a forum for new and innovative ideas.
Membership and regular attendance at the North West Computer Audit Group.	This group primarily exists to allow Computer audit experts within AGMA to discuss the important issues of the day and provide a forum to raise the overall standard of work. The Group has set-up a Greater Manchester Computer Audit Consortium to supplement our own staff. The Council bought–in 20 days from the consortium in 2018/19.	Minutes of the meetings. This group reports to the Chief Auditors Group.	The development and sharing of best practice in the field of Computer Audit. The sharing of knowledge and in some cases resources through partnership working. The standard of work and the extent of our knowledge is enhanced by inviting specialists to speak to us. We have also benefited from polling our training requirements and obtaining this valuable resource at a competitive rate. The Group have also arranged for in-house training to disseminate expertise amongst the AGMA members.
Membership and regular	This group primarily exists to allow Contracts audit experts	Minutes of the meetings. This group reports to the Chief	The development and sharing of best practice in the field of Contracts Audit. The sharing of

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
attendance at the North West Contracts Audit Group.	within AGMA and beyond to discuss the important issues of the day and provide a forum to raise the overall standard of work.	Auditors Group.	knowledge and in some cases resources through partnership working. The standard of work and the extent of our knowledge is enhanced by inviting specialists to speak to us. We have also benefited from polling our training requirements and obtaining this valuable resource at a competitive rate. The Group have also arranged for in-house training to disseminate expertise amongst the AGMA members.
Membership and regular attendance at the North West Fraud Group.	This group primarily exists to allow those working within the area of fraud investigations within AGMA and beyond to discuss the important issues of the day and provide a forum to raise the overall standard of work	Minutes of the meetings. This group reports to the Chief Auditors Group.	The development and sharing of best practice in the field of proactive and reactive work. The sharing of knowledge and experiences. The standard of work and the extent of our knowledge is enhanced by inviting specialists to speak to us. We have also benefited from polling our training requirements and obtaining this valuable resource at a competitive rate. The Group have also arranged for in-house training to disseminate expertise amongst the AGMA members.
Participation in the National Fraud Initiative overseen by the Audit Commission.	To tackle a broad range of fraud risks faced by the public sector	Process overseen by the Audit Commission and independently audited by KPMG as Bury's external auditors. The NFI scheme is overseen internally by the Internal Audit section.	Thousand of pounds worth of savings and the deterrent effect that goes with the scheme are sound reasons for taking part.
POLICIES & PROCEDURES			
Local Code of Corporate	The Council is responsible for ensuring that its business is	To this end the authority has approved and adopted a Local	The Local Code is built around six core principles of governance, each with more

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
Governance	conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.	Code of Corporate Governance which has been reviewed and updated in accordance with the principles and requirements of the 2016 CIPFA/SOLACE document *"Delivering Good Governance in Local Government : A Framework"* and supporting guidance.	detailed supporting principles. An assessment against the standards in the Local Code of Corporate Governance forms the basis of the Annual Governance Statement. The Local Code has been communicated to both officers and members. The Council undertaken a review of ethical governance to determine the level of awareness, and assess training needs. As a result, an e-learning module has been developed and made available to Officers and Members.
Risk Management Policy	The Council formally adopted its Risk Management Policy in 2006; this outlined its approach to the identification, management & reporting of risk.	The Policy gives an overview of the Council's approach to risk management. This is further supported by a "Policy into Practice" document which outlines the detailed operation of the various levels of risk register, reporting lines, and membership of officer and member groups.	The documents have been effective in defining the Council's approach to risk management. This is evidenced through a fully populated set of risk registers; frequent (and well attended) meetings of officer and member risk management groups. The Council's Annual Report on Risk Management provides further details of the positive impact of the risk management process.
Anti-Fraud & Corruption Strategy	In the light of the Nolan Report and several well publicised fraud and corruption cases, it	The Strategy is available on the intranet and a link is available through the Internal Audit web	The public is entitled to expect conduct of the highest standard from members and officers of the Council. Bury Council recognises the

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	became accepted that standards and practices needed to be formalised and developed into a distinct anti-fraud and corruption strategy.	page. The Strategy has also been placed on the Internet and Intranet and is reviewed annually.	need for the highest standards of probity in dealing with public money, and is firmly committed to the prevention, detection and investigation of all forms of fraud and corruption. It will deal equally with perpetrators from inside and outside the authority. This strategy explains how we shall achieve this aim. To raise staff and Member awareness, an e-learning module has been developed.
Whistleblowing Policy	To provide an avenue for all those to whom the policy applies to raise concerns and receive feedback on any action taken.	Files are maintained on a strictly confidential basis.	The Council is made aware of important issues, including criminal activity within the Council, that it otherwise may not have been made aware of. The Whistleblowing Policy is part of the Anti Fraud & Corruption Strategy that was updated in February 2018 and is refreshed annually.
Complaints procedure	To ensure all complaints are recorded and acted upon in accordance with the procedure. This is now made possible by retaining the information within a purpose built database.	Statistics on complaints; learned outcomes and problems raised are distributed to management within departments and reported to Departmental Management Teams.	Informing the Council when things do not work as efficiently or effectively as they should.
Freedom of Information Policy	The Council must comply with the Freedom of Information Act 2000. The Act gives a general	Freedom of Information request documentation.	The Council will comply with the legislation and be seen to be assisting persons to obtain valid information upon request.

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19			
CONTROL	**PURPOSE**	**EVIDENCE**	**OUTCOME**
	right of access to all types of recorded information held by the Council.		
Data Protection Procedures	To ensure the Council complies with the 2018 Data Protection Act and General Data Protection Regulations (GDPR) and protects the personal data the Council maintains on individuals; whether paper or computer based.	The Council's arrangements are inspected regularly by the Offices of the Information Commissioner.	The Council will comply with the Act and maintain proper control over its information retention arrangements.
Financial Regulations and Financial Procedure Rules	To conduct its business efficiently, the Council needs to ensure that it has sound financial management policies and that they are strictly adhered to.	The work of external and internal audit.	The Financial Regulations and Financial Procedure Rules assist the s151 Officer to carry out his responsibilities under the Local Government Act 1972 and s144 of the Finance Act 1988 for the proper administration of the financial affairs of the Council.
Contract Procedure Rules	CPR are the rules governing the procurement of all contracts entered into on behalf of the Council for supplies, services and works. They detail the competition and procedural requirements according to contract value.	Procedure rules are audited by Internal Audit every year.	Compliance with CPR ensures the Council is able to demonstrate best value for money and is protected from legal challenge. The Rules were reviewed and updated in 2017.
Policies on the Regulation of Investigatory	It gives the power to investigating officers to carry out covert surveillance and use	The Legal Services section maintains a central record of all RIPA applications.	Prevents the Council from breaching Article 8 of the Convention on Human Rights 1953 as applied by the Human Rights Act 1988. It also

BURY COUNCIL – Review of the Effectiveness of Internal Control 2018/19

CONTROL	PURPOSE	EVIDENCE	OUTCOME
Powers Act 2000	covert human intelligence sources subject to a system of authorisation.		prevents the Legal representatives of defendants from excluding evidence obtained in this way.

INTERNAL AUDIT OPINION

The Internal Audit Section has undertaken a continuous risk based review of the System of Internal Control and the Council's Governance arrangements during 2018/19.

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

30th July 2019

Andrew Baldwin
Head of Financial Management

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Appendix B

BURY COUNCIL INTERNAL AUDIT

ANNUAL REPORT AND OPINION FOR 2018/19

1.0 INTRODUCTION

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

1.2 The Council has an obligation to issue an Annual Governance Statement under the provisions of the Accounts and Audit Regulations 2015 which must demonstrate that Members and Officers regularly review, and are satisfied with, the Council's control framework. This report will provide some of the assurances Members and others have to seek, in order to satisfy those requirements. They will also draw upon assurances gathered from a variety of other sources.

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

1.4 A comprehensive Internal Audit Annual Plan for the financial year 2018/19 was approved by the Audit Committee at its meeting on 13 March, 2018.

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

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

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

1.8 The report details the activities of Internal Audit during 2018/19 comparing the output of work against the approved Audit Plan for the year.

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

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

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

Appendix B

2.0 KEY MESSAGES

- When planning our risk based approach for 2018/19, Internal Audit identified over 600 separate auditable areas within the Council's three Directorates (Resources & Regulation, Communities & Wellbeing, Children, and Young People & Culture) plus Six Town Housing. We had selected 49 areas for attention during the year. This objective changed during the year and 62 areas were examined along with participation in 4 investigations.

- We planned to undertake 793 rechargeable working days for the year – our actual output was 812. Our non-rechargeable days were 433 against an original estimate of 573.

- 48 final reports were issued and responded to during the course of the year. Two thirds of these reports were completed within the originally allocated time and 90% issued within 14 days of the audit ending. Whilst we do try to cover additional issues arising during the course of an audit, we also have to ration the time allocated by making a measured judgement.

- In total, 200 recommendations were made in our reports and 97% of them were accepted for implementation, and there were no serious disputes arising.

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

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

- An external assessment of the service carried out in October 2016 found the service partially conforms to Public sector Internal Audit Standards. 17 recommendations were made and an action plan was put in place to implement these.

- 40 specialist audits were conducted; 155 key controls were examined in 10 key control areas; 4 investigations were successfully concluded.

- The cost of the Section was £229,500 i.e. an underspend of £36,000 compared to the budget of £265,500 including recharges), and equates to £184 per rechargeable day.

- Last year we reported the setting up of the Corporate Fraud Team. Since its beginnings the team has investigated cases of fraud across several areas of the Council's services. The ability to work across multiple areas of the Council continues to prove very useful, some of this work has now moved in to what could be described as "business as usual" due to being well established – Blue Badge abuse, Right to Buy fraud and Affordable Housing applications.

  The team continues to work closely with our colleagues in Internal Audit to ensure that information and learning is freely passed between teams, to help target areas worth investigating or possible system/ process issues that can be strengthened or removed.

  The results from the work of the team reinforces the view that where a service or asset is of a high value, there are people who will seek to obtain these things through fraudulent activity. We have pursued a number of successful prosecutions

across different service areas and achieved significant savings through the identification of monies that can be collected, the prevention of assets being lost which continue to benefit the authority in the future.

The team continues to remain open to new areas of work and developing both internal & external relationships to ensure the flow of information and learning is maintained one such productive link is through the Organised crime group led by GM Police where members of several organisations (and several Council enforcement teams are represented) helps to make a positive difference to the residents of Bury.

3.0 OPINION

Control Framework

The effectiveness and security of local authority systems and controls are underpinned by the overall governance and control framework. At Bury this is considered to be robust.

Systems and Controls

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

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

4.0 EVIDENCE - FRAMEWORK

My opinion is based on the following:

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

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

4.3 The Council updated its Anti-Fraud and Corruption Strategy in December 2014 which was widely publicised. The policy takes a strong line on fraud, which underlines the anti-fraud culture within the authority. Incorporated into the Strategy are its Confidential Reporting (Whistleblowing) Policy, which was updated in February 2019, Benefit Fraud Prosecution Policy, Members' Guidance (re outside bodies), and a Local Code of Corporate Governance. Standards of Conduct, Anti-Bribery Policy and an Anti-Money Laundering Guidance are also reiterated here.

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

4.5 During 2018/19, the Governance Panel continued to provide a forum to discuss, challenge and improve all aspects of governance in the Council. The panel was made up of four officers whose responsibilities formed the core of the Council's ethical framework (Monitoring Officer, Head of Financial Management, and the S151 Officer / interim Executive Director of Resources & Regulation).

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

4.7 The Accounts and Audit Regulations 2015 par. 6 (1) (a) require an authority to conduct a review at least once a year of the effectiveness of its system of internal control and to include a statement reporting on the review with any published Statement of Accounts. For a local authority in England the statement is the Annual Governance Statement. Having considered the findings of the review, members are then required to approve the annual governance statement, prepared in accordance with proper practice as in relation to internal control. The review is included in Appendix A to this report. Our approach is to divide the assurance framework into four categories (Audit Committee, Corporate Governance, Internal Audit, and Policies and Procedures) and look at the Controls in place, the purpose of this control, the evidence that this control exists, and the value of the control. **I conclude that, in my professional opinion, the Council has a robust internal control framework and ethical governance arrangements.**

5.0 EVIDENCE – SYSTEMS AND CONTROLS

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

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

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

5.3 In addition to formal examination of systems, we have also carried out a series of random tests throughout the course of the year. For example we regularly check invoices, payroll variations and suchlike, making sure that systems are working in practice and are being adhered to. We have also continued to offer support to inter-departmental working groups, providing advice on new or revised systems. Requests for our advice and involvement at the early stages of schemes continued during 2018/19.

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

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

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

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

6.0 ABOUT THE INTERNAL AUDIT SECTION

6.1 Audit Objectives

- The Internal Audit Section is the Council's own directly employed in-house Internal Audit Service, and provides a continuous review in accordance with the Council's obligations under the Local Government Act 1972 and the Accounts and Audit Regulations 2015. It operates under the Audit and Assurance Council, as part of the Financial Reporting Council, and the CIPFA (Chartered Institute of Public Finance and Accountancy) UK Public Sector Internal Audit Standards, as approved by Audit Committee in December 2013. Its objectives are to:
  - independently and objectively review and appraise systems of control throughout the authority and its activities;
  - use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Council;
  - ascertain the extent of compliance with procedures, policies, regulations and legislation;
  - provide reassurance to management that their agreed policies are being carried out effectively;
  - facilitate good practice in managing risks;
  - recommend improvements in control, performance and productivity in achieving corporate objectives;

- review the value for money processes, Best Value arrangements, systems, and units within the authority;
- work in partnership with the external auditors;
- identify fraud as a consequence of its reviews and to deter crime;
- perform its work with integrity, objectivity, confidentiality, competency, proficiency and due professional care;
- ensure the internal audit activity is managed through:
  - risk-based planning and approval of plan by Audit Committee;
  - resource planning and allocation of auditors to engagements;
  - engagement planning, performance, analysis, evaluation and communication;
  - setting, monitoring and reporting of performance standards to Audit Committee,

6.2 Audit Staff

- Internal Audit has a staffing establishment of six. This includes three Auditors, one Senior Auditor and an Audit Manager in addition to the Chief Internal Auditor.

6.3 Audit Skills

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

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

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

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

- Appendix D reports the performance management data for Internal Audit for the 2018/19 financial year. This document represents a collation of the regular performance management updates brought before Members of the Audit Committee throughout the year.

7.0 THE PLAN - INPUTS

- We planned to provide 793 days of directly rechargeable work. Our actual output was 812.
- An analysis of time planned and worked can be seen at Appendix C.

8.0 THE PLAN – OUTPUTS

- The analysis at Appendix C shows that targets were generally achieved. It also reflects the fact that some re-scheduling of time has taken place to effect changes in priority and allow for the involvement of auditors on working groups and in conducting investigations.
- Members have been made aware of these changes through regular updates throughout the year.
- We have ensured that the core systems work has been carried out, and any reductions have been limited to the lower risk areas, which we have been able to defer in the short term.

9.0 THE COSTS

- The cost of the Section (including recharges) for the year was £229,500 (against a budget of £265,700). This has been recharged to our clients on an hourly recharge basis in accordance with our Service Level Agreement.
- Average cost per auditor was £45,900 (inclusive of overheads).
- Our recharge rate was £23.86 per hour.
- Our costs/charges have remained amongst the lowest in Greater Manchester for several years. This was confirmed in the July 2010 (most recent figures) CIPFA Benchmarking Club results that revealed the average cost per Auditor in England is £319 per day. Bury's costs amounted to £278 per day at the time placing us in the top performing quartile. Last year we managed to reduce our costs further to £184 per day. However, the cost of participation in the Benchmarking Club has led to the Council taking the decision not to continue our participation. This is in line with most of our AGMA colleagues.
- Our rates compare very favourably with firms in the profession.

10.0 LOOKING AHEAD

10.1 We are now delivering our plan for 2019/20 (approved 26 February 2019). I will continue to inform Members of progress throughout the year, and will again present an annual report at the year end. The following issues will also impact upon the performance of Internal Audit and its measurement, and are shown for the information of Members:

- Audit Planning – Internal Audit will continue to develop a risk based approach to its planning process.
- Intranet – The Section will continue to develop its entry on the Authority intranet site as a means of promotion.

- Performance Indicators – Internal Audit will continue producing their own key indicators as part of a Performance Management Framework developed by the Section 151 Officer.

10.2 In accordance with the Council's requirement to produce an Annual Governance Statement (Accounts and Audit Regulations 2015), it is hoped that this report, and the work of Internal Audit, will provide some of the assurance needed in supporting the Statement.

ANDREW BALDWIN

HEAD OF FINANCIAL MANAGEMENT

Background documents:
Internal Audit Plan 2018/19

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

INTERNAL AUDIT PLAN 2018/2019
As at end of Period 12
From the 1 April 2018 to 31 March 2019
Thematic breakdown

Period 12 is 100% of the year	**Annual Estimated Days**	**Actual Achieved Period 12**	**Actual % Achieved**
Section 151 Assurance	160	217	136
Governance/VFM	225	150	67
Fraud	60	55	92
Front Line Services	348	390	112
Total	**793**	**812**	**102**

Directorate breakdown

	Annual Estimated Days	**Actual Achieved Period 12**	**Actual Achieved %**
Authority Wide	305	189	62
Resources & Regulation	75	152	203
Communities & Wellbeing	133	93	70
Children, Young People & Culture	165	239	145
Six Town Housing	75	96	128
Persona	40	43	108
Total	**793**	**812**	**102**

INTERNAL AUDIT PLAN 2018/2019 **As at end of Period 12** **From the 1 April 2018 to 31 March 2019** **Section 151 Assurance**	**FULL YEAR TOTAL ESTIMATED**	**Appendix C** **PERIOD 12 TOTAL ACHIEVED**
Business Continuity	0	2
Cash Collection and Banking	18	26
Council Tax	8	14
Creditors	28	63
Debtors	18	21
Housing Benefit	8	15
Housing Rent	7	16
Income	10	1
Main Accounting System	8	8
NNDR	8	13
Payroll	23	30
Risk Management	16	0
Taxation	0	0
Treasury Management	8	8
Sub Total	**160**	**217**
Governance/VFM		
Physical	96	55
Financial	55	64
People and Partners	74	31
Sub Total	**225**	**150**
Fraud		
Detection	0	1
Investigation	60	51
Prevention	0	3
Sub Total	**60**	**55**
Front Line Services		
Place	120	145
People	228	245
Sub Total	**348**	**390**
TOTAL CHARGEABLE DAYS	**793**	**812**
TOTAL DAYS NOT CHARGED	573	433
TOTAL WORKING DAYS	**1,366**	**1,245**

INTERNAL AUDIT PLAN 2018/2019 **As at end of Period 12** **From the 1 April 2017 to 31 March 2018** **NON-RECHARGEABLE**	**FULL YEAR TOTAL ESTIMATED**	**PERIOD 12 TOTAL ACHIEVED**
Audit Management and Admin	*254*	*194*
Leave	*269*	*215*
Training	*17*	*7*
Sickness absence	*33*	*17*
TOTAL NON-RECHARGEABLE DAYS	**573**	**433**

Internal Audit Performance Indicators - 1 April 2018 to 31 March 2019

APPENDIX D

Work in Progress		Target	Actual
PI 01	Incomplete Audits b/f from previous period(s)	N/A	12
PI 02	Planned Audits started in Period	49	60
PI 03	Unplanned Audits started In Period	N/A	2
PI 3a	Fraud work	0	4
PI3b	Other	0	9
	Total Audits in Progress	49	87

Productivity		Target	Actual
PI 04	Chargeable Days for Period	793	812
PI 05	Non-Chargeable Days for Period	573	433
	Total Days worked for Period	1,366	1,245
PI 06	% of Audits completed within Allocated days	75%	64%

Specialist Areas		Target	Actual
PI 07	Contract Schemes Examined in Period	0	0
PI 08	Computer Audits undertaken in Period	2	2
PI 09	Fundamental Financial Systems Examined	14	24
PI 10	School Audits undertaken in Period	13	14
	Total Specialist Audits Undertaken	29	40

Reporting		Target	Actual
PI 11	Draft reports issued in Period	37	47
PI 12	Total Reports issued in Period	39	48
PI 13	Percentage of Reports issued within 14 days of completing field work	95%	90%

Financial		Target	Actual
PI 14	Average Salary Per Staff Member (£)	45,780	38,620
PI 15	Internal Audit Budget Outturn to date (£)	265,700	229,500
PI 16	Cost Per Audit Day (£)	195	184

Staffing		Target	Actual
PI 17	Percentage of Qualified Staff	100	100
PI 18	Average post-qual experience (years)	5	10+
PI 19	Days Training	17	7
PI 20	Days lost to Sickness	33	17

Recommendations		Target	Actual
PI 21	No. of Recs made in final reports issued	N/A	200
PI 22	% of Recommendations Accepted	100	97
PI 23	% of Recs followed up within 6 mths	100	100

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

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