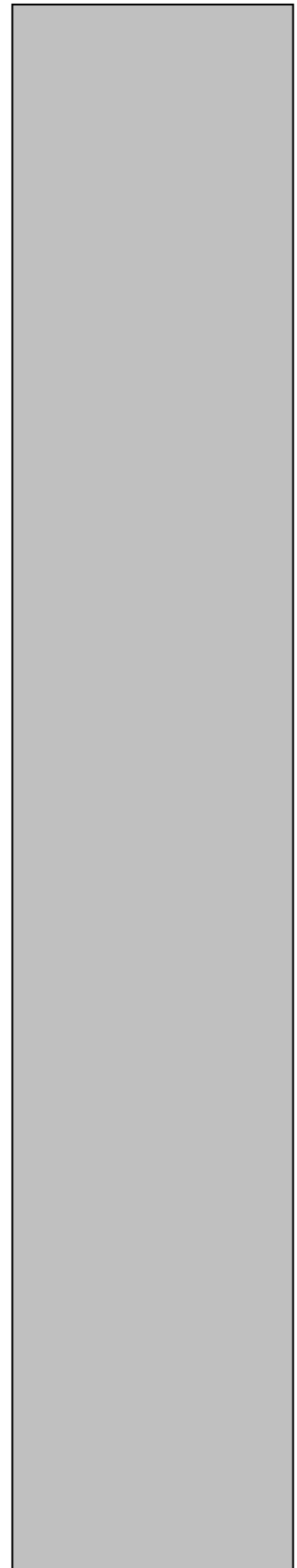


**Statement  
of  
Accounts  
2015/2016**



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## **Introduction by Councillor Jane Lewis, Deputy Leader of the Council and Cabinet Member for Finance and Human Resources**

I am delighted to welcome you to the Council's Statement of Accounts for 2015/16.

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

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

The difference between what we spent and what we planned to spend is less than 1% of our total budget and given our gross expenditure is almost £0.5 billion this is a very commendable performance. Almost £26 million has been invested on improving the assets that are so vital to the quality of the services that we aim to provide.

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

The Council has responded to these pressures by setting out the strategic direction for the Council, looking towards 2020. 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. 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. In 2015/16 delivery of the budget for the year was overseen by Councillor Rishi Shori, Leader of the Council and Cabinet Member for Finance and Housing at the time, and I am extremely grateful for the work that he put into the process.

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



A handwritten signature in black ink, appearing to read 'Jane Lewis' in a cursive, flowing script.

**Councillor Jane Lewis**  
**Deputy Leader of the Council and Cabinet Member for Finance and Human Resources**

## **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 19 July, 2016.

Signed on behalf of Bury Metropolitan Borough Council:

**Councillor John Mallon**  
**Chair of Audit Committee**

19 July, 2016

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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 31<sup>st</sup> March 2016. The accounts at this date are unaudited and as published may be subject to change.

Signed on behalf of Bury Metropolitan Borough Council:



**S Kenyon CPFA**  
**Interim Executive Director of Resources & Regulation**

27 May, 2016

# **NARRATIVE REPORT**

## 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 2015/16 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 out 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:

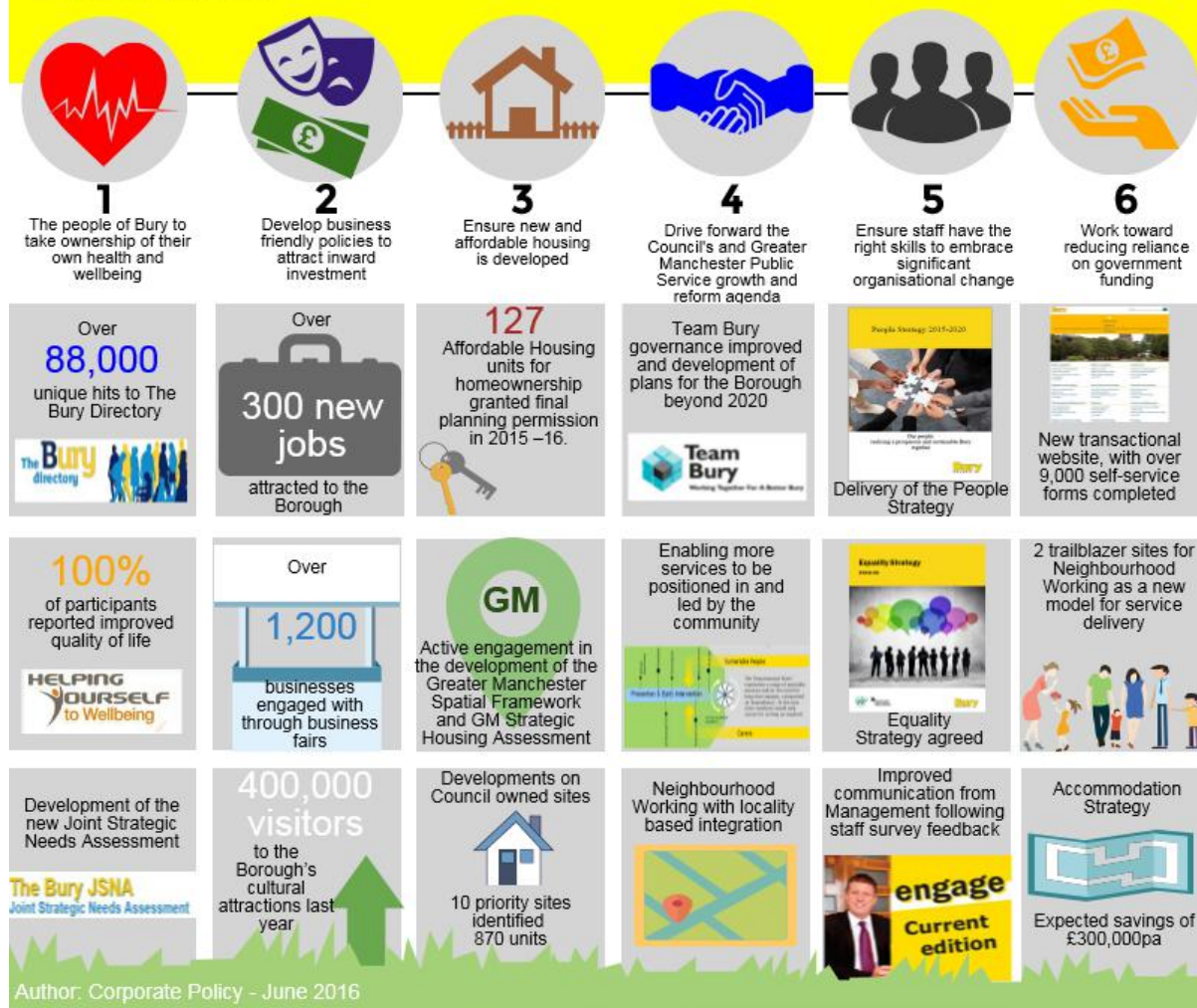
1. Drive forward through effective marketing and information, proactive engagement with the people of Bury to take ownership of their own health and wellbeing.
2. Continue to develop business friendly policies to attract inward investment and new jobs so that Bury retains its position as a premier destination 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.

# Our Vision, Purpose and Values

**Bury**  
COUNCIL

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

2015/16



powered by  
**Piktochart**  
make information beautiful

## PREPARATION OF ACCOUNTS

These Accounts have been prepared in accordance with the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom which has been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and it is the fifth year that the accounts have been prepared using International Financial Reporting Standards (IFRS's).

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

The accounts have also been prepared in accordance with, and comply with, the Accounts and Audit Regulations 2015 (which replaced the 2011 Regulations) and the Service Reporting Code of Practice 2015/16.

## 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 **1<sup>st</sup> April 2015** to **31<sup>st</sup> March 2016** along with details of the assets and liabilities of the Council at **31<sup>st</sup> March 2016**. Wherever it is relevant the corresponding figures for the last financial year, 2014/2015, 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 Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. **The statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.** Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

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

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

On 1 April 2013 public health staff and services transferred from primary care trusts (PCTs) to local authorities. This service has been separately identified in the 2015/16 Comprehensive Income and Expenditure Statement as required by the 2015/16 SERCOP.

### **THE BALANCE SHEET:**

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

### **MOVEMENT IN RESERVES STATEMENT:**

This statement shows the movement in the year on the different reserves held by the Authority analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other non-usable reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### **THE CASH FLOW STATEMENT:**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period and summarises the inflows and outflows of cash arising from

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

#### **THE HOUSING REVENUE ACCOUNT (HRA):**

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

#### **THE COLLECTION FUND:**

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

#### **THE GROUP ACCOUNTS:**

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

## **SUMMARY OF THE COUNCIL'S FINANCIAL RESULTS**

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

## **REVENUE OUTTURN**

Analysis of the draft Settlement for 2015/16 indicates that the Council will have to find a further £15.807m of cuts, on top of the cuts already made/agreed for previous years. This position was outlined in the Medium Term Financial Strategy approved by Cabinet in December 2013.

Total cuts from 2011/12 are summarised below;

2011/12	2012/13	2013/14	2014/15	2015/16	Total
£'000	£'000	£'000	£'000	£'000	£'000
9,575	8,656	9,871	9,652	15,807	53,561

In 2015/16 we had to make ongoing cuts totalling £15.807 million in response to the Council's reduced funding position.

A priority led budget model was developed for 2015/16 which allocated initial cuts 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 cuts, 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 also asked to be mindful of the strategic overview to budget setting for 2015/16 agreed by the Cabinet in December 2013 which suggested that the Council will need 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 25 February, 2015 the Council set a net budget **of £143.760m.**

As the table below shows, the Council underspent its budget by **£0.061m.**

At 31<sup>st</sup> March 2016 the borough's schools had accumulated a total underspending against their budget of **£0.758m.** Under the terms of the Local Management of Schools scheme of delegation operated by the Authority, this overall underspending will be carried forward, in total, into the 2016/2017 financial year for the schools to use at their discretion.

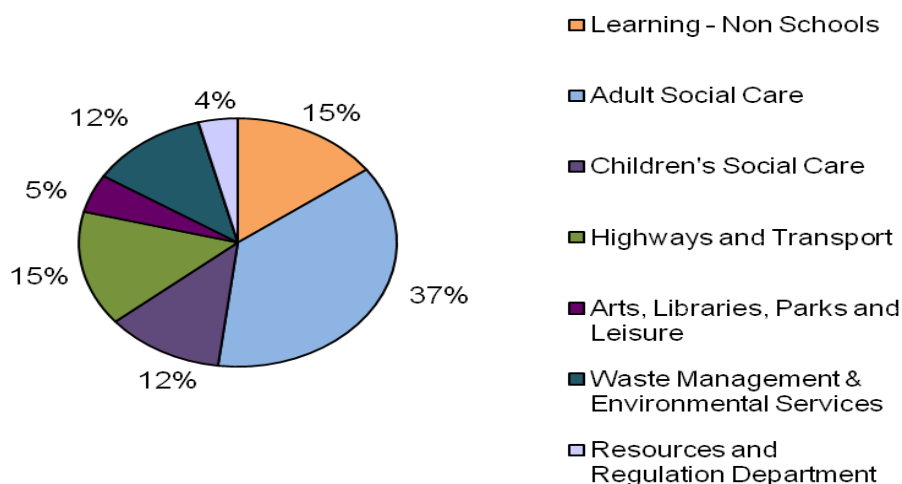
In the case of the Authority's other Departments, the "Cash Ceiling" scheme of financial delegation operated by the Authority means that they may be able to carry forward into 2016/2017 their underspendings up to a limit that is the greater of 1% of their net budget or £50,000. However, the **total** value of any overspendings must be carried forward. Any directorate carry-forwards requests are included in the Revenue Outturn report which will be considered by Cabinet on 20 July, 2016.

Revenue expenditure during 2015/2016 was: -

	<b>Revised Estimate £000's</b>	<b>Actual £000's</b>	<b>Difference £000's</b>
Net cost of Bury services	133,748	133,687	(61)
Precepts :- Police	7,802	7,802	0
Fire	2,953	2,953	0
	<b>144,503</b>	<b>144,442</b>	<b>(61)</b>
<b>TOTAL NET EXPENDITURE</b>			
Financed from:-			
Revenue Support Grant	(32,022)	(32,022)	0
Locally Retained Business Rates	(33,741)	(33,741)	0
Council Tax	(77,666)	(77,666)	0
Movement between specific and formula grants	(1,074)	(1,013)	61
<b>BALANCE</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Corporate Revenue Outturn Report details the overall performance of the Council in 2015/2016.

The Council spent £133.687m (excluding precepts) in 2015/2016 as follows:



	£m
Learning – Non Schools	20.020
Adult Social Care	49.486
Children's Social Care	15.559
Arts, Libraries, Parks and Leisure	7.087
Waste Mgt & Environmental Services	16.777
Highways & Transport	19.984
Resources & Regulation Dept	5.383
Other	(0.609)
<b>Total</b>	<b>133.687</b>

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

<b>Service Area</b>	<b>£000's</b>
Children's Social Care & Safeguarding	797
Communities and Wellbeing	647
Manchester Airport	(250)
Cost of Borrowing	(1,531)
Housing	(295)
Resources & Regulation	131
Other Children's Services	46
Waste Disposal Levy	254
Other Variances	140
<b>Total</b>	<b>(61)</b>

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, increased net housing benefit subsidy and increased annual dividend receipt in respect of Manchester Airport.

Additionally, On Boxing Day 2015, widespread floods were experienced across the Borough; this involved considerable damage, loss of structures and flooding of numerous properties. In addition to the significant human impact upon residents and local businesses, the Council faces a financial burden in respect of reinstatement, and recovery / clean up.

The Council will be seeking to recover costs under the "Bellwin Scheme" and through wider Government support. The Bellwin scheme operates like an insurance policy, whereby the Council would be required to pay an "excess" amounting to approximately £250,000 before support is available.

Discussions are ongoing with the Government in respect of wider infrastructure losses; damage to bridges, parks, and the Council's Housing Stock.

## CAPITAL OUTTURN

Total Capital Expenditure achieved in the year was **£33.404** million.

In addition to the figures shown for the year, Bury's Voluntary Aided schools received **£1.347m** from the Department for Education for the modernisation of the voluntary sector aided schools.

For information on how Capital Expenditure was financed, refer to Note 14 (page 70).

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

<b><u>SERVICE</u></b>	<b><u>PROJECT</u></b>	<b><u>£000's</u></b>	<b><u>£000's</u></b>
<b><u>COMMUNITIES &amp; WELLBEING</u></b>			
<b>Environmental Works</b>	Contaminated Land	4	
	Heat Network in Bury Town Centre	4	
<b>Leisure Services</b>	Play Areas	219	
	Radcliffe Temporary Pool	892	
	Demolition of [Old] Radcliffe Pool	27	
<b>Adult Care Services</b>	Learning Disabilities	456	
	Older People Services	149	
	5 x Welfare Buses	133	
<b>Urban Renewal</b>	Empty Properties	152	
	Disabled Facilities Grant	893	
<b>Waste Management</b>	Zero Waste Strategy	49	
	Waste Management Vehicles	205	
			<b>3,183</b>
<b><u>CHILDREN, YOUNG PEOPLE &amp; CULTURE</u></b>			
<b>Children's Services</b>	Support Services	8	
	Devolved Formula Capital	660	
	Modernisation / New Pupil Places	5,030	
	Elms Bank 16-19 Demographic Growth	2,158	
	Access Initiatives	15	
	Targeted Capital Funding - New Millwood	16	
	Upgrade and Remodel Radcliffe Hall	604	
	Secondary PRU Extension	225	
	New Sports Hall - Derby High (adj)	(63)	
	Reconfigure Besses Children Centre	25	
	Free School Meal Capital Grant	99	
	Early Education Fund	44	
	Protecting Play Fields	4	
<b>Equal Pay</b>	Back Pay Capitalisation	3	<b>8,828</b>

<b>RESOURCES &amp; REGULATION</b>			
<b>Highways and Transportation</b>	Street Lighting LED Invest to Save	674	
	Traffic Management Schemes	174	
	Highways Planned Network Maintenance	1,419	
	Bridges	182	
	Traffic Calming and Improvement	185	
<b>Planning Services</b>	Development Group Schemes	179	
	East Lancashire Railway Trust	9	
	Environmental Projects	505	
<b>Corporate Services</b>	Corporate Services (Including ICT)	162	
<b>Property Services</b>	Property Development	1,115	
	Property Management	16	
	Property Investment (Incl.T'side Fields)	6,067	
<b>Equal Pay</b>	Back Pay Capitalisation	2	
			<b>10,689</b>
<b>Housing Public Sector</b>	Asbestos Removal	12	
	Environment/Security Work	98	
	Energy Efficiency	429	
	Modernisations	4,895	
	Roofing Schemes	2,461	
	Disabled Facilities Adaptations	541	
	Miscellaneous Housing Schemes	2,268	
<b>TOTAL</b>		<b>33,404</b>	<b>10,704</b>
			<b>33,404</b>

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:

<b><u>Expenditure:</u></b>	<b><u>£000's</u></b>	<b><u>£000's</u></b>
Fixed assets	31,975	
Intangible assets	132	
Vehicle, Plant and Equipment	1,297	
<b>Total</b>		<b>33,404</b>
<b><u>Financed by:</u></b>	<b><u>£000's</u></b>	<b><u>£000's</u></b>
Loan	6,768	
Capital Receipts	1,971	
Grants & Contributions	12,078	
General Fund Revenue and Reserves	1,883	
Housing Revenue Account	3,085	
Major Repair Allowance	7,619	
<b>Total</b>		<b>33,404</b>

## BORROWING OUTTURN

During 2015/16 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:

	<b>Balance at 31/03/15 £000's</b>	<b>Loans raised £000's</b>	<b>Loans repaid £000's</b>	<b>Balance at 31/03/16 £000's</b>
PWLB	140,553	0	(9,100)	131,453
PWLB Airport	3,308	0	(753)	2,555
Market	57,500	6,500	(2,000)	62,000
Temporary Loans	0	0	0	0
Other loans	3	0	0	3
<b>Total Debt</b>	<b>201,364</b>	<b>6,500</b>	<b>(11,853)</b>	<b>196,011</b>

## OUTTURN REPORTS

The Revenue & HRA, Capital and Treasury Management Outturn reports will be submitted to the Cabinet on 20 July and to Overview & Scrutiny Committee on 31 August, 2016. 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 92 produced a deficit of **£1.197m** during the year. This was against an estimated deficit for the year of £1.528m.

## COLLECTION FUND

The information shown on page 97 demonstrates that at 31<sup>st</sup> March 2016 there was a surplus balance on the Collection Fund of **£2.019m**.

## 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 potential liability facing the Council in respect of Equal Pay significantly weakens the Council's financial position;
- That there is no robust financial strategy or change management strategy to address effectively the significant funding reductions that the Council faces;
- That the budget strategy fails to address the Council's priorities and emerging issues, e.g. demographic and legislative changes;
- That the budget strategy does not reflect, or respond to, national policy developments, e.g. Council Tax Support scheme and changes to the Business Rates regime;
- That the Council's asset base is not operated to its maximum effect to deliver efficiency savings and ensure priorities are fulfilled. Ineffective use of assets presents both a financial and a performance risk;
- That the Council fails to manage the expectations of residents and stakeholders in light of funding reductions;
- That residents, service users and other stakeholders do not adapt to changes to service provision, e.g. behavioural change;
- That the Government's changes to Council Tax Benefit impact adversely upon the Public / Vulnerable People. Also budgetary risk to the Council in the event of claimant numbers rise;
- That changes resulting from the wider Welfare reform agenda impact adversely upon the public / vulnerable people;
- That the scale and pace of Public Sector reform impacts adversely upon key Council Services, compounded by the loss of capacity following staff leaving the Council (420+ since 2010);
- That the Council fails to build on the opportunities presented by the GM Devolution Agenda, and wider Public Service Reform;

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 2016, the Council agreed a budget for 2016/17 in compliance with its "Golden Rules". It is now essential that the budget is monitored closely during the year to ensure that departmental savings plans are being achieved, and also that appropriate preparations are made for future years;
- Economic conditions continue to have an adverse impact on income levels in Departments, notably Resources & Regulation (Property and parking fees). The risk is recognised in the assessment of the minimum level of balances and will continue to be closely monitored throughout 2016/17;
- 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 2016/17;
- 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 2016/17 budget and monitoring / reporting arrangements were put in place to track progress through the year;

- Significant numbers of staff continue to leave the Council under the Voluntary Early Retirement (VER) and Mutual Settlement scheme where a business case can be proven. It is essential that standards of governance and internal control are maintained going forward. This will be a key focus for the work of Internal Audit in 2016/17;
- 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
- The Council is updating its financial strategy for 2016/17 and beyond; the government announced a four year settlement as part of the 2016/17 funding announcement. This will help the Council to plan ahead before the 100% devolution of business rates by 2020;
- From 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;

## 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 2016 until 14 July and the External Auditor was available for questioning from 3 June 2016. This facility was advertised in the local press and on the Bury Council website.



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

**27 May, 2016**

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

0161-253-6922

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# **STATEMENT OF RESPONSIBILITIES**

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

The Authority is required:

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

## The Responsibilities of Audit Committee

Audit Committee is required:

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

## The Responsibilities of the Interim Executive Director of Resources & Regulation

The Interim Executive Director of Resources & Regulation is responsible for the preparation of the Authority's Statement of Accounts which, in terms of CIPFA's Code of Practice on Local Authority Accounting in Great Britain, is required to present **a true and fair view** of the financial position, financial performance and cash flows of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2016.

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

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

The Interim Executive Director of Resources & Regulation has also:

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

- 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.

### **Responsibilities**

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



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

**27 May, 2016**

# **Independent auditor's report to the members of Bury Metropolitan Borough Council**

We have audited the financial statements of Bury Metropolitan Borough Council for the year ended 31 March 2016 on pages 24 to 116. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Interim Executive Director of Resources and Regulation and auditor**

As explained more fully in the Statement of the Interim Executive Director of Resources and Regulation's Responsibilities, the Interim Executive Director of Resources and Regulation is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Interim Executive Director of Resources and Regulation; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2016 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

## **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

### **Authority's responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities**

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether Bury Metropolitan Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Bury Metropolitan Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

## **Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Bury Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

### **Delay in certification of completion of the audit**

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

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

Rashpal Khangura

#### **For and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

KPMG LLP

1 Sovereign Street

Leeds

LS1 4DA

19 July 2016

# **CORE FINANCIAL STATEMENTS**



# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/2015			2015/2016			
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£000's	£000's	£000's	£000's	£000's	£000's	
Continuing Services						
14,468	(10,645)	3,823	Central Services to the Public including Court Services	13,199	(10,341)	2,858
16,266	(6,918)	9,348	Cultural & Related Services	14,813	(6,435)	8,378
24,062	(3,273)	20,789	Environment & Regulatory Services	23,540	(3,566)	19,974
2,249	(2,110)	139	Planning Services	2,718	(2,431)	287
223,050	(182,175)	40,875	Children's & Education Services	240,926	(193,661)	47,265
27,731	(5,673)	22,058	Highways & Transport Services	27,234	(6,054)	21,180
35,466	(31,530)	3,936	Local Authority Housing (HRA)	33,996	(31,556)	2,440
63,184	(62,172)	1,012	Other Housing Services	61,243	(60,191)	1,052
76,269	(25,676)	50,593	Adult Social Care Services	95,270	(40,536)	54,734
10,255	(10,014)	241	Public Health	9,812	(11,073)	(1,261)
2,884	(25)	2,859	Corporate & Democratic Core	2,737	(59)	2,678
2,513	(36)	2,477	Non-Distributed Costs	2,250	(4,470)	(2,220)
467	(631)	(164)	Other Operating Inc & Exp.	1,537	(5,916)	(4,379)
498,864	(340,878)	157,986	Cost Of Services	529,275	(376,289)	152,986
Other Operating Expenditure						
768	0	768	(Gain)/Loss on Disposal of Non-Current Assets	0	(463)	(463)
34,158	(37,374)	(3,216)	(Surplus)/Deficits on Trading Operations	34,972	(38,771)	(3,799)
1,032	0	1,032	Contribution of Housing Capital Receipts to Government Pool	1,048	0	1,048
35,958	(37,374)	(1,416)		36,020	(39,234)	(3,214)
Financing and Investment Income and Expenditure						
8,637	0	8,637	Interest Payable & other Similar Charges	8,237	0	8,237
0	(3,668)	(3,668)	Interest and Investment Income	0	(5,480)	(5,480)
8,749	0	8,749	Pensions Interest Cost and Expected Return on Pensions Assets (IAS19)	9,013	0	9,013
17,386	(3,668)	13,718		17,250	(5,480)	11,770
Taxation and Non-Specific Grant Income & Expenditure						
0	(68,263)	(68,263)	Demand On Collection Fund:	0	(66,912)	(66,912)
0	(43,069)	(43,069)	Council Tax	0	(33,049)	(33,049)
0	(31,823)	(31,823)	Government Grants (not attributable to specific services)	0	(32,967)	(32,967)
0	(20,356)	(20,356)	Non-Domestic Rate distribution	0	(26,048)	(26,048)
0			Capital grants and contributions	0		
0	(163,511)	(163,511)		0	(158,976)	(158,976)
552,208	(545,431)	6,777	(Surplus) or Deficit On Provision of Services	582,545	(579,979)	2,566
14,466 (Surplus) / Deficit on revaluation of property, plant and equipment						6,207
1 Impairment Losses on Non-Current assets charged to the Revaluation Reserve						1
(4,226) (Surplus) / Deficit on revaluation of available for sale financial assets						1,275
75,341 Actuarial (gains) / losses on pension assets and liabilities						(64,200)
(349) Any other (gains)/ losses for the year						(4,449)
85,233 Other Comprehensive Income and Expenditure						(61,166)
92,010 Total Comprehensive Income and Expenditure						(58,600)

# BALANCE SHEET AT 31<sup>ST</sup> MARCH 2016

<b>31/3/2015</b>		<b>31/3/2016</b>			
		<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>Note</u></b>
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>					
<i>Tangible Fixed Assets</i>					
Operational Assets:					
194,395	Council Dwellings	194,984			
281,832	Other Land & Buildings	273,620			
27,919	Infrastructure Assets	27,906			
4,031	Vehicles & Plant	4,736			
1,522	Community Assets	1,522			
42,605	Non-Operational Assets	43,473			
2,577	Assets under construction	4,487			
401	Surplus assets held for disposal	1,036	<b>551,764</b>		<b>10</b>
2,439	Intangible Fixed Assets	1,691	<b>1,691</b>		<b>12</b>
1,249	Investment Property	7,304	<b>7,304</b>		<b>13</b>
24,088	Heritage Assets	24,280	<b>24,280</b>		<b>11</b>
<b>583,058</b>	<b>TOTAL FIXED ASSETS</b>		<b>585,039</b>	<b>585,039</b>	
<b>LONG TERM INVESTMENTS</b>					
41,000	Manchester Airport PLC		39,800		<b>17</b>
7,257	Bury MBC Townside Fields Ltd		7,257	<b>47,057</b>	<b>17</b>
<b>48,257</b>					
<b>LONG TERM DEBTORS</b>					
129	Long term Debtors – General		80		
12,797	Loan Accounts		12,904		
17	Debt Managed for Probation Services		16	<b>13,000</b>	
<b>12,943</b>					
<b>CURRENT ASSETS</b>					
1,379	Stocks & Work in Progress	1,482			
920	Assets Held for Sale	822			<b>10</b>
39,116	Sundry Debtors & Advance Payments	48,516			<b>18</b>
30,201	Short Term Investments	20,115			
3,476	Cash And Cash Equivalents	4,925			
<b>75,092</b>			<b>75,860</b>		
<b>LESS : CURRENT LIABILITIES</b>					
(11,884)	Short Term Loans Outstanding	(18,857)			<b>20</b>
(173)	Deposits & Clients' Funds	(164)			
(2,903)	Short Term Provisions	(3,351)			<b>22</b>
(31,201)	Sundry Creditors & Advance Receipts	(39,222)			<b>19</b>
(296)	Revenue Grants Receipts in Advance	(763)			
(798)	Bank Accounts	(692)			
<b>(47,255)</b>			<b>(63,049)</b>		
<b>27,837</b>	<b>NET CURRENT ASSETS</b>			<b>12,811</b>	
<b>672,095</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>657,907</b>	
<b>LESS: LONG TERM LIABILITIES</b>					
(191,179)	External Loans Outstanding		(178,849)		<b>20</b>
(862)	Capital Grants Receipts in Advance		(272)		
(1,346)	Finance Lease Liabilities		(965)		<b>16</b>
(5,754)	Deferred Liabilities		(5,056)		<b>21</b>
(281,615)	Pension Liability		(226,467)		<b>3</b>
(33,619)	Long Term Provisions		(29,978)		<b>22</b>
<b>(514,375)</b>			<b>(441,587)</b>		
<b>157,720</b>	<b>TOTAL NET ASSETS</b>			<b>216,320</b>	

# BALANCE SHEET AT 31<sup>ST</sup> MARCH 2016

31/3/2015	31/3/2016		
	£'000	£'000	£'000
<b>FINANCED BY :</b>			
<b>USABLE RESERVES</b>			
(29,479) Earmarked Reserves		(33,021)	<b>27</b>
(3,659) Capital Receipts Unapplied		(3,004)	
(9,058) Capital Grants Unapplied		(10,446)	
(13,480) General Fund		(10,821)	<b>26</b>
(7,157) Housing Revenue Account		(5,960)	
(125) Major Repairs Reserve		(167)	
(2,200) Competitive Services / Commuted Sums		(2,606)	<b>27</b>
(10,046) Other Balances		(11,725)	<b>27</b>
<b>(75,204)</b>			<b>(77,750)</b>
<b>UNUSABLE RESERVES</b>			
(109,051) Revaluation Reserve		(98,332)	<b>28</b>
(231,833) Capital Adjustment Account		(241,227)	<b>29</b>
82 Financial Instruments Adjustment Reserve		157	
(30,786) Available for Sale Financial Instruments Reserve		(29,586)	<b>25</b>
188 Collection Fund Adjustment Account		(2,234)	<b>30</b>
600 Accumulated Absences		3,516	
281,615 Pension Reserve		226,467	<b>3</b>
6,676 Workforce Transformation Reserve		2,671	<b>22</b>
(7) Deferred Capital Receipts		(2)	<b>31</b>
<b>(82,516)</b>			<b>(138,570)</b>
<b>(157,720) TOTAL RESERVES AND BALANCES</b>			<b>(216,320)</b>

# CORE FINANCIAL STATEMENTS

## MOVEMENT IN RESERVES STATEMENT

2015/16	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Collection Fund Balance	Capital Receipts Unapplied	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Balance at 1st April 2015</b>	<b>13,480</b>	<b>43,403</b>	<b>7,157</b>	<b>(1,678)</b>	<b>3,659</b>	<b>125</b>	<b>9,058</b>	<b>75,204</b>	<b>82,516</b>	<b>157,720</b>
Movement in reserves during 2015/16										
Surplus / (deficit) on the provision of services	4,241	0	(6,807)	0	0	0	0	(2,566)	0	(2,566)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	61,166	61,166
<b>Total Comprehensive Income and Expenditure</b>	<b>4,241</b>	<b>0</b>	<b>(6,807)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,566)</b>	<b>61,166</b>	<b>58,600</b>
Adjustments between accounting basis & funding basis under regulations	(2,951)	0	5,610	1,678	(655)	42	1,388	5,112	(5,112)	0
<b>Net increase / (decrease) before transfers to earmarked reserves</b>	<b>1,290</b>	<b>0</b>	<b>(1,197)</b>	<b>1,678</b>	<b>(655)</b>	<b>42</b>	<b>1,388</b>	<b>2,546</b>	<b>56,054</b>	<b>58,600</b>
Transfers to / from ear-marked reserves	(3,949)	3,949	0	0	0	0	0	0	0	0
<b>Increase / (decrease) movement in 2015/16</b>	<b>(2,659)</b>	<b>3,949</b>	<b>(1,197)</b>	<b>1,678</b>	<b>(655)</b>	<b>42</b>	<b>1,388</b>	<b>2,546</b>	<b>56,054</b>	<b>58,600</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>10,821</b>	<b>47,352</b>	<b>5,960</b>	<b>0</b>	<b>3,004</b>	<b>167</b>	<b>10,446</b>	<b>77,750</b>	<b>138,570</b>	<b>216,320</b>

<b>2014/15</b>	<b>General Fund Balance</b>	<b>Earmarked GF Reserves</b>	<b>Housing Revenue Account</b>	<b>Collection Fund Balance</b>	<b>Capital Receipts Unapplied</b>	<b>Major Repairs Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Balance at 1st April 2014</b>	<b>15,688</b>	<b>46,896</b>	<b>7,488</b>	<b>(2,267)</b>	<b>926</b>	<b>1,489</b>	<b>9,342</b>	<b>79,562</b>	<b>170,168</b>	<b>249,730</b>
Movement in reserves during 2014/15										
Surplus / (deficit) on the provision of services	1,637	0	(8,414)	0	0	0	0	<b>(6,777)</b>	0	<b>(6,777)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	<b>0</b>	(85,233)	<b>(85,233)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>1,637</b>	<b>0</b>	<b>(8,414)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,777)</b>	<b>(85,233)</b>	<b>(92,010)</b>
Adjustments between accounting basis & funding basis under regulations	(7,338)	0	8,083	589	2,733	(1,364)	(284)	<b>2,419</b>	(2,419)	<b>0</b>
<b>Net increase / (decrease) before transfers to earmarked reserves</b>	<b>(5,701)</b>	<b>0</b>	<b>(331)</b>	<b>589</b>	<b>2,733</b>	<b>(1,364)</b>	<b>(284)</b>	<b>(4,358)</b>	<b>(87,652)</b>	<b>(92,010)</b>
Transfers to / from ear-marked reserves	3,493	(3,493)	0	0	0	0	0	<b>0</b>	0	<b>0</b>
<b>Increase / (decrease) movement in 2014/15</b>	<b>(2,208)</b>	<b>(3,493)</b>	<b>(331)</b>	<b>589</b>	<b>2,733</b>	<b>(1,364)</b>	<b>(284)</b>	<b>(4,358)</b>	<b>(87,652)</b>	<b>(92,010)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>13,480</b>	<b>43,403</b>	<b>7,157</b>	<b>(1,678)</b>	<b>3,659</b>	<b>125</b>	<b>9,058</b>	<b>75,204</b>	<b>82,516</b>	<b>157,720</b>

# CASH FLOW STATEMENT

<u>2014/15</u>		<u>2015/2016</u>		
<u>£000's</u>		<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
<b><u>OPERATING ACTIVITIES</u></b>				
<b>Cash Outflows:</b>				
188,126	Cash Paid to and on behalf of Employees	185,080		
235,700	Cash Paid for Goods and Services	253,920		
35,090	Housing Benefit paid out	34,074		
3,726	Interest Paid	3,845		
1,032	Payments to Housing Capital Receipts Pool	1,048		
<b>463,674</b>	<b>Cash Outflows Generated from Operating Activities</b>		<b>477,967</b>	
<b>Cash Inflows:</b>				
(29,898)	Rents (after Rebates)	(30,305)		
(69,935)	Council Tax Receipts (excl major preceptors share of receipts)	(70,268)		
(23,700)	NNDR Receipts (excl government and major preceptors)	(24,671)		
(38,890)	Revenue Support Grant	(29,166)		
(35,418)	DWP Grants for Benefits	(34,384)		
(166,683)	Other Government Grants	(175,397)		
(3,668)	Interest Received	(5,480)		
(1,484)	Airport Dividend Received	(2,150)		
(95,140)	Cash Received for Goods and Services	(98,930)		
<b>(464,816)</b>	<b>Cash Inflows Generated from Operating Activities</b>		<b>(470,751)</b>	
<b>(1,142)</b>	<b>NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES</b>			<b>7,216</b>
<b><u>INVESTING ACTIVITIES</u></b>				
4,300	Purchase of Fixed Assets		21,021	
9,314	Sale of Long Term Investments		(1,200)	
(4,640)	Net Increase / (Decrease) in Short Term Deposits		(10, 086)	
(862)	Proceeds of Sale of Fixed Assets		(2,363)	
20,807	Capital Grants received		(272)	
<b>28,919</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>			<b>7,100</b>
<b><u>FINANCING ACTIVITIES</u></b>				
Repayments of amounts borrowed:				
6,631	Long Term loans repaid		11,857	
5,000	Short Term loans repaid		0	
1,858	Net Receipts from Long Term Debtors		57	
0	New Long Term Loans		(6,500)	
(3,000)	New Short Term Loans		0	
(22,594)	Billing Authorities – NNDR and Council Tax Adjustments		(21,285)	
<b>(12,105)</b>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>			<b>(15,871)</b>
<b>15,672</b>	<b>NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS</b>			<b>(1,555)</b>
<b>18,350</b>	<b>Cash and Cash Equivalents at beginning of the reporting period</b>			<b>2,678</b>
<b>2,678</b>	<b>Cash and cash equivalents at the end of the reporting period</b>			<b>4,233</b>
Cash and cash equivalents include:				
Cash held:				
89	Imprest accounts			84
1,029	Schools cash advances			2,217
(798)	Bank current accounts			(692)
2,358	Short term deposits with banks & building societies			2,624
<b>2,678</b>				<b>4,233</b>

A handwritten signature in dark ink, appearing to read "S. N. Kenyon", with a long, sweeping horizontal line extending to the right.

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

27 May, 2016

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## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

#### **GENERAL**

The Statement of Accounts summarises the Council's transactions for the 2015/2016 financial year and its position at year end of 31 March 2016. The Accounts have been prepared in accordance with the Accounts and Audit Regulations 2015 which have replaced the 2011 Regulations and the Local Government and Housing Act 1989. They follow the principles and form recommended by the 2015 Code of Practice on Local Authority Accounting issued by CIPFA.

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

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

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

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

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

The critical judgements made in the Statement of Accounts are:

- There is a degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. Billing authorities acting as agents on behalf of the major preceptors, central government and themselves (as principal) are required to make provisions (in accordance with the requirements of the Code and legislation for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts relating to non-domestic rates charged to businesses in 2012-13 and earlier financial years. The amount recognised as a provision should be the best estimate at the Balance Sheet date of the expenditure required to settle the present obligation. The risks and uncertainties that inevitably surround many events and circumstances should be taken into account in reaching the best estimate of a provision. Future events that may affect the amount required to settle an obligation should be reflected in the amount of a provision where there is sufficient objective evidence that they will occur. To achieve this, billing authorities may need to use estimation techniques to establish a range of possible outcomes for ratepayer appeals and the probable financial effect of these outcomes, in order to determine the amount to settle the appeals. Careful analysis of these possible outcomes, the use of judgement, together with their own expertise in making similar provisions should enable billing authorities to establish provisions based on their best estimate of the most likely outcome. Expert advice may be required for more complex or material appeals. Authorities are required to separately disclose their respective share of these provisions in accordance with the Code of Practice.

- 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 uncertainty 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 52. An assessment of the yields for each of these properties is undertaken using Valuation Office Property Market Reports, market transaction evidence or external valuations as required; and these are then used to produce multipliers and applied to the rental streams from each of the individual properties to form an overall valuation. A key source of uncertainty however is the current economic downturn, where the risk of tenants going into liquidation, administration or simply defaulting on the rent is higher than before, which has the potential to affect the value of investment properties.
- Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Authority. This judgement has been based upon the degree to which the lease transfers the risks and rewards of ownership to the Authority in accordance with IAS 17. The Authority has recognised as operating leases a number of arrangements which are recognised, in accordance with IFRIC 4, and further details are disclosed in note 16 on page 71.
- 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 pension's liability is based on assumptions relating to discount rates used, future changes in salaries, changes in retirement ages, mortality rates and expected returns on pension fund assets. We review these assumptions regularly, and for pensions annually. However, a change in estimates could have a material impact on the carrying amount of these provisions. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.
- Depreciation of plant and other assets is charged so as to write down the value of those assets to their residual value over their respective estimated useful lives. The Authority is required to assess the useful economic lives and residual values of the assets so that depreciation is charged on a systematic basis to the current carrying amount. These are also dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The depreciation lives of our assets are disclosed on page 44.
- 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 42 community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet.

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

## **ACCOUNTING STANDARDS ISSUED, BUT NOT YET BEEN ADOPTED**

The Code of Practice on Local Council Accounting in the United Kingdom 2016/17 has introduced several changes in accounting policies which will be required from 1 April 2016. If these had been adopted for the financial year 2015/16 there would be no material changes as detailed below (to be updated following receipt of the 2016/17 Code of Practice; however, the following is based on the 2016/17 Code of Practice: Invitation to Comment proposed developments):

Highways Network Asset: the adoption of the measurement requirements of the *Code of Practice on Transport Infrastructure Assets* in the 2016/17 Code will represent a change in accounting policy from 1 April 2016 i.e. on a depreciated replacement cost basis and shall be accounted for retrospectively in accordance with the requirements of *IAS8 Accounting Policies, Changes in Accounting Estimates and Errors*.

Narrow Scope Amendments: A number of narrow scope amendments to International Financial Reporting Standards (IFRSs) that largely comprise clarifications of the provisions of individual standards. These include amendments to:

- IAS 1 *Presentation of Financial Statements* - relating to materiality, order of the notes, disaggregation and subtotals, and accounting policies. These changes should enable local authorities to ensure that they tell the most effective story within their financial statements.
- IAS 19 *Employee Benefits*, Defined Benefit Plans: Employee Contributions – the options in these proposals are in line with the accounting policies already used by local authorities for employee contributions.
- *Annual Improvements to IFRSs 2010 – 2012 Cycle* – the changes proposed for the treatment of accumulated depreciation and impairment of property, plant and equipment.
- *Annual Improvements to IFRSs 2012 – 2014 Cycle* – the majority of these changes will not impact on local authority financial reporting.
- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* – Clarification of Acceptable Methods of Depreciation and Amortisation – these changes apply to local authorities though local authorities do not use the depreciation and amortisation methods prohibited by the amendments to the standard.
- IFRS 11 *Joint Arrangements* – Accounting for Interests in Joint Operations – this technical change applies to local authorities – i.e. that an acquirer of an interest that meets the definition of a business is required to apply all of the principles of business

combinations in IFRS 3 (with the exception of the principles that conflict with guidance in IFRS 11).

- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

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

## **CAPITAL RECEIPTS**

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

## **CASH AND CASH EQUIVALENTS**

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

## **CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

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

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

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

## **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-Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier or when the Authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

### **Post Employment Benefits**

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

- **Teachers:**

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

- **Other Employees:**

Contributions are paid to the Greater Manchester Pension Fund that is administered by Tameside Council on behalf of the 10 Greater Manchester district councils. This is a contributory, final salary based, occupational pension scheme which is contracted out of the State Earnings Related Scheme. The contribution rate is determined by the Fund's actuary based on triennial valuations, the last of which took place in 2013.

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means there are transfers to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but repaid at year-end. 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 2015/2016 are shown in Note 3 on page 47.

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

## **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**

### ***Amortised Cost***

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

### ***Fair Value***

In the disclosure notes (see pages 77 to 83) financial instruments are also required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

### ***Financial Assets***

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market and are initially measured at fair value and carried at their amortised cost.
- Available-for-sale Assets – assets that have a quoted market price and / or do not have fixed or determinable payments. The Council has also included Unquoted Equity Investments at cost in this category (i.e. shares in Manchester Airport). These are initially measured and maintained in the Balance Sheet at fair value. Values are based on the following principles:
  - instruments with quoted market prices – the market price
  - other instruments with fixed and determinable payments – discounted cash flow analysis
  - equity shares with no quoted prices – cost less any impairment losses

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- 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.

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

### ***Financial Liabilities***

Financial liabilities are initially measured at fair value and carried at their amortised cost.

## **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 2015/16 financial statements. Details can be found in Note 11 (page 68).

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

### ***Civic Regalia***

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

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

### **Art Gallery and Museum collections**

The 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.

It is envisaged that addition of these items should not produce any material impact to the insurance valuation in place and valid for the 2015/16 financial year or to the overall value of Heritage Assets recognised in the accounts for the year.

### **INTANGIBLE ASSETS**

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

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

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

### **INTEREST**

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

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

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

### **INVENTORIES AND LONG TERM CONTRACTS**

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

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

### **INVESTMENT PROPERTY**

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



of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, 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.

## **LEASING**

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

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

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

### ***The Authority as Lessee***

#### ***Finance Leases:***

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

Lease payments are apportioned between:

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

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

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

#### ***Operating Leases:***

Rental paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does

not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### ***The Authority as Lessor***

#### ***Finance Leases:***

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

Lease rentals receivable are apportioned between:

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

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

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

#### ***Operating Leases:***

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

### **LOCAL AUTHORITY SCHOOLS**

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

### **PRIOR YEAR ADJUSTMENTS / EXCEPTIONAL ITEMS**

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

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

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

## **PROPERTY, PLANT AND EQUIPMENT**

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

### ***Recognition***

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

### ***Measurement***

Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – 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. Following discussions, it has been agreed with KPMG, our external auditors, that 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:

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

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

### ***Disposals and Non-current Assets Held for Sale***

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

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

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

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

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

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

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

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

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

In 2015/16 the Council has applied depreciation to operational assets in accordance with IAS16 'Property, Plant and Equipment'.

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

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

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

## **PROVISIONS**

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

## **REDEMPTION OF DEBT**

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

## **RESERVES**

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

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

- The Revaluation Reserve (RR) is intended to record accumulated movements on revaluation of fixed assets. These revaluation movements were previously processed through the FARA. The RR is made up of individual credit balances resulting from upward revaluations of specific assets. It is not permissible for there to be a debit balance against any asset. A downward revaluation not covered by a previously established credit balance is processed through the Capital Adjustment Account.
- The Capital Adjustment Account (CAA) was initially constituted by transferring into it the closing balances on the former Capital Financing Account (CFA) and Fixed Asset Restatement Account (FARA). Entries to the CAA are those previously made to the CFA and FARA with the exception of revaluation movements now processed through the RR. An overall credit balance on the CAA indicates that capital finance has been set aside at a faster rate than fixed assets have been consumed. An overall debit balance indicates that fixed assets have been consumed in advance of their financing.
- Additionally, due to full implementation of IAS19 Retirement Benefits, a Pensions Reserve has been established which provides for the net change in the pensions liability to be met by the Council which is recognised in the Comprehensive Income and Expenditure Statement where the pension payments made in the year in accordance with the pension scheme requirements, do not match the change in the Authority's recognised asset or liability for the same period.

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax. This was formerly described as Deferred Charges and disclosed in the Balance Sheet with Intangible Assets. There is no longer a Balance Sheet disclosure and the expenditure is amortised to revenue in the year that the expenditure is incurred, as shown in Note 12 (page 69).

## **REVENUE TRANSACTIONS**

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

- Not all payments to public utilities (gas, electricity etc.) have been accrued but since this is a consistent policy from one year to the next the effect on the Accounts for 2015/2016 will not be material.

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

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

## **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 with 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.

## **SUPPORT SERVICES**

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

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

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

## **VALUE ADDED TAX (VAT)**

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

## **DISCLOSURE NOTES RELATING TO INCOME AND EXPENDITURE STATEMENT:**

### **2. 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:

<u>2014/15</u>		<u>2015/16</u>		
<u>Deficit/</u>		<u>Gross</u>		<u>Deficit/</u>
<u>(Surplus)</u>		<u>Expenditure</u>	<u>Income</u>	<u>(Surplus)</u>
<u>£000's</u>		<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
482	Civic Halls	1,619	(1,054)	565
(72)	Markets	1,761	(2,722)	(961)
(354)	Property & Estates	2,659	(2,576)	83
(195)	Industrial Units	975	(1,502)	(527)
(559)	Highway Network Services	1,438	(2,138)	(700)
(528)	Architectural Practice	2,542	(3,148)	(606)
(258)	Grounds Maintenance	2,468	(2,607)	(139)
(808)	Catering	6,714	(7,397)	(683)
(90)	Cleaning of Buildings	3,839	(3,959)	(120)
0	Education – Fair Funding	6,631	(6,631)	0
(427)	Emergency & Security Service	903	(1,353)	(450)
(407)	Transport Services	3,423	(3,684)	(261)
<b>(3,216)</b>	<b>TOTAL</b>	<b>34,972</b>	<b>(38,771)</b>	<b>(3,799)</b>

All material trading accounts are shown above. Both 2014/15 and 2015/16 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)

### **3. DEFINED BENEFIT PENSION SCHEMES**

#### **Pension Schemes accounted for as a Defined Contribution Schemes**

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

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

The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31<sup>st</sup> March 2016, the Authority's own contributions equate to approximately 16.16%.

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

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

#### **Participation in Pensions Schemes**

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

The Authority participates in the Local Government Pension Scheme, administered by Thameside Metropolitan Borough Council. This is a funded defined benefit final salary scheme, meaning that



the Authority and employees pay contributions into the Greater Manchester Pension Fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

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

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

### **Discretionary Post-retirement Benefits**

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

### **Transactions Relating to Retirement benefits**

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

	<b><u>Year to</u></b> <b><u>31 March</u></b> <b><u>2015</u></b> £000's	<b><u>Year to</u></b> <b><u>31 March 2016</u></b> £000's
<b><i>Comprehensive Income and Expenditure Statement</i></b>		
<b><i>Cost of Services:</i></b>		
Current Service Cost	18,362	22,580
Past service costs including (gain) / loss from Settlements	1,100	800
	0	(5,083)
Effect Of settlements		
Financing and Investment Income and Expenditure	(23,269)	(18,946)
Net interest expense	32,018	27,959
<b>Other Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>28,211</b>	<b>27,310</b>

**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)	39,518	(23,715)
Actuarial gains and losses arising in changes in demographic assumptions	0	0
Actuarial gains and losses arising in changes in financial assumptions	(112,153)	76,031
Other Experience	4,469	11,884
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(39,955)</b>	<b>91,510</b>

**Movement in Reserves Statement**

Reversal of net changes made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	0	0
Actual amount charged against the General Fund Balance for pensions in the year:		
<b>Employers' contributions payable to scheme</b>	<b>17,504</b>	<b>18,258</b>

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

The table below shows the costs of these items:

<u>2014/15</u>		<u>2015/16</u>
<u>Total Cost</u> <u>£000's</u>	<u>Total Cost</u> <u>£000's</u>	<u>Proportion of Pensionable pay</u> <u>%</u>
<b>Teachers</b>		
8,083 Contribution to DCSF etc.	8,913	15.27
1,579 Added years and pensions increases	1,476	2.53
0 Lump sum payments	0	
<b>9,662</b>	<b>10,389</b>	
<b>Other employees</b>		
14,730 Contribution to Superannuation Fund	14,980	16.16
1,388 Added years and pension increases	1,861	2.01
0 Lump sum payments	0	
<b>16,118</b>	<b>16,841</b>	

## Pensions Assets and Liabilities Recognised in the Balance Sheet

	<b>31 Mar 2015</b>	<b>31 Mar 2016</b>
	<b>£000</b>	<b>£000</b>
Present value of the defined benefit obligation	(884,231)	(802,994)
Fair Value of plan assets	602,616	576,527
<b>Net liability arising from defined benefit obligation</b>	<b>(281,615)</b>	<b>(226,467)</b>

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

	<b>31 Mar 2015</b>	<b>31 Mar 2016</b>
	<b>£000</b>	<b>£000</b>
Opening fair value of scheme assets	543,168	602,616
Interest income	23,269	18,946
The return on plan assets, excluding the amount included in the net interest expense	39,518	(23,715)
Other (if applicable)	0	(18,840)
The effect of changes in foreign exchange rates		
Contribution from employer	14,517	15,390
Contributions from employees in the scheme	4,917	4,863
Benefits paid	(22,773)	(22,733)
Other (if applicable)		
<b>Fair Value of plan assets</b>	<b>602,616</b>	<b>576,527</b>

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

	<b>Year to 31 March 2015</b>	<b>Year to 31 March 2016</b>
	<b>£000's</b>	<b>£000's</b>
<b>Opening balance at 1<sup>st</sup> April</b>	745,810	884,231
Current Service cost	18,462	22,580
Effects Of Settlement		(23,923)
Interest cost	32,018	27,959
Contributions from scheme participants	4,917	4,863
<b>Remeasured (gains) and losses:</b>		

Actuarial gains / losses arising from changes in demographic assumptions	0	0
Actuarial gains / losses arising from changes in financial assumptions	112,153	(76,031)
Other experiences	(4,469)	(11,884)
Past service costs	1,100	800
Losses / (gains) on curtailment	0	0
Liabilities assumed on entity combinations	0	0
Benefits paid	(25,760)	(25,601)
Liabilities extinguished on settlements	0	0
<b>Closing balance 31<sup>st</sup> March</b>	<b>884,231</b>	<b>802,994</b>

**Local Government Pension Scheme assets comprised:**

	<u>Fair value of scheme assets</u>	<u>Fair value of scheme assets</u>
	<u>Year to 31 March 2015</u>	<u>Year to 31 March 2016</u>
<b>Cash and cash equivalents</b>	<b>15,714</b>	<b>14,535</b>
Equity instruments:		
By industry type		
Consumer	60,578	50,769
Manufacturing	56,377	41,782
Energy and utilities	50,412	30,949
Financial institutions	71,393	55,926
Health and care	28,477	24,108
Information technology	12,130	12,953
Other	7,580	7,598
<b>Sub-total equity</b>	<b>286,947</b>	<b>224,085</b>
Bonds:		
By sector		
Corporate	35,510	28,723
UK Government	5,608	4,571
Other	29,800	18,000
<b>Sub-total bonds</b>	<b>70,918</b>	<b>51,294</b>
UK Property	16,684	18,154
Overseas Property	0	0
<b>Sub-total property</b>	<b>16,684</b>	<b>18,154</b>

Private equity:		
All	16,743	14,405
<b>Sub-total private equity</b>	<b>16,743</b>	<b>14,405</b>
Investment Funds and Unit Trusts		
Equities	111,266	160,653
Bonds	33,420	44,790
Hedge Funds	0	0
Commodities	0	0
Infrastructure	6,613	7,727
Other	37,587	39,368
<b>Sub-total other investment funds</b>	<b>188,886</b>	<b>252,538</b>
Derivatives:		
Other	6,724	1,516
<b>Total assets</b>	<b>602,616</b>	<b>576,527</b>

**All scheme assets have quoted prices in active markets.**

#### **Basis for estimating Assets and Liabilities**

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hyman Robertson an independent firm of actuaries, estimates for the Greater Manchester Pension Fund based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2016.

The significant assumptions used by the actuary have been:

<b>Long term expected rate of return on assets in the scheme:</b>	<b>31 Mar 2015 £000</b>	<b>31 Mar 2016 £000</b>
Actual returns 1 <sup>st</sup> April to 31 <sup>st</sup> December	5.5%	(3.0%)
Total returns from 1 <sup>st</sup> April to 31 <sup>st</sup> March	11.6%	(0.6%)
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.4 years	21.4 years
- Women	24.0 years	24.0 years
Longevity at 65 for future pensioners:		
- Men	24.0 years	24.0 years
- Women	26.6 years	26.6 years
Rate of inflation	2.4%	2.2%
Rate of increase in salaries	3.6%	3.5%
Rate of increase in pensions	1.25%	1.25%
Rate for discounting scheme liabilities	3.2%	3.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the

assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

	Approximate % increase to Employer Liability	Approximate amount £000's
1 year increase in members life expectancy	3%	24,090
0.5% decrease in Real Discount Rate	10%	80,700
0.5% increase in the Salary Increase Rate	3%	23,643
0.5% increase in the Pension Increase Rate	7%	55,958

### 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 31<sup>st</sup> March 2013.

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 31<sup>st</sup> March 2015 (or service after 31<sup>st</sup> 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 £15,417,000 expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 18.2 years, 2015/16 (18.2 years 2014/15).

### 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.

	<u>Year to</u> <u>31 March 2015</u>	<u>Year to</u> <u>31 March 2016</u>
<b>Balance 1<sup>st</sup> April</b>	(202,642)	(281,615)
Remeasurements of the net defined benefit liability / (asset)	(68,166)	64,200
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on	(28,211)	(27,310)

the Provision of Services in the Comprehensive Income and Expenditure Statement		
Employer's pension contributions and direct payments to pensioners payable in the year	17,504	18,258
<b>Closing Balance</b>	<b>(281,615)</b>	<b>(226,467)</b>

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](http://www.gmpf.org.uk).

#### 4. 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.

<b>Postholder Information (Post title and Name)</b>	<b>Note</b>	<b>Salary (including fees and allowances) £</b>	<b>Benefits In Kind £</b>	<b>Total Remuneration excluding pension contributions £</b>	<b>Employers Pension Contributions £</b>	<b>Total Remuneration Including Pension Contributions £</b>
<b>2015/16</b>						
Chief Executive – M Owen	1	151,034	0	<b>151,034</b>	28,999	<b>180,033</b>
<b>2014/15</b>						
Chief Executive – M Kelly		151,743	0	<b>151,743</b>	0	<b>151,743</b>

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.

<b>Postholder Information (Post title and Name)</b>	<b>Note</b>	<b>Salary (including fees and allowances) £</b>	<b>Benefits In Kind £</b>	<b>Total Remuneration excluding pension contributions £</b>	<b>Employers Pension Contributions £</b>	<b>Total Remuneration Including Pension Contributions £</b>
<b>2015/16</b>						
Executive Director – Communities & Wellbeing		116,349	0	<b>116,349</b>	22,339	<b>138,688</b>
Executive Director – Children, Young People & Culture		108,550	0	<b>108,550</b>	20,975	<b>129,525</b>
Interim Executive Director - Resources & Regulation	2	109,847	0	<b>109,847</b>	21,163	<b>131,010</b>
Assistant Director – Legal & Democratic Services		77,049	0	<b>77,049</b>	14,895	<b>91,944</b>
<b>2014/15</b>						
Executive Director – Communities & Wellbeing		113,934	0	<b>113,934</b>	21,118	<b>135,052</b>

Executive Director – Communities & Neighbourhoods	3	50,597	0	<b>50,597</b>	9,360	<b>59,957</b>
Executive Director – Children, Young People & Culture		104,625	0	<b>104,625</b>	19,356	<b>123,981</b>
Executive Director - Resources & Regulation		108,905	0	<b>108,905</b>	20,148	<b>129,053</b>
Assistant Director – Legal & Democratic Services		75,917	0	<b>75,917</b>	14,045	<b>89,962</b>
Assistant Director of Resources – Finance & Efficiency		74,799	0	<b>74,799</b>	14,002	<b>88,801</b>

Note:

1. The postholder was appointed on an interim basis on 1 April 2015 and then on a permanent basis on 1 July, 2015.
2. The postholder was appointed on an interim basis on 1 April 2015 following the appointment of the previous postholder to the post of Chief Executive.
3. The postholder left the authority on the grounds of voluntary early retirement on 30 September 2014 and duties were passed to the other Executive Directors as a result of a restructure whereby the department of Communities and Neighbourhoods was disestablished and the Adult Care Services department was renamed Communities & Wellbeing and the Children's Services department was renamed Children, Young People and Culture. These two departments plus the department of Resources & Regulation absorbed the work and services provided by this former department.

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:-

<b>Salary Range (£)</b>	<b>2015/2016 Teaching Staff</b>	<b>2014/2015 Teaching Staff</b>	<b>2015/2016 Non-Teaching Staff</b>	<b>2014/2015 Non-Teaching Staff</b>
50,000 to 54,999	52	54	11	13
55,000 to 59,999	37	30	9	10
60,000 to 64,999	34	36	5	3
65,000 to 69,999	16	12	0	1
70,000 to 74,999	7	6	3	2
75,000 to 79,999	3	0	2	3
80,000 to 84,999	2	5	1	2
85,000 to 89,999	4	3	1	0
90,000 to 94,999	1	0	0	0
95,000 to 99,999	1	2	1	0
100,000 to 104,999	0	1	0	1
105,000 to 109,999	1	0	2	1
110,000 to 114,999	0	0	0	1
115,000 to 119,999	0	0	1	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	1	1
<b>TOTAL</b>	<b>158</b>	<b>149</b>	<b>37</b>	<b>38</b>

#### Analysis of Teaching Staff:

The 2015 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 2015/16. Peel Brow is the only foundation school and one member of staff is listed in the voluntary aided category.

<b>Salary Range (£)</b>	<b>2015/2016 Voluntary Aided</b>	<b>2015/2016 Voluntary Controlled</b>	<b>2015/2016 Community (Bury Council)</b>	<b>2015/2016 Total</b>
50,000 to 54,999	14	5	33	52
55,000 to 59,999	10	5	22	37
60,000 to 64,999	8	5	21	34
65,000 to 69,999	6	2	8	16
70,000 to 74,999	1	0	6	7
75,000 to 79,999	2	0	1	3
80,000 to 84,999	0	0	2	2
85,000 to 89,999	1	0	3	4
90,000 to 94,999	0	0	1	1
95,000 to 99,999	1	0	0	1
100,000 to 104,999	0	0	0	0
105,000 to 109,999	0	0	1	1
110,000 to 114,999	0	0	0	0
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
<b>TOTAL</b>	<b>43</b>	<b>17</b>	<b>98</b>	<b>158</b>

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

<b>Exit package cost band (including special payments)</b>	<b>Number of Compulsory Redundancies</b>		<b>Number of other departures agreed (VER / VES / Compromise Agreements)</b>		<b>Total Number of Exit packages by cost band</b>		<b>Total cost of exit packages in each band</b>	
	<b>2015/ 2016</b>	<b>2014/ 2015</b>	<b>2015/ 2016</b>	<b>2014/ 2015</b>	<b>2015/ 2016</b>	<b>2014/ 2015</b>	<b>2015/ 2016 £000</b>	<b>2014/ 2015 £000</b>
£0 - £20,000	0	4	22	17	22	21	187	200
£20,001 – £40,000	0	2	0	1	0	3	0	79
£40,001 – £60,000	0	0	0	0	0	0	0	0
£60,001 – £80,000	0	0	0	0	0	0	0	0
£80,001 – £100,000	0	0	0	0	0	0	0	0
£100,001 – £150,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>6</b>	<b>22</b>	<b>18</b>	<b>22</b>	<b>24</b>	<b>187</b>	<b>279</b>

## 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	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016 £000	2014/2015 £000
£0 - £20,000	5	4	92	107	97	111	800	1,022
£20,001 - £40,000	0	0	17	23	17	23	461	600
£40,001 - £60,000	0	0	0	1	0	1	0	44
£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
<b>Total</b>	<b>5</b>	<b>4</b>	<b>109</b>	<b>131</b>	<b>114</b>	<b>135</b>	<b>1,261</b>	<b>1,666</b>

## 5. 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 2015/2016 the Council has undertaken the following transactions with related parties:

Member Interest	Amount Paid 2015/16 (£)	Amount Paid 2014/15 (£)
Chief Executive of a Day Centre	17,903	15,003
Community Member of a Not-for-Profit Out of Hours Medical Care Organisation	28,380	27,669
Inspector with an Independent Regulator of Health and Social Care	18,497	19,660
Director & Company Secretary of a Local Charity for Visually Impaired People	51,895	53,021

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 £1,794,748.96 during 2015/16 (£5,764,888 in 2014/2015). This represents income to the Council of £17,182,984.40 (£10,611,246 in 2014/2015) and expenditure of £15,388,235.44 (£16,376,134 in 2014/2015), including the management fee paid to Six Town Housing of £13,058,600.

One Member of the Council is on the board of Persona Care & Support, which represents 14.3% of the voting rights of Persona Care & Support. The Council entered into transactions with the concern to the net value of £4,775,513 during 2015/2016. This represents income to the Council of £777,002 and expenditure of £5,552,515, including the management fee paid to Persona Care & Support, of £5,448,450.

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.

## 6. DISCLOSURE OF DEPLOYMENT OF DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2014. 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 2015/16 are as follows:

	<b>Central Expenditure</b>	<b>ISB</b>	<b>Total</b>
	£000	£000	£000
Final DSG for 2015-16 before Academy recoupment			(149,606)
Academy figure recouped for 2015/16			5,736
<b>Total DSG after Academy recoupment for 2015/16</b>			<b>(143,870)</b>
Brought Forward from 2014/15			3,731
Carry-forward to 2016-17 agreed in advance			<b>0</b>
Agreed Initial budgeted distribution in 2015/16	<b>(15,599)</b>	<b>(124,540)</b>	<b>(140,139)</b>
In Year Adjustments	0	0	0
<b>Final Budgeted Distribution for 2015/16</b>	<b>(15,599)</b>	<b>(124,540)</b>	<b>(140,139)</b>
Less Actual Central Expenditure	21,627	0	21,627
Less Actual ISB deployed to Schools	0	124,540	124,540
Plus Local Authority contribution for 2015/16	0	0	0
<b>Carry forward to 2016/17</b>	<b>6,028</b>	<b>0</b>	<b>6,028</b>

## 7. BETTER CARE FUND – MEMORANDUM OF ACCOUNT

The Better Care Fund (BCF) 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.

The Fund is made up of £3.8bn of NHS funding and requires Clinical Commissioning Groups (CCGs) and local authorities to pool budgets and agree an integrated spending plan for how they will use their BCF allocation.

NHS England was required to ringfence £3.46bn to CCGs to establish the BCF. The remainder of the £3.8bn fund was made up from £134m Social Care Capital Grant, £220m Disabled Facilities Grant and the remaining £1bn of the CCG budget contribution to the BCF was subject to a payment for performance framework agreed by Ministers.

Local Health and Wellbeing Boards (HWB) have overall accountability for the local BCF pooled budget.

The total 2015/16 pooled BCF budget held by Bury Council (Host) and Bury CCG is £13.084m and is analysed below.

<b>2015/16 BCF Funding Allocation</b>	<b>£'000</b>
Bury CCG Minimum Contribution	10,027
Bury CCG Payment for Performance	1,700
Bury CCG Additional Contribution	121
<b>Sub Total</b>	<b>11,848</b>
Bury Council - Social Care Capital Grant	455
Bury Council - Disabilities Facilities Grant	781
<b>Sub Total</b>	<b>1,236</b>
<b>Total</b>	<b>13,084</b>

Financial performance of the Better Care Fund in the year to 31<sup>st</sup> March 2016 is analysed below:

<b>Description</b>	<b>2015/16 Budget £'000</b>	<b>2015/16 Outturn £'000</b>	<b>2015/16 Variance £'000</b>
Bury CCG Contribution	(11,848)	(10,516)	1,332
Bury Council Contribution	(1,236)	(1,236)	0
<b>Total Contributions</b>	<b>(13,084)</b>	<b>(11,752)</b>	<b>1,332</b>
<b>Total Spend</b>	<b>13,084</b>	<b>9,742</b>	<b>(3,342)</b>
<b>Variance</b>	<b>0</b>	<b>(2,010)</b>	<b>(2,010)</b>

<b>Share of Balances:</b>	<b>2015/16 £'000</b>
Bury CCG	(1,005)
Bury Council	(1,005)
<b>Total</b>	<b>(2,010)</b>

## **8. DISCLOSURE OF AUDIT COSTS**

In 2015/16 the Authority incurred the following costs in relation to the audit of the Statement of Accounts:

	<b><u>2015/2016</u> (£000)</b>	<b><u>2014/2015</u> (£000)</b>
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	117	156
Fees payable in respect of other services provided by KPMG during the year	27	13
Audit Commission rebate	0	(21)
<b>TOTAL</b>	<b>144</b>	<b>148</b>

## 9. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

2015/16							Directorate Analysis
All figures shown are in £000's							
Directorate / Services	Resources & Regulation	Other	Housing General Fund	Children, Young People & Culture	Communities & Wellbeing	Voluntary Aided & Foundation Schools only	Total
Fees, charges & other service income	(45,129)	(2,698)	(791)	(29,556)	(59,596)	(1,407)	(139,177)
Government Grants	(2,727)	(1,087)	(53,579)	(118,502)	(13,746)	(38,904)	(228,545)
Total Income	(47,856)	(3,785)	(54,370)	(148,058)	(73,342)	(40,311)	(367,722)
Employee expenses	16,393	493	0	98,640	34,720	28,858	179,104
Other operating expenses	25,825	18,660	52,288	89,021	104,634	8,248	298,676
Support service recharges	11,020	(8,214)	1,318	10,328	8,107	1,070	23,629
Total operating expenses	53,238	10,939	53,606	197,989	147,461	38,176	501,409
Cost of Service	5,382	7,154	(764)	49,931	74,119	(2,135)	133,687

<b>Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</b>	
	<b><u>£000's</u></b>
<b>(Directorate) Analysis</b>	<b>133,687</b>
Services and Support Services not in Analysis	2,176
Amounts not reported to management for decision making	2,440
Amounts not included in I & E	18,683
<b>Sub Total - Cost of Services</b>	<b>156,986</b>
Less Corporate Amounts	(150,420)
<b>Total</b>	<b>6,566</b>

<b>Reconciliation to Subjective Analysis</b>	(Directorate) Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	<b>Cost of services</b>	Corporate Amounts	Total
Fees, charges & other service income	(180,366)	(12,919)	(31,342)	0	<b>(224,627)</b>	(38,770)	(263,397)
Surplus or deficit on associates and joint ventures	0	0	0	0	<b>0</b>	0	0
Interest and investment income	(2,394)	0	0	(22,654)	<b>(25,048)</b>	(5,480)	(30,528)
Income from Council Tax	0	0	0	0	<b>0</b>	(66,912)	(66,912)
Government grants and contributions	(228,545)	(163,859)	0	0	<b>(392,404)</b>	(92,064)	(484,468)
<b>Total income</b>	<b>(411,305)</b>	<b>(176,778)</b>	<b>(31,342)</b>	<b>(22,654)</b>	<b>(642,079)</b>	<b>(203,226)</b>	<b>(845,305)</b>
Employee expenses	179,104	111,428	0	0	<b>290,532</b>	13,220	303,752
Other service expenses	302,235	58,597	15,346	18,520	<b>394,699</b>	26,909	421,608
Support service recharges	23,864	8,894	0	0	<b>32,758</b>	1,440	34,198
Depreciation, amortisation and impairment	6,330	34	18,402	22,817	<b>47,583</b>	2,415	49,998
Interest payments	8,237	0	34	0	<b>8,271</b>	8,237	16,508
Precepts and Levies	25,222	0	0	0	<b>25,222</b>	0	25,222
Payments to Housing Capital Receipts Pool	0	0	0	0	<b>0</b>	1,048	1,048
Gain or Loss on disposal of fixed assets	0	0	0	0	<b>0</b>	(463)	(463)
<b>Total operating expenses</b>	<b>544,992</b>	<b>178,953</b>	<b>33,782</b>	<b>41,337</b>	<b>799,065</b>	<b>52,806</b>	<b>851,871</b>
<b>Surplus or deficit on the provision of services</b>	<b>133,687</b>	<b>2,175</b>	<b>2,440</b>	<b>18,683</b>	<b>156,986</b>	<b>(150,420)</b>	<b>6,566</b>

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



<b>Reconciliation to Subjective Analysis</b>	(Directorate) Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of services	Corporate Amounts	Total
Fees, charges & other service income	(121,072)	(12,216)	(31,530)	0	(164,818)	(33,043)	(197,861)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	(2,975)	0	0	(19,394)	(22,369)	(3,668)	(26,037)
Income from Council Tax	0	0	0	0	0	(68,263)	(68,263)
Government grants and contributions	(225,890)	(158,682)	0	0	(384,572)	(95,249)	(479,821)
<b>Total income</b>	<b>(349,937)</b>	<b>(170,898)</b>	<b>(31,530)</b>	<b>(19,394)</b>	<b>(571,759)</b>	<b>(200,223)</b>	<b>(771,982)</b>
Employee expenses	184,713	109,263	0	0	293,976	14,154	308,130
Other service expenses	242,710	55,818	15,283	4,731	318,542	20,160	338,702
Support service recharges	22,553	6,847	0	0	29,400	1,392	30,792
Depreciation, amortisation and impairment	9,107	15	20,146	24,007	53,275	2,871	56,146
Interest payments	8,300	0	33	0	8,333	8,637	16,970
Precepts and Levies	26,219	0	0	0	26,219	0	26,219
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1,032	1,032
Gain or Loss on disposal of fixed assets	0	0	0	0	0	768	768
<b>Total operating expenses</b>	<b>493,602</b>	<b>171,943</b>	<b>35,462</b>	<b>28,738</b>	<b>729,745</b>	<b>49,014</b>	<b>778,759</b>
<b>Surplus or deficit on the provision of services</b>	<b>143,665</b>	<b>1,045</b>	<b>3,932</b>	<b>9,344</b>	<b>157,986</b>	<b>(151,209)</b>	<b>6,777</b>

## 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.

	<u>2014/2015</u> <u>£000's</u>	<u>2015/2016</u> <u>£000's</u>
<b>Net expenditure in the (Directorate) Analysis</b>	<b>143,665</b>	<b>133,687</b>
Net expenditure of services and support services not included in the Analysis	1,045	2,176
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	3,932	2,440
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	9,344	18,683
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>157,986</b>	<b>156,986</b>

## DISCLOSURE NOTES RELATING TO BALANCE SHEET:

### 10. TANGIBLE FIXED ASSETS

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

<b>TANGIBLE FIXED ASSETS - OPERATIONAL</b>	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Infra-structure Assets</b>	<b>Vehicles, Plant and Eqpt</b>	<b>Community Assets</b>	<b>Total</b>
<b>Certified Valuation or Cost at 1 April 2015</b>	201,799	300,219	47,730	12,785	1,522	564,055
Additions	10,704	6,632	2,997	405	825	21,563
Revaluations recognised in the Revaluation Reserve	2,203	(9,284)	0	0	0	(7,081)
Revaluations recognised in the Surplus/Deficit on the provision of Services	(37)	(5,036)	0	0	0	(5,073)
Disposals	0	(1,486)	0	0	0	(1,486)
Reclassification (to) / from Held for Sale	(1,319)	(555)	0	0	0	(1,874)
Other movements - Reclassification	0	(2,293)	0	1,217	(546)	(1,622)

<b>Value of assets at 31 March 2016</b>	<b>213,350</b>	<b>288,197</b>	<b>50,727</b>	<b>14,407</b>	<b>1,801</b>	<b>568,482</b>
<b>Accumulated depreciation and impairment at 1 April 2015</b>	(7,404)	(18,387)	(19,811)	(8,755)	0	(54,357)
Depreciation - annual charge	(7,661)	(4,544)	(2,440)	(916)	0	(15,561)
Depreciation - written out to Revaluation Reserve	(1)	0	0	0	0	(1)
Depreciation - written out to the Surplus/Deficit on the Provision of Services	7,404	12,422	0	0	0	19,826
Impairments recognised in the Surplus/Deficit on the Provision of Services	(10,704)	(4,447)	(605)	0	(279)	(16,035)
Disposals	0	81	0	0	0	81
Other movements - Reclassification	0	298	35	0	0	333
<b>At 31 March 2016</b>	<b>(18,366)</b>	<b>(14,577)</b>	<b>(22,821)</b>	<b>(9,671)</b>	<b>(279)</b>	<b>(65,714)</b>
<b>Balance Sheet Value of assets at 31 March 2016</b>	<b>194,984</b>	<b>273,620</b>	<b>27,906</b>	<b>4,736</b>	<b>1,522</b>	<b>502,768</b>
<b>Balance Sheet Value of assets at 1 April 2015</b>	<b>194,395</b>	<b>281,832</b>	<b>27,919</b>	<b>4,030</b>	<b>1,522</b>	<b>509,698</b>

<b>TANGIBLE FIXED ASSETS - NON-OPERATIONAL</b>	<b>Non Operational Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total</b>
<b>Certified Valuation or Cost at 1 April 2015</b>	42,605	401	2,577	45,583
Additions	0	0	3,418	3,418
Revaluations recognised in the Revaluation Reserve	1,413	89	0	1,502
Revaluations recognised in the Surplus/Deficit on the provision of Services	(43)	0	0	(43)
Disposals	1	0	0	1
Reclassification (to) / from Held for Sale	0	0	0	0
Other movements - Reclassification	(503)	546	(1,508)	(1,465)
<b>Value of assets at 31 March 2016</b>	<b>43,473</b>	<b>1,036</b>	<b>4,487</b>	<b>48,996</b>
<b>Accumulated depreciation and impairment at 1 April 2015</b>	0	0	0	0

Depreciation - annual charge	0	0	0	0
Depreciation - written out to Revaluation Reserve	0	0	0	0
Depreciation - written out to the Surplus/Deficit on the Provision of Services	0	0	0	0
Impairments recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0
Disposals	0	0	0	0
Other movements - Reclassification	0	0	0	0
<b>At 31 March 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance Sheet Value of assets at 31 March 2016</b>	<b>43,473</b>	<b>1,036</b>	<b>4,487</b>	<b>48,996</b>
<b>Balance Sheet Value of assets at 1 April 2015</b>	<b>42,605</b>	<b>401</b>	<b>2,577</b>	<b>45,583</b>

Bury Council's share of land owned at Manchester Airport is included in the accounts under Non-Operational Assets at a value of £7.7million, after an upward revaluation of £0.675m in 2015/16. An impairment review was carried out in the year as required by IAS36. There were no significant resultant adjustments to the value recorded in the Fixed Assets register for Operational and Non-Operational Investment Properties.

At the beginning of the financial year, Gorsefield Primary School has converted to Academy status on a long lease from Bury Council to the sponsor, St Paul's Bolton. Subsequently, the value of the asset held in Bury Council's accounts has been impaired to reflect this event.

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

The Boxing Day flooding experienced in several parts of the borough had an adverse effect on some of the assets maintained by the Council. A small part of the Housing Stock was affected, with no long lasting effect and any damage rectified immediately after. Radcliffe Market and several shops under Market Chambers, Blackburn Street, Radcliffe, suffered negligible long term effect on their overall value as any repairs would have been covered by the tenant's insurance, being a condition of the lease from the Council.

Three of the Council's maintained highway structures were severely damaged by the floods. A masonry arch bridge in Summerseat although initially closed to all traffic has since been reopened for pedestrians and cyclists but requires further work. Two steel footbridges carrying public footpath over the river Irwell in Radcliffe were destroyed and need to be completely rebuilt. Steps have been taken to repair and carry out major renovation to these funded by a set aside amount for 2016/17 that was received as Flood grant from the Department of Transport. The value of these has not been reflected in the accounts due to their low value in relation to the structures figure held on the Balance Sheet.

From 1<sup>st</sup> April 2016 and in accordance to the Transport Code of Practice, there will be a requirement to identify and report Highways Infrastructure assets at a new valuation based on calculated Gross and Depreciated replacement values. It is envisaged that the Council will have sufficient data gathered to report on its transport assets at the new valuation that will include the updated values of the refurbished assets when completed.

## Valuations of Fixed Assets carried at Current Value

	<u>Council Dwellings</u>	<u>Other Land &amp; Bldgs</u>	<u>Vehicle Plant &amp; Eqpt</u>	<u>Infrastr-ucture Assets</u>	<u>Commu-nity Assets</u>	<u>Invest ment Props</u>	<u>Assets under constru-ction</u>	<u>Non-Optnl Assets / Surplus Assets</u>	<u>Heritage Assets</u>	<u>Assets held for Sale</u>	<u>Total</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
<b>Valued at Historic Cost</b>	-	-	4,736	27,906	1,522	5,798	4,487	(2,395)	567	-	<b>42,621</b>
<b>Valued at Current / Fair Value:</b>											
<b>2015/16</b>	<b>194,984</b>	<b>(14,755)</b>	-	-	-	<b>257</b>	-	<b>1,950</b>	<b>37</b>	<b>(1,219)</b>	<b>181,254</b>
2014/15	-	(56,502)	-	-	-	-	-	2,383	-	459	<b>(53,660)</b>
2013/14	-	(5,230)	-	-	-	-	-	(1,987)	-	(716)	<b>(7,933)</b>
2012/13	-	(6,950)	-	-	-	113	-	(1,137)	23,676	2,227	<b>17,929</b>
2011/2012 and prior	-	357,057				1,136		45,695	-	72	<b>403,960</b>
<b>Total Tangible Fixed Assets</b>	<b>194,984</b>	<b>273,620</b>	<b>4,736</b>	<b>27,906</b>	<b>1,522</b>	<b>7,304</b>	<b>4,487</b>	<b>44,509</b>	<b>24,280</b>	<b>822</b>	<b>584,171</b>

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

During 2015/2016 the Authority's housing stock was re-valued to £202.4million.

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

### 11. HERITAGE ASSETS

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

	<b>Art Gallery and Museum</b>	<b>Art Gallery and Museum</b>	<b>Civic Regalia</b>	<b>Total</b>
	<b>Artefacts and Gifts</b>	<b>Pictures</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Certified Valuation or Cost at 1 April 2015</b>	16	23,635	437	<b>24,088</b>
Additions	0	0	192	<b>192</b>
Disposals	0	0	0	<b>0</b>
Revaluations recognised in the Revaluation Reserve	0	0	0	<b>0</b>
Revaluations recognised in the Surplus/Deficit on the provision of Services	0	0	0	<b>0</b>
Reclassification	0	0	0	<b>0</b>
<b>Value of assets at 31 March 2016</b>	<b>16</b>	<b>23,635</b>	<b>629</b>	<b>24,280</b>
<b>Accumulated depreciation and impairment at 1 April 2015</b>	0	0	0	<b>0</b>
Depreciation - annual charge	0	0	0	<b>0</b>
Disposals	0	0	0	<b>0</b>
Impairments recognised in the	0	0	0	<b>0</b>

Revaluation Reserve				
Impairments recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0
Other movements, reclassification	0	0	0	0
<b>Depreciation and impairment at 31 March 2016</b>	0	0	0	0
<b>Balance Sheet Value of assets at 31 March 2016</b>	<b>16</b>	<b>23,635</b>	<b>629</b>	<b>24,280</b>
<b>Balance Sheet Value of assets at 1 April 2015</b>	<b>16</b>	<b>23,635</b>	<b>437</b>	<b>24,088</b>

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

	<u>2014/2015</u>	<u>2015/2016</u>
	<u>£'000</u>	<u>£'000</u>
<b>Cost of Acquisitions of Heritage Assets</b>		
Art Gallery and Museum - artefacts and gifts	16	0
Art Gallery and Museum - pictures	68	0
Civic Regalia	0	192
<b>Total Cost of Purchases</b>	<b>84</b>	<b>192</b>
<b>Value of Heritage Assets Acquired by Donation</b>		
	0	8
<b>Total Donations</b>	<b>0</b>	<b>8</b>
<b>Impairment of Civic Regalia Assets</b>		
Carrying value	(47)	0
Proceeds	0	0

## 12. INTANGIBLE FIXED ASSETS

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

	<u>Software Licences</u>
	<u>£000's</u>
Original cost	7,514
Amortisation to 1st April 2015	(5,075)
Balance at 1st April 2015	2,439
Purchases in year	132
Amortisation in year	(880)
<b>Balance at 31st March 2016</b>	<b>1,691</b>

## 13. INVESTMENT PROPERTIES

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

	<u>2014/15</u>	<u>2015/16</u>
	<u>£000's</u>	<u>£000's</u>
<b>Balance at 1st April</b>	<b>1,249</b>	<b>1,249</b>
Purchases in year	0	5,798
Net Gain (Loss) from fair value adjustment	0	257
<b>Balance at 31st March</b>	<b>1,249</b>	<b>7,304</b>

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:

	<b><u>2014/15</u></b> <b><u>£000's</u></b>	<b><u>2015/16</u></b> <b><u>£000's</u></b>
Rental Income from Investment Property	143	276
Direct operating expenses arising from investment property	(14)	(51)
<b>Net gain / (loss)</b>	<b>129</b>	<b>225</b>

#### **14. CAPITAL EXPENDITURE and FINANCING**

	<b><u>2014/2015</u></b> <b><u>£000's</u></b>	<b><u>2015/2016</u></b> <b><u>£000's</u></b>
Opening Capital Financing Requirement	<b>246,433</b>	<b>240,814</b>
<b><u>Capital Investment</u></b>		
Property, Plant And Equipment Additions In the Year		
Operational Assets	18,959	21,908
Non-operational Assets	4,470	8,870
Intangible Assets	209	132
	<b>23,638</b>	<b>30,910</b>
Revenue Expenditure Funded from Capital under Statute	2,259	2,488
Revenue Expenditure Funded from Capital under Statute – Equal Pay back Pay	17	6
	<b>25,914</b>	<b>33,404</b>
<b><u>Sources of Finance</u></b>		
Capital Receipts	(875)	(1,971)
Government Grants and other Contributions	(18,335)	(21,327)
Sums set aside from Revenue including Minimum Revenue Provision	(12,323)	(6,895)
	<b>(31,533)</b>	<b>(30,193)</b>
<b>Closing Capital Financing Requirement</b>	<b>240,814</b>	<b>244,025</b>
<b><u>Explanation of movements in year</u></b>		
Increase in underlying need to borrow		
- supported by Government financial assistance	0	0
- unsupported by Government financial assistance	705	6,768
Minimum Revenue Provision and other repayments in the year	(6,324)	(3,557)
Increase (decrease)in Capital Financing Requirement	<b>(5,619)</b>	<b>3,211</b>

Major capital commitments as at 31<sup>st</sup> March 2016 totalled £16.566million and include:

- All schools including Secondary Schools Modernisation - £4.483m
- Elms Bank High Remodelling - £1.107m
- Highways Schemes - £3.846m
- Housing Public Sector - £2.758m

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

## 15. OPERATING LEASES

Authority as Lessee:-

Vehicles, Plant, Furniture and Equipment - the Authority uses vehicles, plant and other equipment financed under the terms of an operating lease. The amount charged under these arrangements in 2015/2016 was £589,954 (2014/2015 £659,543).

Land and Buildings – the Authority leases numerous buildings, which have been accounted for as operating leases. The rentals payable in 2015/2016 were £1,310,707 (2014/2015 £1,014,466).

The Authority is committed to making payments of £361,482 under operating leases in 2016/2017 for Vehicles, Plant and Equipment and £1,285,150 for land and Buildings comprising the following elements:

	<b>Land and Buildings £</b>	<b>Vehicles, Plant and Equipment £</b>
Leases expiring in 2016/2017	19,225	83,262
Leases expiring between 2017/2018 and 2021/2022	127,209	278,220
Leases expiring after 2021/2022	1,138,716	0
<b>TOTAL</b>	<b>1,285,150</b>	<b>361,482</b>

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 2015/2016 were £4,135,848.87 (2014/2015 £3,593,044).

The gross value of assets held for use in operating leases was £44,469,369. The assets have been valued at different stages over the last 5 years in accordance with FRS15 and are subject to depreciation ranging between 20-50% at 31 March 2016.

## 16. FINANCE LEASES

Authority as Lessee:

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

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

	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
Vehicles, Plant, Furniture and Equipment	1,099	1,164
<b>Total</b>	<b>1,099</b>	<b>1,164</b>

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:

	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
Finance lease liabilities (net present value of minimum lease payments)	1,346	965
Finance costs payable in future years	79	39
<b>Minimum lease payments</b>	<b>1,425</b>	<b>1,004</b>



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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
Not later than 1 year	420	420	381	394
Later than 1 year not later than 5 years	1,005	584	965	571
Later than 5 years	0	0	0	0
	<b>1,425</b>	<b>1,004</b>	<b>1,346</b>	<b>965</b>

Authority as Lessor:

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

## 17. INVESTMENTS

<b>Investments at 31st March: consisted of:-</b>	<b><u>2014/15</u> <u>£000's</u></b>	<b><u>2015/16</u> <u>£000's</u></b>
Manchester Airport Holdings Limited	41,000	39,800
Bury MBC Townside Fields Ltd	7,257	7,257
<b>TOTAL</b>	<b><u>48,257</u></b>	<b><u>47,057</u></b>

**Manchester Airport Holdings Limited** – The Councils shareholding in Manchester Airport Holdings Limited remains at 3.22% as at 31 March 2016. 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 2016 the valuers advised of a decrease of £1.2m in the fair value Council share from £41.0m to £39.8m which has been reflected in the financial statement.

The revaluation has been balanced by a decrease in the Financial Instruments Available-For-Sale Reserve of £1.2m – see Table 2, Note 25, page 78.

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

## 18. ANALYSIS OF DEBTORS

	<b><u>2014/15</u> <u>£000's</u></b>	<b><u>2015/16</u> <u>£000's</u></b>
Central Government Bodies	11,232	7,436
Other Local Authorities	2,107	2,678
NHS Bodies	(661)	226
Public Corporations and Trading Funds	246	9,402
Bodies External to General Government	26,192	28,774
<b>TOTALS</b>	<b><u>39,116</u></b>	<b><u>48,516</u></b>

## 19. ANALYSIS OF CREDITORS

	<u>2014/15</u>	<u>2015/16</u>
	<u>£000's</u>	<u>£000's</u>
Central Government Bodies	4,186	12,047
Other Local Authorities	2,013	4,183
NHS Bodies	680	1,595
Public Corporations and Trading Funds	970	517
Bodies External to General Government	23,352	20,880
<b>TOTALS</b>	<b>31,201</b>	<b>39,222</b>

## 20. LOANS OUTSTANDING, LONG & SHORT TERM

	<u>2014/2015</u>	<u>2015/2016</u>
	<u>£000's</u>	<u>£000's</u>
Analysis by loan type:		
PWLB loans:		
Bury	141,419	132,356
Airport	3,383	2,554
Market loans	58,258	62,793
Temporary loans	0	0
Local bonds	3	3
<b>TOTAL</b>	<b>203,063</b>	<b>197,706</b>
<b>Analysed by maturity period:-</b>		
Short Term Loans Outstanding		
Within 1 year	11,884	18,857
Long Term Loans Outstanding		
1/2 years	16,927	3,166
2/3 years	1,742	4,510
3/4 years	16	10,000
4/5 years	10,160	1,000
5/6 years	1,017	0
6/10 years	3,079	3,000
10/15 years	554	550
15+ years	157,684	156,623
<b>TOTAL</b>	<b>203,063</b>	<b>197,706</b>

The PWLB debt at 31<sup>st</sup> March 2016 includes **£1.616 million** in respect of Manchester Airport, being Bury's share of the debt transferred from Manchester City Council to each of the other Greater Manchester districts.

## 21. DEFERRED LIABILITIES

	<u>2014/2015</u> <u>£000's</u>	<u>2015/2016</u> <u>£000's</u>
Debt ex GMC - Tameside	4,942	4,342
Debt ex Probation - Trafford	17	16
Debt ex Inner City Central Station - MCC	61	54
Debt ex Airport GMMDAF	734	644
<b>TOTAL</b>	<b>5,754</b>	<b>5,056</b>

## 22. PROVISIONS

### Short Term Provisions

	<u>31<sup>st</sup> March</u> <u>2015</u>	<u>Income</u>	<u>Expenditure</u>	<u>Unused</u> <u>Amounts</u> <u>Reversed</u> <u>In Year</u>	<u>31<sup>st</sup> March</u> <u>2016</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Resources and Regulation	(158)	(614)	362	0	(410)
Children, Young People and Culture	(319)	(603)	294	0	(628)
Communities and Wellbeing	(388)	0	388	0	0
Business Rates	(1,430)	(1,488)	605	0	(2,313)
Authority Wide	(608)	0	608	0	0
<b>TOTALS</b>	<b>(2,903)</b>	<b>(2,705)</b>	<b>2,257</b>	<b>0</b>	<b>(3,351)</b>

### Long Term Provisions

	<u>31<sup>st</sup> March</u> <u>2015</u>	<u>Income</u>	<u>Expenditure</u>	<u>Unused</u> <u>Amounts</u> <u>Reversed</u> <u>In Year</u>	<u>31<sup>st</sup> March</u> <u>2016</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Liability Insurance	(24,089)	(2,522)	2,056	0	(24,555)
Property Insurance	(989)	(104)	62	0	(1,031)
Resources and Regulation	(262)	(1)	0	0	(263)
Workforce Transformation	(6,308)	0	6	4,000	(2,302)
Business Rates	(847)	(4,332)	4,601	0	(578)
Appeals					
Other	(1,124)	(971)	846	0	(1,249)
<b>TOTALS</b>	<b>(33,619)</b>	<b>(7,930)</b>	<b>7,571</b>	<b>4,000</b>	<b>(29,978)</b>

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 £2.522m to Liability Insurance reflects the charges to departments required to adhere to the Council's policy of ensuring that the provision is adequate to meet all claims. The main movements in the expenditure of £2.056m 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 £104,000 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.

A provision for Workforce Transformation was set up in 2008/09 and the expenditure represents payment of claims settled in 2015/16 whilst the release of the provision has been made following a review of long and short term provisions.

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

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

There are various other provisions which the Council makes from time to time. The main ones relate to a Furnished Tenancy Replacement provision of £471,000 and a Greater Manchester Pension Fund additional costs provision of £608,000.

## **23. CONTINGENT LIABILITIES**

### **Municipal Mutual Insurance Ltd**

On 30<sup>th</sup> September 1992 the Authority's then insurers, MMI Ltd., announced that they were no longer accepting new business. The Authority has 9 outstanding claims with MMI totalling £243,177 as at 31<sup>st</sup> March 2016. 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 £2,021,059 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%. This equates to £505,265 of the £2m that would have to be paid. As such this authority, in line with the other Greater Manchester authorities, has 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 £1,515,794 (i.e. £2,021,059 less £505,265 levy) in respect of claims previously settled.

### **Six Town Housing (Arms Length Management Organisation)**

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

## **NNDR Appeals**

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

## **Modesole**

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

## **Metrolink**

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

## **Greater Manchester Housing Investment Fund**

The Greater Manchester Devolution Agreement provides for a Housing Investment Fund of £300m over 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 is administered by Manchester City Council as accountable body.

The Fund provides the opportunity to invest in locally prioritised schemes and give the flexibility required to stimulate the market, accelerate growth and increase housing supply.

In return for GM receiving this Fund it must guarantee that 80% of the funds drawn down, to a maximum of £240m, will be repaid to Her Majesty's Treasury (HMT) at the end of the Fund life (this is likely to be in 2028 when all loans advanced are repaid). The Department of Communities and Local Government (DCLG) will underwrite the first 20% of any loss to the Fund (up to a maximum of £60m).

Each GM Council will indemnify a proportion of the Fund based on its percentage of GM population as at 1 April 2015. For Bury Council the maximum indemnity will be £16.5m which is 6.86% of the total indemnity.

At 31 March 2016 the amount drawn down was £11.063m

It is not currently anticipated that there will be any call on this indemnity.

## **Greater Manchester Loan Funds Guarantee**

Bury Council agreed to enter into an indemnity agreement to support the Greater Manchester Loan Fund. The fund was set up to provide loans to new and growing business in Greater Manchester. This was entered into alongside other Greater Manchester Authorities and given to Manchester City Council in order to underwrite the initial £12m to £14m capital in proportion to its percentage of GM population at the date of the establishment of the fund (June 2013).

For Bury Council the maximum indemnity will be £0.962m which is 6.87% of the total indemnity.

At 31 March 2016 loans totalling £4.050m have been advanced. The risk of the indemnity being called upon is considered to be low.

## **24. TRUST FUNDS**

The Council acts as a custodian trustee for 18 trust funds and as one of several trustees for a further five funds. As a custodian trustee the Council holds the property but takes no decisions on its use. In neither case do the funds represent the assets of the Council and therefore have not been included in the Balance Sheet. For further information please contact Andrew Baldwin, Head of Financial Management at Bury Town Hall (telephone 0161 253-5034).

## **25. FINANCIAL INSTRUMENTS**

### **Types of Financial Instruments**

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

**TABLE 1 – FINANCIAL INSTRUMENT BALANCES**

	<b>Long-Term</b>		<b>Current</b>		<b>Total</b>	
	<b>31<sup>st</sup> March 2015 £000s</b>	<b>31<sup>st</sup> March 2016 £000s</b>	<b>31<sup>st</sup> March 2015 £000s</b>	<b>31<sup>st</sup> March 2016 £000s</b>	<b>31<sup>st</sup> March 2015 £000s</b>	<b>31<sup>st</sup> March 2016 £000s</b>
<b>Borrowings</b>						
Financial liabilities at amortised cost	191,179	178,849	11,884	18,857	203,063	197,706
Financial liabilities at fair value through profit and loss	0	0	0	0	0	0
Other borrowing (Finance lease)	0	0	0	0	0	0
<b>Total borrowings</b>	<b>191,179</b>	<b>178,849</b>	<b>11,884</b>	<b>18,857</b>	<b>203,063</b>	<b>197,706</b>

<b>Investments</b>						
Loans and receivables	8,411	8,411	32,559	22,739	40,970	31,150
Available-for-sale financial assets	41,000	39,800	0	0	41,000	39,800
Financial Assets at fair value through profit and loss	0	0	0	0	0	0
Unquoted equity investment at cost	0	0	0	0	0	0
<b>Total investments</b>	<b>49,411</b>	<b>48,211</b>	<b>32,559</b>	<b>22,739</b>	<b>81,970</b>	<b>70,950</b>

**Note 1** – Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

**Note 2** – Fair value has been measured by estimating using a valuation technique

### **Gains and losses on Financial Instruments**

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

**TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES**

2015/2016	Financial Liabilities	Financial Assets			Total
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Fair value through I&E	
	£000s	£000s	£000s	£000s	£000s
Interest expense	(8,317)	0	0	0	(8,317)
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
<b>Interest payable and similar charges</b>	<b>(8,317)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,317)</b>
Interest income	0	4,377	0	0	4,377
Gains on derecognition	0	0	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>4,377</b>	<b>0</b>	<b>0</b>	<b>4,377</b>
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	(1,200)	0	(1,200)
Amounts recycled to the Comprehensive I&E Statement after impairment	0	0	0	0	0
<b>Surplus arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>(1,200)</b>	<b>0</b>	<b>(1,200)</b>
<b>Net gain/(loss) for the year</b>	<b>(8,317)</b>	<b>4,377</b>	<b>(1,200)</b>	<b>0</b>	<b>(5,140)</b>

**Note 1:-** Manchester Airport Holdings Limited plc – The Council holds a 3.22% illiquid stake in this airport. 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. As at 31 March 2016 the valuers advised of a decrease of £1.2m in the fair value Council share from £41.0m to £39.8m which has been reflected in the Available for Sale Reserve.

### 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.

**TABLE 3 – FINANCIAL ASSETS MEASURED AT FAIR VALUE**

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/2015	As at 31/3/2016
			£000s	£000s
Available for Sale - Manchester Airport	Level 3	Earnings Based	41,000	39,800
<b>Total</b>			<b>41,000</b>	<b>39,800</b>

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 £39,800 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 2013 and 2014 along with interim 6 month reports for the period ending 30 September 2015.

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 2015/16 this has seen a decrease in value of £1.2m.

There were no transfers between input levels during the financial year 2015/16

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;

### **TABLE 4A – FINANCIAL LIABILITIES**

The fair values are calculated as follows:

	<b>31st March 2015</b>		<b>31st March 2016</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
PWLB Loans	144,802	172,385	134,911	163,684
LOBO/Market Loans	58,258	71,358	62,793	77,927
Temporary Loans	0	0	0	0
Local Bonds	3	3	3	3
<b>Financial liabilities</b>	<b>203,063</b>	<b>243,746</b>	<b>197,706</b>	<b>241,614</b>

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 2016) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £163,684 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.



**TABLE 4B – FINANCIAL ASSETS**

	<b>31st March 2015</b>		<b>31st March 2016</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Call Investments	2,358	2,426	2,624	2,624
Fixed Investments	30,201	29,107	20,115	20,152
Term Deposit	0	0	0	0
Manchester Airport Loan	8,411	8,411	8,411	8,411
<b>Financial assets</b>	<b>40,970</b>	<b>39,944</b>	<b>31,150</b>	<b>31,187</b>

The fair value is **higher** than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is **greater** 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.

### **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.

It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £35m and a limit on the maximum size of one transaction in placing a deposit of £15m.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions.

**TABLE 5 – CREDIT RISK (A)**

	Amounts at 31 March 2016	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2016	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
Deposits with banks and other financial institutions	22,739	0.00%	0.00%	0
Bonds and other securities	0	0.00%	0.00%	0
Sundry Debtors	48,516	0.22%	0.22%	107
<b>Total</b>	<b>71,255</b>			<b>107</b>

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 £48.516m a main risk of losses relates to system debtors of £10.086m. The Council does not generally allow credit for customers, such that **£9.596m** of the **£10.086m** balance on the debtors system is past its due date for payment. The past due amount can be analysed by age as follows:

**TABLE 6 – CREDIT RISK (B)**

	31 March 2016
	£000s
Less than three months	4,691
Three to four months	150
Four months to one year	1,476
More than one year	3,279
<b>Total</b>	<b>9,596</b>

### **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.

### **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:-

**TABLE 7 – LIQUIDITY RISK**

<b>On 31 March 2015</b>	<b>Loans Outstanding</b>	<b>On 31 March 2016</b>
<b>£000s</b>		<b>£000s</b>
143,861	Public Works Loans Board	134,008
39,000	LOBO Loans	39,000
18,500	Market Debt	23,000
3	Local bonds	3
<b>201,364</b>	<b>Total</b>	<b>196,011</b>
11,853	Less than 1 year	17,329
16,806	Between 1 and 2 years	3,166
11,698	Between 2 and 5 years	15,510
4,000	Between 5 and 10 years	3,000
157,006	More than 10 years	157,006
<b>201,364</b>	<b>Total</b>	<b>196,011</b>

Of the £39m of Lender Option Borrower Option (LOBO) loans, £1m matures in under 5 years time, whilst the remaining loans mature in more than 10 years (the average maturity time being 50 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 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 2016, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

**TABLE 8 – INTEREST RATE RISK**

	<b>£000s</b>
Increase in interest payable on variable rate borrowings	359
Increase in interest receivable on variable rate investments	(157)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>202</b>
Decrease in fair value of fixed rate investment assets (no impact on Comprehensive Income and Expenditure Statement)	62
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>62</b>
Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure Statement)	34,165

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 £39.8m 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 are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the Available for Sale Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1.990m gain or loss being recognised in the Available for Sale 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:**

### **26. GENERAL FUND BALANCE**

The 2015/2016 deficit on the General Fund (excluding the use of balances and reserves) of £2.174m is split as follows: -

	<b>DSG Schools Budget £000's</b>	<b>General £000's</b>	<b>Total £000's</b>
<b>Balance at 31st March 2015</b>	<b>(2,993)</b>	<b>(10,487)</b>	<b>(13,480)</b>

(Surplus)/Deficit for the Year	2,235	(61)	2,174
In Year Contribution	0	485	485
<b>Balance at 31st March 2016</b>	<b>(758)</b>	<b>(10,063)</b>	<b>(10,821)</b>

## 27. EARMARKED RESERVES

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

	<b>Balance at 31<sup>st</sup> March 2015</b>	<b>Transfers out 2015/16</b>	<b>Transfers in 2015/16</b>	<b>Balance at 31<sup>st</sup> March 2016</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
ABG Top Slice	454	0	0	454
Airport Shares	949	0	0	949
Arts & Libraries	26	0	10	36
BCCI Reserve	127	0	0	127
Children, Young People and Culture	101	(5)	9	105
Communities and Wellbeing	10,885	(1,844)	2,372	11,413
Education (Schools) Fire	131	0	0	131
Energy Conservation	289	(65)	128	352
GM Connexions Partnership	686	0	722	1,408
GMWDA Levy Equalisation	313	(120)	2	195
Leisure	255	(73)	2	184
NNDR Appeals	1,268	(221)	108	1,155
Workforce Modernisation Reserve	3,120	(723)	900	3,297
Performance Reward	3,931	0	0	3,931
Resources and Regulation	1,881	(60)	678	2,499
School Catering Reserve	513	(153)	114	474
Transformation Reserve	4,550	(3,931)	5,692	6,311
	<b>29,479</b>	<b>(7,195)</b>	<b>10,737</b>	<b>33,021</b>
Commuted Sums	2,200	(492)	898	2,606
Other Balances	11,724	0	1	11,725
<b>TOTALS</b>	<b>43,403</b>	<b>(7,687)</b>	<b>11,636</b>	<b>47,325</b>

The reserves are held for the following purposes:

### **Area Based Grant Top Slice Reserve**

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

### **Airport Shares**

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

### **Arts & Libraries Reserve**

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

### **BCCI Reserve**

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

### **Children, Young People and Culture**

This reserve relate to grants received that have not yet been spent.

### **Communities and Wellbeing**

The main Communities and Wellbeing Reserves relate to adult care grants and other external

funds received that have not yet been spent. These include Public Health Reserve of £3,164,000, Better Care Reserve of £1,005,000 and Supporting People Reserve of £1,673,000.

#### **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.

#### **Energy Conservation Reserve**

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

#### **GM Connexions Partnership Reserve**

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

#### **GMWDA Levy Equalisation**

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

#### **Leisure Reserve**

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

#### **NNDR Appeals Reserve**

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

#### **Workforce Modernisation Reserve**

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

#### **Performance Reward Reserves**

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

#### **Resources and Regulation**

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

#### **School Catering Reserve**

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

#### **Transformation Reserve**

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

#### **Commuted Sums**

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

#### **Other Balances**

Other balances used to finance our assets include our 3.22% shareholding in Manchester Airport (£40m).

### **28. REVALUATION RESERVE**

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

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

<u>2014/2015</u>		<u>2015/2016</u>
<u>£000's</u>		<u>£000's</u>
128,269	Balance at 1 <sup>st</sup> April	109,051
3,751	Upward revaluations in year	14,401

(18,217)	Downward revaluations in the year not charged to (Surplus) / deficit on the Provision of Services	(19,313)
<b>(14,466)</b>	<b>(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(4,912)</b>
(4,163)	Difference between Fair value depreciation and historical cost depreciation	(4,406)
1	Impairment Losses	(1,294)
(590)	Disposal of fixed assets	(107)
<b>(4,752)</b>	<b>Amount written off to Capital Adjustment Account</b>	<b>(5,807)</b>
<b>109,051</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>98,332</b>

## 29. CAPITAL ADJUSTMENT ACCOUNT

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

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

<b><u>2014/15</u></b>		<b><u>2015/16</u></b>	
<b>£000's</b>		<b>£000's</b>	
<b>229,450</b>	<b>Balance at 1st April</b>		<b>231,833</b>
(22,845)	Depreciation and Impairment Losses	(14,425)	
0	Revaluation losses on Property, Plant and Equipment	0	
(1,060)	Amortisation of Intangible Assets	(880)	
(2,277)	Revenue expenditure funded from capital under statute	(2,493)	
0	Housing Revenue expenditure funded from capital under statute	0	
(3,127)	Disposal of fixed assets	(2,700)	
196	Restatement of Value	(264)	
(1)	Other	(1)	<b>(20,763)</b>
<b>200,336</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>211,070</b>
875	Capital receipts applied to capital investment	1,971	
8,768	Movement on MRR	7,619	
5,128	Grants applied to capital investment credited to I&E	1,656	
5,963	Grants applied to capital investment from the Capital Grants Unapplied Account	12,052	
6,289	Statutory provision for the financing of capital investment charged against General Fund and HRA balances	3,521	
4,474	Revenue resources applied to capital investment	3,338	
<b>31,497</b>			<b>30,157</b>
<b>231,833</b>	<b>Balance at 31st March</b>		<b>241,227</b>

### 30. COLLECTION FUND ADJUSTMENT ACCOUNT

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

<u>2014/15</u>		<u>2015/16</u>
<u>£000's</u>		<u>£000's</u>
<b>2,067</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>188</b>
(1,879)	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.	(2,422)
<b>188</b>	<b>TOTAL</b>	<b>(2,234)</b>

### 31. DEFERRED CAPITAL RECEIPTS

The figures shown in the balance sheet (page 26) represent receipts due from the sale of council houses and other dwellings where the Council has entered into a mortgage agreement and the receipt will therefore be realised over a number of years.

### DISCLOSURE NOTES RELATING TO CASH FLOW STATEMENT:

### 32. RECONCILIATION OF CASHFLOW TO COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

<u>2014/2015</u>		<u>2015/16</u>
<u>£000's</u>		<u>£000's</u>
<b>6,777</b>	<b>(SURPLUS) / DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>	<b>2,566</b>
	<b>Non Cash Movements in I &amp; E Statement:</b>	
(27,978)	Provision for Depreciation & Impairment of Fixed Assets	(32,639)
(2,774)	Other Provisions	1,563
5,748	Minimum Revenue Provision	3,521
4,357	Contributions from / (to) Revenue Reserves	1,254
8,482	Other General Fund Items	15,739
532	Other non-cash Movements	10,828
<b>(11,633)</b>		<b>266</b>
	<b>Movements in Current Assets and Liabilities:</b>	
88	Increase / (Decrease) in Stock	102
2,151	Increase / (Decrease) in Revenue Debtors	11,868
(4)	(Increase) / Decrease in Revenue Grants Received in Advance	(467)
53	(Increase) / Decrease in Revenue Creditors & Advance Receipts	(10,904)
<b>2,288</b>	<b>Items shown elsewhere in the Cash Flow Statement:</b>	<b>599</b>



(3,726)	Interest Paid	(3,845)
3,668	Interest Received	5,480
1,484	Dividend Income	2,150
<b>1,426</b>		<b>3,785</b>
<b>(1,142)</b>	<b>NET CASH INFLOW FROM REVENUE ACTIVITIES</b>	<b>7,216</b>

### 33. ANALYSIS OF NET DEBT

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

	<u>31<sup>st</sup> March</u> <u>2015</u>	<u>Receipts</u>	<u>Payments</u>	<u>Other</u> <u>Movements</u>	<u>31<sup>st</sup> March</u> <u>2016</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Cash Overdrawn	<b>(798)</b>	(685)	791	0	<b>(692)</b>
Cash & Cash Equivalents	<b>3,476</b>	1,449	0	0	<b>4,925</b>
Debt Due Beyond One Year	<b>(191,179)</b>	0	11,857	473	<b>(178,849)</b>
Debt Due Within One Year	<b>(11,884)</b>	0	0	(6,973)	<b>(18,857)</b>
Long Term Debtors	<b>12,943</b>	0	57	0	<b>13,000</b>
Current Asset Investments	<b>30,201</b>	0	(10,086)	0	<b>20,115</b>
<b>TOTALS</b>	<b>(157,241)</b>	<b>764</b>	<b>2,619</b>	<b>(6,500)</b>	<b>(160,358)</b>

### 34. RECONCILIATION OF NET DEBT

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

<u>2014/2015</u> <u>£000's</u>		<u>2015/2016</u> <u>£000's</u>
(15,672)	<b>(Increase)/ Decrease in Cash Overdrawn in the Year to 31<sup>st</sup> March</b>	1,555
10,489	(Increase)/Decrease in Debt	5,414
9,314	Increase/(Decrease) in Investments	(10,086)
<b>4,131</b>	<b>Change in Net Debt</b>	<b>(3,117)</b>
(161,372)	Net Debt at 1 <sup>st</sup> April	(157,241)
(157,241)	Net Debt at 31 <sup>st</sup> March	(160,358)
<b>4,131</b>	<b>Movement in Net Debt</b>	<b>(3,117)</b>

### 35. ANALYSIS OF GOVERNMENT GRANTS

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

<u>2014/2015</u> <u>£000's</u>		<u>2015/2016</u> <u>£000's</u>
35,418	Housing Benefits	34,384
623	Children's Social Care	435

151,341	Education Grants	156,546
10,130	Adult Care Services	13,691
20	Probation	19
<u>4,569</u>	Other Grants	<u>4,706</u>
<b><u>202,101</u></b>	<b>TOTAL</b>	<b><u>209,781</u></b>

### **36. MOVEMENT IN CASH**

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

	<b><u>31<sup>st</sup> March</u></b> <b><u>2015</u></b> <b><u>£000's</u></b>	<b><u>31<sup>st</sup> March</u></b> <b><u>2016</u></b> <b><u>£000's</u></b>	<b><u>Movement</u></b> <b><u>£000's</u></b>
Bank Overdraft	(798)	(692)	(106)
Cash and Cash Equivalents	<u>3,476</u>	<u>4,925</u>	<u>(1,449)</u>
<b>TOTALS</b>	<b>2,678</b>	<b>4,233</b>	<b>1,555</b>

### **37. EVENTS AFTER THE BALANCE SHEET DATE**

On the 23<sup>rd</sup> June 2016 the UK voted to leave the European Union. The full impact of this is unknown and inevitably the country is now in a period of uncertainty.

# **HOUSING REVENUE ACCOUNT**

# HOUSING REVENUE ACCOUNT

## INCOME AND EXPENDITURE STATEMENT

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

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

<b><u>2014/2015</u></b> <b><u>£000's</u></b>		<b><u>2015/2016</u></b> <b><u>£000's</u></b>	<b>Note</b>
	<b><u>Income</u></b>		
(30,119)	Dwelling Rents (gross)	(30,092)	<b>1,2,8</b>
(221)	Non-Dwelling Rents	(213)	
(1,030)	Charges for Services and Facilities	(993)	
(27)	Contributions towards expenditure	(44)	
<b><u>(31,397)</u></b>	<b>Total Income</b>	<b><u>(31,342)</u></b>	
	<b><u>Expenditure</u></b>		
6,841	Repairs and Maintenance	6,769	
8,038	Supervision and Management	8,169	
107	Rents, Rates, taxes & other charges	91	
20,146	Depreciation and Impairment of fixed assets	18,402	<b>5,6</b>
33	Debt management costs	35	
168	Increased Provision for Bad & Doubtful Debts	316	<b>8</b>
<b><u>35,333</u></b>	<b>Total Expenditure</b>	<b><u>33,782</u></b>	
<b><u>3,936</u></b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b><u>2,440</u></b>	
11	HRA services share of Corporate and Democratic Core	11	
<b><u>3,947</u></b>	<b>Net Cost of HRA Services</b>	<b><u>2,451</u></b>	
	<b>HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
4,534	Interest payable and other similar charges	4,433	
(67)	Interest and investment income	(76)	
<b><u>8,414</u></b>	<b>(Surplus) or Deficit for the year on HRA Services</b>	<b><u>6,808</u></b>	

### ***Movement on the HRA Statement***

<b><u>2014/2015</u></b>		<b><u>2015/2016</u></b>
<b><u>£000's</u></b>		<b><u>£000's</u></b>
<b>(7,488)</b>	<b>Balance on the HRA at the end of the previous year</b>	<b>(7,157)</b>
8,414	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	6,807
(8,083)	Adjustments between accounting basis and funding basis under regulations	(5,610)
<b>331</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>1,197</b>
0	Transfers (to) or from reserves	0
<b>331</b>	<b>(Increase) or decrease in year on the HRA</b>	<b>1,197</b>
<b>(7,157)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(5,960)</b>

### ***Note to the Movement on the HRA Statement***

<b><u>2014/2015</u></b>		<b><u>2015/2016</u></b>	<b><u>Note</u></b>
<b><u>£000's</u></b>		<b><u>£000's</u></b>	
	<b>Adjustments between accounting basis and funding basis under regulations</b>		
(15)	Difference between amounts charged to the Income and Expenditure Statement for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	(15)	
(12,742)	Reversal of impairment losses	(10,740)	
4,674	Capital expenditure funded by the HRA	5,145	
<b>(8,083)</b>		<b>(5,610)</b>	
0	Transfer from Major Repairs Reserve	0	<b>3</b>
<b>0</b>		<b>0</b>	

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1. HOUSING STOCK

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

The numbers of each type of property at 31<sup>st</sup> March were: -

<u>2014/2015</u>		<u>2015/2016</u>
	<b>Flats and Maisonettes</b>	
2,289	1 Bedroom	2,289
816	2 Bedrooms	811
58	3 Bedrooms	57
156	Bedsitters	156
	<b>Houses &amp; Bungalows</b>	
806	1 Bedroom	804
1,823	2 Bedrooms	1,807
2,149	3 Bedrooms or more	2,126
<b>8,097</b>	<b>TOTAL</b>	<b>8,050</b>

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

The total capital receipts realised from the disposal of Council houses during the year was **£1.835 million**. This figure represents an increase in the region of 116% compared to the 2014/15 figure of £1.576 million. The figure represents the total selling price of Council houses (net of Right to Buy discount) and other repaid discounts relating to previous sales.

The value of the housing stock was:-

<u>2014/2015</u>		<u>2015/2016</u>
<b>£000's</b>		<b>£000's</b>
206,614	Total Balance Sheet value as at 1 <sup>st</sup> April	192,877
1,548	Dwellings	1,518
<b>208,162</b>	Shops, Offices and Garage Colonies	<b>194,395</b>
	<b>Total Operational Assets</b>	
12,742	Additions	10,704
(30)	Certificated Revaluation – Shops and Offices	5
(12,225)	Housing Stock Revaluations	2,162
(250)	Depreciation	(259)
(12,742)	Impairments	(10,704)
(1,262)	Sale of Council Houses	(1,319)
0	Sale of other Council Housing assets	0
<b>194,395</b>	<b>Balance Sheet Value as at 31<sup>st</sup> March</b>	<b>194,984</b>
192,877	Dwellings	193,462
1,518	Shops, Offices and Garage Colonies	1,522
<b>194,395</b>	<b>Total Operational Assets</b>	<b>194,984</b>

## 2. VACANT POSSESSION

- The Vacant Possession Value (VPV) of dwellings within the Council's HRA as at 1<sup>st</sup> April 2015 was £578.3 million representing a negligible decrease of approximately 0.1% over the 1<sup>st</sup> April 2014 figure of £575.8 million. The new value was established as a result of the revaluation of the Housing Stock completed in the year.
- The VPV is an opinion of the best sale price that could have been obtained for the properties on the date of the valuation. The Balance Sheet value of dwellings within the

HRA contains an adjustment factor advised by Government to reflect the fact that the properties have sitting tenants enjoying sub-market rents and rights, including 'right-to-buy'. This reflects the economic cost to the Government of providing council housing at less than open market rents. The current adjustment factor for the North West and Merseyside Region was set from April 2010 at 35% and this has not changed. The adjusted figure for 1st April 2015 is therefore £202.4m.

### 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 still use, for a transitional period, an element equivalent to the MRA that is transferred during the year into the Major Repairs Reserve and equates to an amount not less than the MRA.

<b>£000's</b>		<b>£000's</b>
<b>2014/2015</b>		<b>2015/2016</b>
<b>1,489</b>	<b>Balance as at 1<sup>st</sup> April</b>	<b>125</b>
7,404	Transferred to MRR during the year	7,661
0	Credit in respect of General Fund depreciation	0
0	Transferred from MRR to HRA during the year	0
(8,768)	Debits in respect of capital expenditure within HRA	(7,619)
<b>125</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>167</b>

### 4. CAPITAL EXPENDITURE WITHIN HRA

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

<b>£000'S</b>		<b>£000's</b>
<b>2014/2015</b>		<b>2015/2016</b>
<b>12,742</b>	<b>Total Capital expenditure within the HRA</b>	<b>10,704</b>
	<b>Financed By:</b>	
0	External Contributions	123
3,974	Revenue Contributions	2,962
0	Capital receipts	0
8,768	Major Repairs Reserve	7,619
<b>12,742</b>	<b>Total</b>	<b>10,704</b>

### 5. DEPRECIATION

Authorities are required to charge depreciation on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. In 2015/16, the total charge for depreciation for council houses was £7,619,100 (£7,361,400 in 2014/15) and for other property was £42,391 (£42,282 in 2014/15). The Major Repair Allowance is used as a proxy for depreciation of the council houses stock. It corresponds to a straight-line charge based on a component average useful life, and is considered to be a reasonable approximation.

### 6. IMPAIRMENT CHARGES

Impairment charges of £10.704 million for the financial year have been made in respect of capital expenditure not adding value to the housing stock and other property within the HRA.

### 7. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

## **8. RENT ARREARS / BAD DEBT PROVISION**

### **RENT ARREARS**

The rent arrears as at 1 April, 2015 totalled £946,293 and at 31 March, 2016 they totalled £1,156,158. 56.57% of the arrears at 31 March 2016 related to current tenants (55.15% at 31<sup>st</sup> March 2015) and 43.43% related to former tenants (44.85% at 31<sup>st</sup> March 2015). The figures stated represent gross arrears and are not shown net of advances as in previous years.

### **BAD DEBT PROVISION**

<u>£000's</u> <u>2014/2015</u>		<u>£000's</u> <u>2015/2016</u>	<u>£000's</u> <u>2015/2016</u>
<b>618</b>	<b>Opening Bad Debt Provision</b>		<b>679</b>
168	Charged to HRA	316	
(117)	Written off	(112)	
10	Reinstated previously written off amount	10	
<b>61</b>	<b>Net increase / (decrease)</b>		<b>214</b>
<b>679</b>	<b>Closing Bad Debt Provision</b>		<b>893</b>



# **COLLECTION FUND**

## THE COLLECTION FUND

<u>2014/15</u>	<u>2014/15</u>	<u>2014/15</u>	<u>Income &amp; Expenditure</u> <u>Account</u>	<u>2015/16</u>	<u>2015/16</u>	<u>2015/16</u>	<u>Note</u>
<u>Council</u> <u>Tax</u>	<u>NNDR</u>	<u>TOTAL</u>		<u>Council Tax</u>	<u>NNDR</u>	<u>TOTAL</u>	
<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>INCOME</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	
(80,670)	(80,670)	(80,670)	Council Tax	(81,023)	0	(81,023)	<b>1</b>
0	0	0	Council Tax Annexe grant	(1)	0	(1)	
0	0	0	Transitional Relief	0	0	0	
(49,570)	(49,570)	(49,570)	Business Rates Receivable	0	(49,230)	(49,230)	<b>2</b>
(49)	(49)	(49)	Business Rates Transitional Protection Payments	0	(730)	(730)	
			Contributions towards previous year's deficit				
(982)	(982)	(982)	Bury MBC	0	(506)	(506)	
(20)	(20)	(20)	Central Government	0	(516)	(516)	
(962)	(962)	(962)	Greater Manchester Fire & Civil Defense Authority	0	(10)	(10)	
<b>(51,582)</b>	<b>(51,582)</b>	<b>(51,582)</b>	<b>TOTAL INCOME</b>	<b>(81,024)</b>	<b>(50,992)</b>	<b>(132,016)</b>	
			<b>EXPENDITURE</b>				
			<b>Precepts and Demands on Collection Fund</b>				
90,493	90,493	90,493	Bury	66,793	24,671	91,464	
7,802	7,802	7,802	Police	7,802	0	7,802	
3,441	3,441	3,441	Fire	2,953	493	3,446	
24,667	24,667	24,667	Central Government	0	24,177	24,177	
239	239	239	Cost of Collection	0	239	239	
			<b>Bad Debts</b>				
1,130	1,130	1,130	Change in Bad Debt provision	497	1,065	1,562	
247	247	247	Write Offs	0	53	53	
3,647	3,647	3,647	Contribution to appeals provision	0	1,254	1,254	
			<b>Transfer of Surplus</b>				
0	0	0	Police	0	0	0	
0	0	0	Fire	0	0	0	
0	0	0	Bury	0	0	0	
<b>131,667</b>	<b>131,667</b>	<b>131,667</b>	<b>TOTAL EXPENDITURE</b>	<b>78,045</b>	<b>51,952</b>	<b>129,997</b>	
<b>(588)</b>	<b>(588)</b>	<b>(588)</b>	Movement in collection fund Balance during year	(2,979)	960	(2,019)	
<b>2,267</b>	<b>2,267</b>	<b>2,267</b>	Fund Balance brought forward	(2,578)	4,256	1,678	
<b>1,678</b>	<b>1,678</b>	<b>1,678</b>	<b>Closing Cumulative (Surplus) / Deficit Carried Forward</b>	<b>(5,557)</b>	<b>5,216</b>	<b>(341)</b>	

## NOTES TO THE COLLECTION FUND

### 1. COUNCIL TAX

<u>Band</u>	<u>Valuation</u>	<u>Total Number of Dwellings</u>	<u>Specified Ratio</u>	<u>Band D Equivalent</u>
A	Less than £40,000	25,310	6/9	16,873
B	£40,000 to £52,000	16,099	7/9	12,521
C	£52,000 to £68,000	15,523	8/9	13,798
D	£68,000 to £88,000	8,200	1	8,200
E	£88,000 to £120,000	4,959	11/9	6,061
F	£120,000 to £160,000	1,688	13/9	2,438
G	£160,000 to £320,000	1,180	15/9	1,967
H	More than £320,000	150	18/9	300
		<b>73,109</b>		<b>62,158</b>
	Less allowance for losses on collection			(1,834)
	Impact of Council Tax Support Scheme			(9,096)
<b>COUNCIL TAX BASE 2015/2016</b>				<b>51,228</b>

- i) The actual number of properties was 82,333 but after adjusting for single person discounts, empty properties etc, the notional number of dwellings is 73,109.
- ii) The Band D Council Tax levied for the year was **£1,513.78** (£1,513.78 in 2014/2015):

	<u>2015/2016 £000's</u>	<u>2014/2015 £000's</u>
Bury Council	1,303.841	1,303.84
Greater Manchester Police Authority	152.30	152.30
Greater Manchester Fire & Civil Defence Authority	57.64	57.64
<b>TOTAL</b>	<b>1,513.78</b>	<b>1,513.78</b>

### 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 2015/2016 was **49.3p** in the pound (48.2p in 2014/2015) and at 31<sup>st</sup> March 2016 the estimated non-domestic rateable value of the Borough was **£128.56m** (£128.4m at 31<sup>st</sup> March 2014). In addition in 2015/16 the Small Business Rate was set at **48.0p** in the pound (47.1p for 2014/15).

# **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 107 to 108.

Also included in the Group Accounts is Persona Care & Support Limited. The company was incorporated on the 10<sup>th</sup> 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 Care & Support Ltd have been identified as subsidiaries of Bury Council and as such their financial statements have been consolidated on a line by line basis to comply with FRS 2 – acquisition accounting.

The acquisition accounting basis for consolidation has been used for 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 Care & Support, 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 14<sup>th</sup> 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 2015 to 31 March 2016, therefore no adjustments are required regarding the accounting year.

## 4. Accounts

Six Town Housing's Statement of Accounts 2015/2016 are audited by Baker Tilly UK and will be submitted to their Audit and Standards Committee on 31 August 2016 and will be followed by the Board meeting in September and the AGM meeting for approval in December 2016.

Copies of Six Town Housing Ltd 2015/16 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 31<sup>st</sup> March 2016 have been used to prepare the group accounts. Both companies audited are Horsfield and Smith.

# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/2015			2015/16			
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£000's	£000's	£000's	£000's	£000's	£000's	
Continuing Services						
14,468	(10,645)	3,823	Central Services to the Public including Court Services	13,199	(10,341)	2,858
16,266	(6,918)	9,348	Cultural and Related Services	14,813	(6,435)	8,378
24,417	(3,273)	21,144	Environment & Regulatory Services	23,540	(3,566)	19,974
2,249	(2,110)	139	Planning Services	2,718	(2,431)	287
223,009	(182,174)	40,835	Children's & Education Services	240,912	(193,545)	47,367
27,730	(5,672)	22,058	Highways & Transport Services	27,233	(6,054)	21,179
35,466	(31,530)	3,936	Local Authority Housing (HRA)	33,995	(31,556)	2,439
58,874	(62,218)	(3,344)	Other Housing Services	57,884	(60,041)	(2,157)
78,095	(25,573)	52,522	Adult Social Care Services	94,518	(38,846)	55,672
8,035	(10,014)	(1,979)	Public Health	9,812	(11,073)	(1,261)
2,635	1,323	3,958	Corporate & Democratic Core	2,096	2,453	4,549
2,513	(36)	2,477	Non-Distributed Costs	2,250	(4,470)	(2,220)
467	(631)	(164)	Other Operating Inc & Exp.	1,537	(5,916)	(4,379)
494,224	(339,471)	154,753	Cost Of Services	524,507	(371,821)	152,686
Other Operating Expenditure						
768	0	768	(Gain)/Loss on Disposal of Non-Current Assets	-	(463)	(463)
34,157	(35,038)	(881)	(Surplus)/Deficits on Trading Operations	34,972	(41,442)	(6,470)
1032	0	1,032	Contribution of Housing Capital Receipts to Government Pool	1,048	0	1,048
35,957	(35,038)	919		36,020	(41,905)	(5,885)
Financing and Investment Income and Expenditure						
8,637	0	8,637	Interest Payable & other Similar Charges	8,237	0	8,237
0	(3,309)	(3,309)	Interest and Investment Income	0	(5,043)	(5,043)
8,514	0	8,514	Pensions Interest Cost and Expected Return on Pensions Assets (IAS19)	10,335	0	10,335
-1	(2)	(3)	Taxation of Group Entities	17	55	72
17,150	(3,311)	13,839		18,589	(4,988)	13,601
Taxation and Non-Specific Grant Income						
0	0	0	Demand On Collection Fund:			
0	(68,263)	(68,263)	Council Tax	0	(66,913)	(66,913)
0	(43,069)	(43,069)	Government Grants (not attributable to specific services)	0	(33,049)	(33,049)
0	(31,823)	(31,823)	Non-Domestic Rate distribution	0	(32,967)	(32,967)
0	(20,356)	(20,356)	Capital grants and contributions	0	(26,048)	(26,048)
0	(163,511)	(163,511)		0	(158,977)	(158,977)
547,331	(541,331)	6,000	(Surplus) or Deficit On Provision of Services	579,116	(577,691)	1,425
		14,638	(Surplus) / Deficit on revaluation of property, plant and equipment			6,123
		1	Impairment Losses on Non-Current Assets charged to Revaluation Reserve			1
		(4,226)	(Surplus) / Deficit on revaluation of available for sale financial assets			1,275
		79,476	Actuarial (gains) / losses			(68,422)
		(349)	Any other (gains)/ losses for the year			(4,449)
		89,540	Other Comprehensive Income and Expenditure			(65,472)
		95,540	Total Comprehensive Income and Expenditure			(64,047)

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

<b><u>2014/15</u></b>		<b><u>2015/16</u></b>
<b><u>£000's</u></b>		<b><u>£000's</u></b>
6,777	(Surplus) / deficit for the year on the Authority Comprehensive Income and Expenditure Statement	2,566
0	Adjustments for transactions with other group entities	0
6,777	Surplus / Deficit on provision of services in the Group Comprehensive Income and Expenditure Statement attributable to the Authority	2,566
	(Surplus) / deficit on provision of services in the Group Comprehensive Income and Expenditure Statement attributable to group entities (adjusted for intra-group transactions):	
(777)	Subsidiaries	(1,141)
	Associates	
	Joint Venture	
<b>6,000</b>	(Surplus) / Deficit on provision of services for the year on Group Comprehensive Income and Expenditure Statement	<b>1,425</b>

# GROUP BALANCE SHEET AT 31<sup>ST</sup> MARCH 2016

<u>31/03/2015</u>		<u>31/03/2016</u>	
<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
	<b>PROPERTY, PLANT &amp; EQUIPMENT</b>		
	<i>Tangible Fixed Assets</i>		
	Operational Assets:		
199,536	Council Dwellings	204,018	
281,832	Other Land & Buildings	273,620	
27,919	Infrastructure Assets	27,906	
4,031	Vehicles & Plant	4,736	
1,522	Community Assets	1,522	
42,605	Non-Operational Assets	43,473	
2,577	Assets under construction	4,487	
401	Surplus assets held for disposal	1,036	
		<b>560,798</b>	
2,439	Intangible Fixed Assets	1,691	
8,343	Investment Property	14,404	
24,088	Heritage Assets	24,280	
<b>595,293</b>	<b>TOTAL FIXED ASSETS</b>		<b>601,173</b>
	<b>LONG TERM INVESTMENTS</b>		
41,000	Manchester Airport PLC	39,800	
<b>41,000</b>			<b>39,800</b>
	<b>LONG TERM DEBTORS</b>		
129	Long term Debtors - General	80	
9,273	Loan Accounts	9,197	
17	Debt Managed for Probation Services	16	
<b>9,419</b>			<b>9,293</b>
	<b>CURRENT ASSETS</b>		
1,424	Stocks & Work in Progress	1,578	
33,556	Sundry Debtors & Advance Payments	43,018	
920	Assets Held for Sale	822	
30,201	Short Term Investments	20,115	
8,759	Cash And Cash Equivalents	10,090	
<b>74,860</b>		<b>75,623</b>	
	<b>LESS : CURRENT LIABILITIES</b>		
(11,884)	Short Term Loans Outstanding	(18,857)	
(173)	Deposits & Clients' Funds	(164)	
(4,391)	Short Term Provisions	(3,351)	
(26,048)	Sundry Creditors & Advance Receipts	(36,381)	
(296)	Revenue Grant Receipts in Advance	(763)	
(798)	Bank Accounts	(692)	
<b>(43,590)</b>		<b>(60,208)</b>	
<b>31,270</b>	<b>NET CURRENT ASSETS</b>		<b>15,415</b>
<b>676,982</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>665,681</b>
	<b>LESS: LONG TERM LIABILITIES</b>		
(191,179)	External Loans Outstanding	(179,383)	
(862)	Capital Grants Receipts in Advance	(272)	
(1,346)	Finance Lease Liabilities	(965)	
(6,023)	Deferred Liabilities	(5,324)	
(289,289)	Pension Liability	(231,720)	
(34,585)	Long Term Provisions	(30,272)	
<b>(523,284)</b>			<b>(447,936)</b>
<b>153,698</b>	<b>TOTAL NET ASSETS</b>		<b>217,745</b>



<b>31/03/2015</b>		<b>31/03/2016</b>	
<b><u>£'000</u></b>		<b><u>£'000</u></b>	<b><u>£'000</u></b>
	<b>FINANCED BY :</b>		
	<b>USABLE RESERVES</b>		
(32,816)	Earmarked Reserves	(39,277)	
(3,659)	Capital Receipts Unapplied	(3,004)	
(9,058)	Capital Grants Unapplied	(10,446)	
(13,480)	General Fund	(10,821)	
(7,157)	Housing Revenue Account	(5,960)	
(125)	Major Repairs Reserve	(167)	
(2,200)	Competitive Services / Commuted Sums	(2,606)	
(10,046)	Other Balances	(11,725)	
<b>(78,541)</b>			<b>(84,006)</b>
	<b>UNUSABLE RESERVES</b>		
(109,338)	Revaluation Reserve	(98,742)	
(231,833)	Capital Adjustment Account	(241,227)	
82	Financial Instruments Adjustment Reserve	157	
(30,786)	Available for Sale Financial Instruments Reserve	(29,586)	
188	Collection Fund Adjustment Account	(2,234)	
600	Accumulated Absences	3,516	
289,261	Pension Reserve	231,708	
6,676	Workforce Transformation Reserve	2,671	
(7)	Deferred Capital Receipts	(2)	
<b>(75,157)</b>			<b>(133,739)</b>
<b>(153,698)</b>	<b>TOTAL RESERVES AND BALANCES</b>		<b>(217,745)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

<u>2015/16</u>	<u>General Fund Balance</u> £000's	<u>Earmarked GF Reserves</u> £000's	<u>Housing Revenue Account</u> £000's	<u>Collection Fund Balance</u> £000's	<u>Capital Receipts Unapplied</u> £000's	<u>Major Repairs Reserve</u> £000's	<u>Capital Grants Unapplied</u> £000's	<u>Total Usable Reserves</u> £000's	<u>Unusable Reserves</u> £000's	<u>Total Group Reserves</u> £000's
Balance at 1st April 2015	13,480	46,740	7,157	(1,678)	3,659	125	9,058	78,541	75,157	153,698
<u>Movement in reserves during 2015/16</u>										
Surplus / (deficit) on the provision of services	4,241	1,141	(6,807)	0	0	0	0	(1,425)	0	(1,425)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	65,472	65,472
Total Comprehensive Income and Expenditure	4,241	1,141	(6,807)	0	0	0	0	(1,425)	65,472	64,047
Adjustments between accounting basis & funding basis under regulations	(2,951)	0	5,610	1,678	(655)	42	1,388	5,112	(5,112)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	1,290	1,141	(1,197)	1,678	(655)	42	1,388	3,687	60,360	64,047
Transfers to / from Earmarked Reserves	(3,949)	5,727	0	0	0	0	0	1,778	(1,778)	0
Increase / Decrease (movement) in 2015/16	(2,659)	6,868	(1,197)	1,678	(655)	42	1,388	5,465	58,582	64,047
Balance at 31 March 2016 carried forward	10,821	53,608	5,960	0	3,004	167	10,446	84,006	133,739	217,745

# GROUP CASH FLOW STATEMENT

<u>2014/15</u>			<u>2015/16</u>
<u>£000's</u>		<u>£000's</u>	<u>£000's</u>
	<b><u>OPERATING ACTIVITIES</u></b>		
	<b>Cash Outflows:</b>		
194,943	Cash Paid to and on behalf of Employees	196,624	
245,287	Cash Paid for Goods and Services	265,688	
35,090	Housing Benefit paid out	34,074	
78	VAT payments (BMBCTF & Persona)	87	
4,035	Interest Paid	4,290	
30	Corporation tax (STH)	45	
1,032	Payments to Housing Capital Receipts Pool	1,048	
<b>480,496</b>	<b>Cash Outflows Generated from Operating Activities</b>		<b>501,856</b>
	<b>Cash Inflows:</b>		
(29,898)	Rents (after Rebates)	(30,305)	
(69,935)	Council Tax Receipts (excl major preceptors share of receipts)	(70,268)	
(23,700)	NNDR Receipts (excl government and major preceptors)	(24,671)	
(38,890)	Revenue Support Grant	(29,166)	
(35,418)	DWP Grants for Benefits	(34,384)	
(166,992)	Other Government Grants	(175,472)	
(3,683)	Interest Received	(5,494)	
(1,484)	Airport Dividend Received	(2,150)	
(112,916)	Cash Received for Goods and Services	(123,248)	
<b>(482,916)</b>	<b>Cash Inflows Generated from Operating Activities</b>		<b>(495,158)</b>
<b>(2,420)</b>	<b>NET CASH (INFLOW) / OUTFLOW FROM OPERATING ACTIVITIES</b>		<b>6,698</b>
	<b><u>INVESTING ACTIVITIES</u></b>		
23,038	Purchase of Fixed Assets		21,824
	Capital Expenditure (STH)		
4,300	Purchase / (Sale) of Long Term Investments		(1,200)
9,314	Net Increase / (Decrease) in Short Term Deposits		(10,086)
(4,640)	Proceeds of Sale of Fixed Assets		(2,363)
(862)	Capital Grants received		(272)
<b>31,150</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>7,903</b>
	<b><u>FINANCING ACTIVITIES</u></b>		
	Repayments of amounts borrowed:		
6,631	Long Term loans repaid		11,857
5,000	Short Term loans repaid		0
1,858	Net Receipts from Long Term Debtors		57
(2,020)	New Long Term Loans		(6,665)
(3,000)	New Short Term Loans		0
(22,594)	Billing Authorities – NNDR and Council Tax Adjustments		(21,285)
<b>(14,125)</b>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(16,036)</b>
<b>14,605</b>	<b>NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,435)</b>

*S. H. Kenyon*

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

**27 May, 2016**

## Notes to the Group Statements

### 1. *Subsidiary Income and Expenditure*

The operating expenditure and income of Six Town Housing has been included within "Other Housing Services". The operating expenditure and income of Bury MBC Townside Fields Limited has been included within "Corporate and Democratic Services" whilst that of Persona Care & Support Limited has been included within "Adult Social Care".

### 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 fixed assets 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 fixed assets are also valued at historic cost in line with Bury Council's policy. Persona Care & Support Ltd accounts show no fixed assets.

### 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
<b>Bury Council</b>	4	30.8
<b>Tenant</b>	4	30.8
<b>Independent</b>	4	30.8
<b>Independent Chair</b>	1	7.6
<b>Advisory Director</b>	1	0
		<b>100</b>

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 5 (page 57).

**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 2015/2016 Six Town Housing made a deficit of £1.853m compared to a surplus of £0.654m in 2014/2015. Bury Council paid management fees of £13.059m in 2015/2016 (£12.719m in 2014/2015) to Six Town Housing for the management of its housing stock.

Bury Council has made a number of loans to Six Town Housing at commercial rates of interest. In 2015/16 additional loans were made for the purchase of properties to bring them back into use under the AGMA grant scheme:-

<b>Loans by Bury Council to Six Town Housing</b>						
	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				1.140
Mortgage Rescue	18		0.410	0.166		0.576
AGMA Loans	25			1.869	0.250	2.119
<b>TOTAL</b>		<b>1.140</b>	<b>0.410</b>	<b>2.035</b>	<b>0.250</b>	<b>3.835</b>

## 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 £0.154m for the year ended 31<sup>st</sup> March 2016 compared to a profit of £0.128m for the period to 31<sup>st</sup> March 2015. As at 31<sup>st</sup> March 2016, Bury Council has £7.1m invested in Bury MBC Townside Fields Ltd.

## 7. **Persona Care & Support Limited – wholly owned subsidiary**

Nature of Business: Persona Care & Support was formed to provide social care services to older people and people with disabilities. The company's share capital (Called up Share Capital £1) is wholly owned by Bury Council.

Persona Care & Support Limited made a profit before tax of £0.052m for the year ended 31<sup>st</sup> March 2016. Bury Council paid management fees of £5.448m in 2015/2016.

## 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.**

<b>2014/15</b> <b>£000's</b>	<b>GROUP RECONCILIATION OF REVENUE CASH FLOW</b>	<b>2015/16</b> <b>£000's</b>
<b>6,777</b>	<b>(SURPLUS) / DEFICIT FOR THE YEAR ON REVENUE ACCOUNT</b>	<b>2,566</b>
<b>625</b>	Six Town Housing (Surplus) / Deficit	<b>1,853</b>
(184)	BMBC Townside Fields (Surplus) / Deficit	(154)
0	Persona (Surplus) / Deficit	(52)
	<b>Non Cash Movements in Revenue Account:</b>	
(28,117)	Provision for Depreciation & Impairment	(32,778)
(2,774)	Other Provisions	1,353
5,748	Minimum Revenue Provision	3,521
4,357	Contributions from / (to) Revenue Reserves	(2,746)
7,000	Other non-cash Movements	13,569
<b>(13,786)</b>		<b>(13,081)</b>
	<b>Movements in Current Assets and Liabilities:</b>	
88	Increase / (Decrease) in Stock	154
802	Increase / (Decrease) in Revenue Debtors	9,462
(4)	(Increase) / Decrease in Revenue Grants received in advance	(467)
2,130	(Increase) / Decrease in Revenue Creditors & Advance Receipts	(10,333)
<b>3,016</b>		<b>(1,184)</b>
	<b>Items shown elsewhere in the Cash Flow Statement:</b>	
(4,035)	Interest Paid	(4,290)
3,683	Interest Received	5,494
1,484	Dividend Income	2,150
<b>1,132</b>		<b>3,354</b>
<b>(2,420)</b>	<b>NET CASH (INFLOW)/OUTFLOW FROM REVENUE ACTIVITIES</b>	<b>(6,698)</b>

# **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). Fixed assets are further classified into: -

#### Operational Assets

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

#### Community Assets

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

### **Infrastructure Assets**

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

### **Non-Operational Assets**

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

### **Heritage Assets**

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

### **Donated Assets**

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

## **BALANCE SHEET**

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

## **CAPITAL**

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

## **CAPITAL CHARGES**

Charges made to services for the use of **fixed assets**.

The charge in 2014/15 represents **Depreciation** which is:

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

## **CAPITAL RECEIPTS**

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

## **CARBON REDUCTION COMMITMENT ENERGY EFFICIENCY SCHEME**

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

## **CASH AND CASH EQUIVALENTS**

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



## CHARGING AUTHORITY

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

## CREDITORS

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

## CURTAILMENT

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

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

## DEBTORS

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

## DEFINED BENEFIT SCHEME

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

## DEPRECIATION

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

## EMPLOYEE BENEFITS

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

## EVENTS AFTER THE BALANCE SHEET DATE

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

## EXPENDITURE

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

## EXIT PACKAGES

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

## FAIR VALUE

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 FIXED ASSETS

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

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

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

## INCOME

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

## LEASING

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

## LIABILITIES

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

## LOBO ("Lender Option, Borrower Option")

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

## NON DISTRIBUTED COSTS

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

## OUTTURN

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

## PRECEPTS

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

## PROJECTED UNIT METHOD

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

- i. the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants allowing, where appropriate, for future increases; and
- ii. the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

## PROVISIONS

These are sums set aside to meet **liabilities** or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs is uncertain.

## RELATED PARTIES

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

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

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

## **RELATED PARTY TRANSACTIONS**

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

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

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

## **RESERVES**

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

## **RETIREMENT BENEFITS**

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

## **REVENUE**

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

## **REVENUE SUPPORT GRANT**

This is an annual grant paid by central Government as its contribution towards the cost of the Authority's services in general. The amount of Revenue Support Grant that is provided to authorities is established through the local government finance settlement. Each Council's Settlement Funding Assessment consists of the revenue support grant and the local share of business rates.

## **SERCOP**

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

## **SHORT TERM EMPLOYEE BENEFITS**

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

## **VALUE ADDED TAX**

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